

## IMPORTANT NOTICE

**THE ATTACHED BASE PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE OUTSIDE OF THE UNITED STATES.**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the base prospectus attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached base prospectus (the "**Base Prospectus**"). In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from FAB Sukuk Company Limited (the "**Trustee**") or the Bank (as defined below) as a result of such access.

**Restrictions:** NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE ARRANGERS AND THE DEALERS (EACH AS DEFINED IN THE BASE PROSPECTUS) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THE BASE PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

ANY SECURITIES DESCRIBED IN THE BASE PROSPECTUS WHICH DO NOT CONSTITUTE "ALTERNATIVE FINANCE INVESTMENT BONDS" ("**AFIBS**") WITHIN THE MEANING OF ARTICLE 77A OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (REGULATED ACTIVITIES) (AMENDMENT) ORDER 2010 WILL REPRESENT INTERESTS IN A COLLECTIVE INVESTMENT SCHEME (AS DEFINED IN THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED (THE "**FSMA**")) WHICH HAS NOT BEEN AUTHORISED, RECOGNISED OR OTHERWISE APPROVED BY THE UNITED KINGDOM FINANCIAL CONDUCT AUTHORITY. ACCORDINGLY, THE BASE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM.

THE DISTRIBUTION IN THE UNITED KINGDOM OF THE BASE PROSPECTUS, ANY FINAL TERMS OR PRICING SUPPLEMENT, AS THE CASE MAY BE, AND ANY OTHER MARKETING MATERIALS RELATING TO THE SECURITIES IS BEING ADDRESSED TO, OR DIRECTED AT: (A) IF THE DISTRIBUTION OF THE SECURITIES (WHETHER OR NOT SUCH SECURITIES ARE AFIBS) IS BEING EFFECTED BY A PERSON WHO IS NOT AN AUTHORISED PERSON UNDER THE FSMA, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO ARE INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**FINANCIAL PROMOTION ORDER**"); (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49 (HIGH NET WORTH COMPANIES, UNINCORPORATED

ASSOCIATIONS, ETC.) OF THE FINANCIAL PROMOTION ORDER; AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE IN ACCORDANCE WITH THE FINANCIAL PROMOTION ORDER; AND (B) IF THE SECURITIES ARE NOT AFIBS AND THE DISTRIBUTION IS EFFECTED BY A PERSON WHO IS AN AUTHORISED PERSON UNDER THE FSMA, ONLY THE FOLLOWING PERSONS: (I) PERSONS FALLING WITHIN ONE OF THE CATEGORIES OF INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 14(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (PROMOTION OF COLLECTIVE INVESTMENT SCHEMES) (EXEMPTIONS) ORDER 2001 (THE "**PROMOTION OF CISS ORDER**"); (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 22 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE PROMOTION OF CISS ORDER; AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE PROMOTED.

THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

**Confirmation of Your Representation:** By accessing the Base Prospectus you confirm to the Arrangers and the Dealers and the Trustee, as issuer of the Certificates (as defined in the Base Prospectus), that: (i) you understand and agree to the terms set out herein; (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions; (iii) you consent to delivery of the Base Prospectus by electronic transmission; (iv) you will not transmit the Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Arrangers and the Dealers; and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

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

If you received the Base Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your email software, will be ignored or rejected. If you received the Base Prospectus by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Trustee in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus.

The Arrangers, the Dealers, the Delegate and the Agents (each as defined in the Base Prospectus) have not independently verified the information contained in the Base Prospectus. Accordingly, none of the Arrangers, the Dealers, the Delegate, the Agents or any of their respective directors, affiliates, advisors or agents make any representation or warranty or accept any liability in relation to the information contained or incorporated by reference in the Base Prospectus or for any other information provided by the Trustee or the Bank in connection with the programme described in the Base Prospectus (the "**Programme**") nor is any responsibility or liability accepted by them as to the accuracy or completeness of the information

contained in the Base Prospectus or any responsibility for any acts or omissions of the Trustee, the Bank or any other person (other than the relevant Dealer) in connection with the Base Prospectus or the issue and offering of Certificates under the Programme. To the fullest extent permitted by law, none of the Arrangers, the Dealers, their respective directors, affiliates, advisers and agents and the Delegate and the Agents accepts any responsibility for the contents of the Base Prospectus and accordingly each disclaims all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of the Base Prospectus.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Trustee, First Abu Dhabi Bank PJSC (the "**Bank**"), the Arrangers, the Dealers or any person who controls or is a director, officer, employee or agent of the Trustee, the Bank, the Arrangers or the Dealers nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

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

## BASE PROSPECTUS



### FAB SUKUK COMPANY LIMITED

(incorporated in the Cayman Islands as an exempted company with limited liability)

**U.S.\$3,500,000,000**

### Trust Certificate Issuance Programme

Under this U.S.\$3,500,000,000 trust certificate issuance programme (the "**Programme**"), FAB Sukuk Company Limited (in its capacities as issuer and as trustee, the "**Trustee**") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue trust certificates (the "**Certificates**") in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below).

Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$3,500,000,000 (or its equivalent in other currencies calculated as provided in the Programme Agreement described herein), subject to increase as described herein.

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

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

Each Series (as defined herein) of Certificates issued under the Programme will be constituted by: (i) an amended and restated master declaration of trust dated 9 January 2020 (the "**Master Declaration of Trust**") entered into between the Trustee, First Abu Dhabi Bank PJSC (the "**Bank**") and Citicorp Trustee Company Limited as delegate of the Trustee (in such capacity, the "**Delegate**"); and (ii) a supplemental declaration of trust (the "**Supplemental Declaration of Trust**") in relation to the relevant Tranche (as defined herein). Certificates of each Series confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the "**Trust**") over the relevant Trust Assets (as defined herein).

This Base Prospectus has been approved as a base prospectus by the Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Trustee or the Bank or of the quality of the Certificates that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Certificates.

Application has been made to the FCA for Certificates issued under the Programme (other than Exempt Certificates (as defined below)) during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Certificates to be admitted to trading on the London Stock Exchange's regulated market (the "**Regulated Market**"). References in this Base Prospectus to Certificates being "**listed**" (and all related references) shall mean that such Certificates have been admitted to trading on the Regulated Market and have been admitted to the Official List. The Regulated Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, "**MiFID II**").

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

The Bank has been assigned ratings of AA- by Fitch Ratings Ltd. ("**Fitch**"), Aa3 by Moody's Investors Service Ltd. ("**Moody's**") and AA- by S&P Global Ratings Europe Limited ("**S&P**"), each with a stable outlook. The Emirate of Abu Dhabi has been assigned ratings of AA by Fitch, Aa2 by Moody's Investors Service Singapore Pte. Ltd. ("**Moody's Singapore**") and AA by S&P, each with a stable outlook. The United Arab Emirates has been assigned a rating of Aa2 with a stable outlook by Moody's Singapore.

**Moody's Singapore is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch, Moody's and S&P is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch, Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("ESMA") on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.**

Where a Series of Certificates is rated, such rating will be specified in the applicable Final Terms (or, in the case of Exempt Certificates, the applicable Pricing Supplement (as defined herein)). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Programme also permits Certificates to be issued on the basis that they will not be admitted to listing, trading on a regulated market for the purposes of MiFID II in the EEA and/or quotation by any competent authority, stock exchange and/or quotation system ("**Exempt Certificates**") or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Trustee and the Bank. No base prospectus is required to be published under the Prospectus Regulation for the issue of Exempt Certificates and, accordingly, the Exempt Certificates issued are not required for, and do not, comply with the Prospectus Regulation. The FCA has neither reviewed nor approved the information contained in this Base Prospectus in relation to the Exempt Certificates.

**The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Shariah Supervisory Board of the Bank, the Shariah Advisory Board of Dubai Islamic Bank PJSC, Dar Al Sharia, the Shariah Supervisory Committee of Standard Chartered Bank and the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in the approval referred to above is in compliance with *Shari'a* principles.**

Arrangers

First Abu Dhabi Bank

Standard Chartered Bank

*Dealers*

**Citigroup**  
**First Abu Dhabi Bank**

**Standard Chartered Bank**

**Dubai Islamic Bank**  
**HSBC**

The date of this Base Prospectus is 9 January 2020

## IMPORTANT NOTICES

**This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation and for the purpose of giving information with regard to the Trustee, the Bank and the Certificates which, according to the particular nature of the Trustee, the Bank and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and the Bank.**

The Trustee and the Bank accept responsibility for the information contained in this Base Prospectus, the applicable Final Terms (as defined below) or (in the case of Exempt Certificates) the applicable Pricing Supplement (as defined below) for each Tranche of Certificates issued under the Programme. To the best of the knowledge of each of the Trustee and the Bank the information contained in this Base Prospectus is in accordance with the facts and this Base Prospectus does not omit anything likely to affect the import of such information.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated By Reference*"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the FCA.

Where information has been sourced from a third party, the Bank confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

Each Tranche of Certificates will be issued on the terms set out herein under "*Terms and Conditions of the Certificates*" (the "**Conditions**") as supplemented by a document specific to such Tranche called the applicable final terms (the "**Final Terms**") or (in the case of Exempt Certificates) the applicable pricing supplement (the "**Pricing Supplement**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms, Pricing Supplements and Drawdown Prospectuses*" in this Base Prospectus. In the case of a Tranche of Certificates which is the subject of a Pricing Supplement or a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the applicable Final Terms shall be read and construed as a reference to such information being specified or identified in the applicable Pricing Supplement or Drawdown Prospectus unless the context requires otherwise.

This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Certificates, should be read and construed together with the applicable Final Terms.

No person has been authorised by the Trustee or the Bank to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme any information supplied by the Trustee or the Bank or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or any of the Agents.

The Arrangers, the Dealers, the Delegate and the Agents (each as defined herein) have not independently verified the information contained herein. Accordingly, none of the Arrangers, the Dealers, the Delegate, the Agents or any of their respective directors, affiliates, advisors or agents make any representation or warranty or accept any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Trustee or the Bank in connection with the Programme, nor is any responsibility or liability accepted by them as to the accuracy or completeness of the information contained in this Base Prospectus or any responsibility for any acts or omissions of the Trustee, the Bank or any other person (other than the relevant Dealer) in connection with this Base Prospectus or the issue and offering of Certificates under the Programme. To the fullest extent permitted by law, none of the Arrangers, the Dealers, their respective directors, affiliates, advisers and agents and the Delegate and the Agents accepts any responsibility for the contents of this Base Prospectus and accordingly each disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Certificate shall, in

any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Trustee or the Bank since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Arrangers, the Dealers, the Delegate and the Agents expressly do not undertake to review the financial condition or affairs of the Trustee or the Bank during the life of the Programme or to advise any investor in the Certificates of any information coming to their attention.

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

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Trustee, the Bank, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Certificates and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Certificates, see "*Subscription and Sale*". In particular, the Certificates have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act ("**Regulation S**"), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state or other jurisdiction of the United States. The Trustee, the Bank, the Arrangers, the Dealers, the Delegate and the Agents do not represent that this Base Prospectus may be lawfully distributed, or that any Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Certificates and should not be considered as a recommendation by the Trustee, the Bank, the Arrangers, the Dealers, the Delegate, the Agents or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Certificates. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee and the Bank.

The maximum aggregate face amount of Certificates outstanding at any one time under the Programme will not exceed U.S.\$3,500,000,000 (and for this purpose, any Certificates denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Certificates (calculated in accordance with the provisions of the Programme Agreement)). The maximum aggregate face amount of Certificates which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement.

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained or incorporated by reference in this Base Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;

- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

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

The investment activities of certain investors are subject to investment laws and regulations, or the review of such laws and regulations by certain governmental or regulatory authorities. Each potential investor should consult its legal and tax advisers to determine whether and to what extent: (i) the Certificates constitute legal investments for it; (ii) the Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Certificates by the investor. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules and regulations. In addition, potential investors should consult their own tax advisers on how the rules relating to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**") may apply to payments they receive under the Certificates.

The requirement to publish a base prospectus under the Prospectus Regulation only applies to Certificates which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. References in this Base Prospectus to "**Exempt Certificates**" are to Certificates issued by the Trustee for which no base prospectus is required to be published under the Prospectus Regulation. Exempt Certificates do not form part of this Base Prospectus for the purposes of the Prospectus Regulation and the FCA has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Certificates.

## **PRESENTATION OF INFORMATION**

### **Presentation of Financial Information**

This Base Prospectus incorporates by reference the following financial statements of the Group:

- the unaudited reviewed condensed consolidated interim financial statements of the Group as at and for the nine months ended 30 September 2019 (the "**Interim Financial Statements**");
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 (the "**2018 Financial Statements**"); and
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2017 (together with the 2018 Financial Statements, the "**Annual Financial Statements**").

The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting and have been reviewed by KPMG Lower Gulf Limited ("**KPMG**") in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in their review report incorporated by reference in this Base Prospectus.



The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board and have been audited without qualification by KPMG in accordance with International Standards on Auditing ("**ISA**") as stated in their audit report incorporated by reference herein.

The Interim Financial Statements and the Annual Financial Statements (together, the "**Financial Statements**") incorporated by reference in this Base Prospectus should be read in conjunction with the respective notes thereto.

The Group's financial year ends on 31 December and references in this Base Prospectus to 2018 and 2017 are to the 12-month period ending on 31 December in each year.

Any financial information regarding the Group included in this Base Prospectus labelled as "unaudited" has not been extracted from the Annual Financial Statements but has been extracted or derived from the Interim Financial Statements or from the Group's unaudited management accounts based on accounting records, as applicable, or is based on calculations of figures from the above-mentioned sources.

Certain numerical figures set out in this Base Prospectus, including financial and operating data, have been rounded. Therefore, the sums of amounts given in some columns or rows in the tables and other lists presented in this Base Prospectus may slightly differ from the totals specified for such columns or rows. Similarly, some percentage values presented in the tables in this Base Prospectus have been rounded and the totals specified in such tables may not add up to 100 per cent.

#### **Non-IFRS Financial Measures and Ratios**

This Base Prospectus includes certain non-IFRS financial measures and ratios. See further "*Presentation of Information – Alternative Performance Measures*". The Group uses these non-IFRS financial measures and ratios to evaluate its performance, and this additional financial information is presented in this Base Prospectus. This information is not presented in accordance with IFRS and should be viewed as supplemental to the Group's financial information. Investors are cautioned not to place undue reliance on this information and should note that these non-IFRS financial measures and ratios, as calculated by the Group, may differ materially from similarly titled measures reported by other companies, including the Group's competitors. Within the industry in which the Group operates, non-IFRS financial measures and ratios may be calculated differently between relevant entities, limiting their value as comparative tools.

#### **Alternative Performance Measures**

Certain financial measures presented by the Bank in this Base Prospectus are not defined in accordance with IFRS accounting standards. The Bank believes that these alternative performance measures (as defined in the European Securities and Markets Authority guidelines (the "**ESMA Guidelines**") on Alternative Performance Measures ("**APMs**")) provide useful supplementary information to both investors and to the Bank's management, as they facilitate the evaluation of underlying business performance across financial reporting periods. However, investors should note that, since not all companies calculate financial measurements such as the APMs presented by the Bank in this Base Prospectus in the same manner, these are not always directly comparable to performance metrics used by other companies.

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

<b>APM</b>	<b>Definition/method of calculation</b>	<b>Reconciliation with Financial Statements/accounting records</b>
Return on tangible equity	Financial measure to express efficiency at generating profits from every unit of shareholders'	Profit for the period attributable to shareholders of the Bank is as set out in the consolidated

APM	Definition/method of calculation	Reconciliation with Financial Statements/accounting records
	<p>tangible equity and is calculated as profit for the period attributable to shareholders of the Bank after deduction of interest due (accrual basis) on Tier 1 capital notes divided by average total shareholder tangible equity, with average shareholder tangible equity calculated as the sum of shareholder tangible equity at the beginning and end of the period under calculation divided by two. For the nine months ended 30 September 2019, the average balance is calculated based on the sum of balances at the beginning (31 December 2018) and end (30 September 2019) of the period divided by two. Shareholder tangible equity is calculated as the total equity less the sum of non-controlling interest, Tier 1 capital notes and intangible (assets).</p>	<p>statement of profit or loss in the Financial Statements.</p> <p>Interest due (accrual basis) on Tier 1 capital notes is derived from the Bank's internal accounting records (and is a Bank management calculated number).</p> <p>Total equity is as set out in the consolidated statement of financial position in the Financial Statements.</p> <p>Non-controlling interest is as set out in the consolidated statement of financial position in the Financial Statements.</p> <p>Tier 1 capital notes are as set out in the consolidated statement of financial position in the Financial Statements.</p> <p>Intangibles are as set out in the consolidated statement of financial position in the Financial Statements.</p>
<p>Cost to income ratio (excluding Merger integration costs)</p>	<p>Financial measure to express operating efficiency and is calculated as general, administrative and other operating expenses net of integration related costs divided by total operating income.</p>	<p>General, administrative and other operating expenses are as set out in the consolidated statement of profit or loss in the Financial Statements.</p> <p>Integration related costs are as set out in Note 43(b) (<i>Business combination – Integration related costs</i>) to the 2018 Financial Statements.</p> <p>Operating income is as set out in the consolidated statement of profit or loss in the Financial Statements.</p>
<p>Liquidity coverage ratio ("LCR")</p>	<p>Liquidity measure which focuses on a bank's short-term liquidity risk profile. The LCR ensures that a bank has an adequate stock of unencumbered high quality liquid assets ("HQLA") that can be converted easily and immediately in private markets in to cash to meet their liquidity needs for a 30 calendar day</p>	<p>This ratio has been derived from the Bank's internal accounting records and is calculated in accordance with the UAE Central Bank guidelines.</p>

<u>APM</u>	<u>Definition/method of calculation</u>	<u>Reconciliation with Financial Statements/accounting records</u>
	liquidity stress scenario.	
	Calculated in accordance with the requirements of the UAE Central Bank as stipulated in Circular No. 33/2015 dated 27 May 2015.	
Loan to deposit ratio	Liquidity measure to express a bank's ability to fund its loan book through its deposit base and is calculated as net loans and advances divided by customer accounts and other deposits.	<p>Net loans and advances are as set out in the consolidated statement of financial position in the Financial Statements.</p> <p>Customer accounts and other deposits are as set out in the consolidated statement of financial position in the Financial Statements.</p>
Non-performing loans ("NPL") ratio	Financial measure to express loan asset quality and is calculated as NPLs net of interest suspended as a percentage of gross loans and advances net of interest suspended.	<p>NPLs are the stage 3 loans and advances and the portion of purchased or originally credit impaired loans and advances considered by the Group as par to NPLs, each as set out in Note 5 (<i>Financial risk management</i>) to the Interim Financial Statements and Note 5(a) (<i>Financial risk management – Credit risk</i>) to the 2018 Financial Statements.</p> <p>Interest suspended is as set out in Note 9 (<i>Loans and advances</i>) to the Interim Financial Statements and Note 12 (<i>Loans and advances</i>) to the 2018 Financial Statements.</p> <p>Gross loans and advances are as set out in Note 9 (<i>Loans and advances</i>) to the Interim Financial Statements and Note 12 (<i>Loans and advances</i>) to the 2018 Financial Statements.</p>
Provision coverage ratio	Financial measure to provide an indication of the level of provisioning vis-à-vis the NPLs net of interest suspended and is calculated as impairment allowances as a percentage of NPLs.	Impairment allowances are total provisions in respect of loans and advances and total provisions in respect of unfunded exposure, each as set out in Note 5 ( <i>Financial risk management</i> ) to the Interim Financial Statements and Note 5(a) ( <i>Financial risk management – Credit risk</i> ) to the 2018 Financial Statements, together with the specific and collective IFRS 9

APM	Definition/method of calculation	Reconciliation with Financial Statements/accounting records
Tier 1 capital adequacy ratio	<p>Calculated in accordance with the requirements of the UAE Central Bank and the capital adequacy regulations issued by the UAE Central Bank as stipulated in Circular No. 52/2017 dated 23 February 2017 and Circular No. 60/2017 dated 2 March 2017.</p> <p>Tier 1 capital adequacy ratio is defined as Tier 1 capital divided by risk-weighted assets at a given date.</p> <p>Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.</p>	<p>reserve as set out in Note 18 (<i>Capital and reserves</i>) to the Interim Financial Statements and Note 25(v) (<i>Capital and reserves – IFRS 9 reserve</i>) to the 2018 Financial Statements.</p> <p>NPLs are the stage 3 loans and advances and the portion of purchased or originally credit impaired loans and advances considered by the Group as par to NPLs, each as set out in Note 5 (<i>Financial risk management</i>) to the Interim Financial Statements and Note 5(a) (<i>Financial risk management – Credit risk</i>) to the 2018 Financial Statements.</p> <p>Interest suspended is as set out in Note 9 (<i>Loans and advances</i>) to the Interim Financial Statements and Note 12 (<i>Loans and advances</i>) to the 2018 Financial Statements.</p>
Tier 2 capital adequacy ratio	<p>Calculated in accordance with the requirements of the UAE Central Bank and the capital adequacy regulations issued by the UAE Central Bank as stipulated in Circular No. 52/2017 dated 23 February 2017 and Circular No. 60/2017 dated 2</p>	<p>For the nine months ended 30 September 2019, this ratio has been derived from the Bank's internal accounting records and is calculated in accordance with the UAE Central Bank guidelines.</p> <p>Tier 1 capital is as set out in Note 5(e) (<i>Financial risk management – Capital management</i>) to the 2018 Financial Statements.</p> <p>Risk weighted assets are as set out in Note 5(e) (<i>Financial risk management – Capital management</i>) to the 2018 Financial Statements.</p> <p>For the nine months ended 30 September 2019, this ratio has been derived from the Bank's internal accounting records and is calculated in accordance with the UAE Central Bank guidelines.</p> <p>Tier 2 capital is as set out in</p>

<u>APM</u>	<u>Definition/method of calculation</u>	<u>Reconciliation with Financial Statements/accounting records</u>
	<p>March 2017.</p> <p>Tier 2 capital adequacy ratio is defined as Tier 2 capital divided by risk-weighted assets at a given date.</p> <p>Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.</p>	<p>Note 5(e) (<i>Financial risk management – Capital management</i>) to the 2018 Financial Statements.</p> <p>Risk weighted assets are as set out in Note 5(e) (<i>Financial risk management – Capital management</i>) to the 2018 Financial Statements.</p>
Total capital adequacy ratio	<p>Calculated in accordance with the requirements of the UAE Central Bank and the capital adequacy regulations issued by the UAE Central Bank as stipulated in Circular No. 52/2017 dated 23 February 2017 and Circular No. 60/2017 dated 2 March 2017.</p> <p>Total capital adequacy ratio is defined as total regulatory capital (Tier 1 capital and Tier 2 capital) divided by risk-weighted assets at a given date.</p> <p>Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.</p>	<p>For the nine months ended 30 September 2019, this ratio has been derived from the Bank's internal accounting records and is calculated in accordance with the UAE Central Bank guidelines.</p> <p>Total regulatory capital is as set out in Note 5(e) (<i>Financial risk management – Capital management</i>) to the 2018 Financial Statements.</p> <p>Risk weighted assets are as set out in Note 5(e) (<i>Financial risk management – Capital management</i>) to the 2018 Financial Statements.</p>

### Certain Defined Terms

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

- references to "**Abu Dhabi**" are to the Emirate of Abu Dhabi;
- references to the "**Bank**" are to First Abu Dhabi Bank PJSC;
- references to the "**Effective Date**" are to 30 March 2017 (being the date on which the Merger became effective);
- references to "**FGB**" are to First Gulf Bank P.J.S.C.;
- references to "**GCC**" are to the Gulf Co-operation Council;
- references to the "**Government**" are to the government of Abu Dhabi;
- references to the "**Group**" are to the Bank, together with its subsidiaries;
- references to a "**Member State**" are to a Member State of the European Economic Area;

- references to the "**Merger**" are to the merger of NBAD and FGB which was effected on the Effective Date;
- references to "**NBAD**" are to National Bank of Abu Dhabi P.J.S.C.;
- references to "**OPEC**" are to the Organisation of Petroleum Exporting Countries; and
- references to the "**UAE**" are to the United Arab Emirates.

#### **Certain Conventions**

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

All references in this Base Prospectus to "**U.S. dollars**", "**U.S.\$**" and "**\$**" refer to United States dollars being the legal currency for the time being of the United States of America; all references to "**euro**", "**EUR**" and "**€**" are to the currency introduced at the start of the third stage of the Treaty on the Functioning of the European Community, as amended; all references to "**GBP**" are to the British pound, the lawful currency of the United Kingdom; all references to "**MYR**" are to Malaysian ringgit, the lawful currency of Malaysia; all references to "**A\$**" are to Australian dollars, the lawful currency of the Commonwealth of Australia; all references to "**JPY**" are to Japanese yen, the lawful currency of Japan; all references to "**HKD**" are to Hong Kong dollars, the lawful currency of Hong Kong; and all references to "**dirham**" and "**AED**" refer to UAE dirham being the legal currency for the time being of the UAE.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The midpoint between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00.

References to a "**billion**" are to a thousand million.

#### **MIFID II PRODUCT GOVERNANCE / TARGET MARKET**

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

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

#### **NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA")**

**Unless otherwise stated in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Certificates) all Certificates issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).**

#### **VOLCKER RULE**

**The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is**

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

#### NOTICE TO RESIDENTS OF THE UNITED KINGDOM

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

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

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

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

## NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

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

## NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Certificates, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or any related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

## NOTICE TO RESIDENTS OF MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or the Bank and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

## NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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

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



## STABILISATION

**In connection with the issue of any Tranche of Certificates, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of the Stabilisation Manager(s)) in the applicable Final Terms or Pricing Supplement may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date (as defined herein) of the relevant Tranche of Certificates, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Certificates. Any stabilisation action must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of the Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

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## **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (a) the unaudited reviewed condensed consolidated interim financial statements of the Bank as at and for the nine months ended 30 September 2019 and the auditors' review report thereon;
- (b) the audited consolidated financial statements of the Bank as at and for the financial year ended 31 December 2018 and the auditors' report thereon;
- (c) the audited consolidated financial statements of the Bank as at and for the financial year ended 31 December 2017 and the auditors' report thereon; and
- (d) the Terms and Conditions of the Certificates contained on pages 38 to 69 (inclusive) in the base prospectus dated 3 January 2019 prepared by the Trustee and the Bank in connection with the Programme.

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

Only certain parts of the documents referred to above are incorporated by reference in this Base Prospectus. The non-incorporated parts of the documents referred to above are either not relevant for investors or are covered elsewhere in this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Trustee and the Bank and approved by the FCA in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Certificates, is supplemented by the applicable Final Terms or, in the case of Exempt Certificates, the applicable Pricing Supplement.*

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

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

**Trustee:** FAB Sukuk Company Limited, as trustee for and on behalf of the Certificateholders and as issuer of the Certificates, an exempted company with limited liability incorporated on 1 June 2011 in accordance with the laws of, and formed and registered in, the Cayman Islands with registered number 257247 with its registered office at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands.

The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party. FAB Sukuk Company Limited shall on each Issue Date issue the Certificates to the Certificateholders and act as Trustee in respect of the Trust Assets for the benefit of the Certificateholders.

**Trustee's Legal Entity Identifier:** 549300JEV79SSEDKS489.

**Bank:** First Abu Dhabi Bank PJSC.

**Ownership of the Trustee:** The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held by MaplesFS Limited, with registered office at P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands on trust for charitable purposes.

**Administration of the Trustee:** The affairs of the Trustee are managed by MaplesFS Limited (the "**Trustee Administrator**"), who provide, *inter alia*, corporate administrative services and director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement (as amended and restated from time to time) made between the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**").

**Arrangers:** First Abu Dhabi Bank PJSC and Standard Chartered Bank.

**Dealers:** Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, Standard Chartered Bank and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Tranche of Certificates.

**Delegate:** Citicorp Trustee Company Limited.

**Principal Paying Agent,  
Calculation Agent and  
Transfer Agent:** Citibank N.A., London Branch.

<b>Registrar:</b>	Citigroup Global Markets Europe AG.
<b>Initial Programme Amount:</b>	Up to U.S.\$3,500,000,000 (or its equivalent in other currencies) aggregate face amount of Certificates outstanding at any one time. The amount of the Programme may be increased in accordance with the terms of the Programme Agreement.
<b>Issuance in Series:</b>	The Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Certificates of each Series will have the same terms and conditions (which will be completed in the applicable Final Terms) or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue.
<b>Distribution:</b>	Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal and/or regulatory and/or central bank requirements, any currency agreed between the Trustee, the Bank and the relevant Dealer.
<b>Maturities:</b>	The Certificates will have such maturities as may be agreed between the Trustee, the Bank and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the relevant Specified Currency (as defined in the applicable Final Terms).
<b>Issue Price:</b>	Certificates may be issued at any price on a fully paid basis, as specified in the applicable Final Terms. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, the Bank and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Status of the Certificates:</b>	Each Certificate will represent an undivided <i>pro rata</i> ownership interest in the Trust Assets of the relevant Series, will be a limited recourse obligation of the Trustee and will rank <i>pari passu</i> , without preference or priority, with all other Certificates of the relevant Series issued under the Programme.

In respect of each Series, the Trustee shall hold the relevant Trust Assets for such Series upon trust absolutely for and on behalf of the Certificateholders of such Series *pro rata* according to the face amount of Certificates held by each holder of the relevant Series of Certificates. The "**Trust Assets**" of the relevant Series will comprise: (i) all of the cash proceeds of the issue of the Certificates, pending the application thereof in accordance with the terms of the Transaction Documents; (ii) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Portfolio; (iii) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Transaction Documents (excluding any representations given by the Bank to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to clause 17.1 of the Master Declaration of Trust); (iv) all moneys standing to the credit of the Transaction Account from time to time; and (v) all proceeds

of the foregoing.

<b>Periodic Distribution Amounts:</b>	Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.
<b>Cross-Default:</b>	The Certificates will have the benefit of a cross-default provision, as described in Condition 14 ( <i>Dissolution Events</i> ).
<b>Negative Pledge:</b>	The Certificates will have the benefit of a negative pledge granted by the Bank, as described in Condition 5 ( <i>Negative Pledge</i> ).
<b>Dissolution on the Scheduled Dissolution Date:</b>	Unless the Certificates are previously redeemed or purchased and cancelled in full, each Certificate shall be finally redeemed at its Dissolution Distribution Amount and the Trust in relation to the relevant Series shall be dissolved by the Trustee on the Scheduled Dissolution Date specified in the applicable Final Terms.
<b>Dissolution Amount:</b>	Means, in relation to each Certificate, as the case may be: <ul style="list-style-type: none"><li>(a) the Dissolution Distribution Amount, being;<ul style="list-style-type: none"><li>(i) the sum of: (A) the outstanding face amount of such Certificate; and (B) any accrued but unpaid Periodic Distribution Amounts relating to such Certificate; or</li><li>(ii) such other amount specified in the applicable Final Terms as being payable upon any relevant Dissolution Date; or</li></ul></li><li>(b) the Early Dissolution Amount (Tax); or</li><li>(c) the Optional Dissolution Amount; or</li><li>(d) the Certificateholder Put Option Dissolution Amount.</li></ul>
<b>Dissolution Events:</b>	The Dissolution Events are described in Condition 14 ( <i>Dissolution Events</i> ). Following the occurrence of a Dissolution Event which is continuing, the Certificates of the relevant Series may be redeemed in full at an amount equal to the relevant Dissolution Distribution Amount and the Trust in relation to the relevant Series shall be dissolved by the Trustee on any Dissolution Event Redemption Date. See Condition 14 ( <i>Dissolution Events</i> ).
<b>Early Dissolution for Tax Reasons:</b>	Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 11 ( <i>Taxation</i> ) or the Trustee has received notice from the Bank that the Bank has or will become obliged to pay any additional amounts in respect of amounts payable under the Transaction Documents, in each case, as a result of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the relevant Series and such obligation cannot be avoided by the Trustee or the Bank, as applicable, taking reasonable measures available to it, the Trustee will, on giving not less than the Minimum Notice Period nor more than the Maximum Notice Period (each as specified in the applicable Final Terms) give notice to Certificateholders (which notice shall be irrevocable), redeem the Certificates in whole but not in part at an amount equal to the relevant Early Dissolution

Amount (Tax) on any Early Tax Dissolution Date subject to and in accordance with Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*).

**Optional Dissolution Right:**

If so specified in the applicable Final Terms, the Bank may, in accordance with Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of the Bank*), require the Trustee, on giving not less than the Minimum Notice Period nor more than the Maximum Notice Period (each as specified in the applicable Final Terms) give notice to the Certificateholders (which notice shall be irrevocable) to redeem all or, if so specified in such notice, some of the Certificates only on any Optional Dissolution Date subject to and in accordance with Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of the Bank*). Any such redemption of Certificates shall be at the relevant Optional Dissolution Amount.

**Certificateholder Put Option:**

If so specified in the applicable Final Terms, the Trustee shall, at the option of the holder of any Certificates, upon the holder of such Certificates giving not less than the Minimum Notice Period nor more than the Maximum Notice Period (each as specified in the applicable Final Terms) to the Trustee redeem such Certificates on any Certificateholder Put Option Date at the relevant Certificateholder Put Option Dissolution Amount subject to and in accordance with Condition 10(d) (*Capital Distributions of the Trust – Certificateholder Put Option*).

**Total Loss Event:**

To the extent applicable pursuant to the Service Agency Agreement and Condition 10(e) (*Dissolution following a Total Loss Event*), following the occurrence of a Total Loss Event, save where the Real Estate Assets forming part of the relevant Wakala Portfolio have been replaced in accordance with the Service Agency Agreement, the Certificates of the relevant Series will be redeemed in full on the Total Loss Dissolution Date at the relevant Dissolution Distribution Amount subject to and in accordance with Condition 10(e) (*Capital Distributions of the Trust – Dissolution following a Total Loss Event*).

**Cancellation of Certificates held by the Bank and/or any of its Subsidiaries:**

Pursuant to Condition 13 (*Purchase and Cancellation of Certificates*), the Bank and/or any of its subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank wishes to cancel such Certificates purchased by it and/or any of its subsidiaries (the "**Cancellation Certificates**"), the Bank may surrender such Certificates for cancellation in accordance with the Conditions and the Master Declaration of Trust, and following the service of a cancellation notice by the Bank to the Trustee pursuant to the Master Declaration of Trust, require the Trustee, any time prior to the Scheduled Dissolution Date, to cancel any Certificates surrendered to it by the Bank for cancellation.

**Limited Recourse:**

Each Certificate of a particular Series will represent an undivided *pro rata* ownership interest in the Trust Assets for such Series. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.

Certificateholders will otherwise have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or the Bank (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the

expected amounts due from the relevant Trust Assets to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee and the Bank shall be extinguished. See Condition 4(b) (*Status and Limited Recourse – Limited Recourse*).

**Denomination of Certificates:**

The Certificates will be issued in such denominations as may be agreed between the Trustee, the Bank and the relevant Dealer(s) and as specified in the applicable Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The minimum denomination of each Certificate admitted to trading on a regulated market within the EEA, or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Regulation, will be €100,000 (or, if the Certificates are denominated in a currency other than euro, the equivalent amount in such currency as at the Issue Date of such Certificates).

**Form and Delivery of the Certificates:**

The Certificates will be issued in registered form only. The Certificates will be represented on issue by beneficial interests in a global certificate (the "**Global Certificate**"), which will be deposited with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. See the section entitled "*Form of the Certificates*". Certificates in definitive form evidencing holdings of Certificates ("**Definitive Certificates**") will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances.

**Clearance and Settlement:**

Certificateholders must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg (or any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Trustee and the Bank). Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

**Withholding Tax:**

Subject to Condition 9(b) (*Payment – Payments subject to Applicable Laws*), all payments by the Trustee in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, or on account of, Taxes imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts as shall be necessary in order that the net amounts received by the Certificateholder after such withholding or deduction shall equal the respective amounts due and payable to any Certificateholder which would have otherwise been receivable in the absence of such withholding or deduction, except in circumstances set out in Condition 11 (*Taxation*).

Further, in accordance with the Master Declaration of Trust, the Bank has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 11



(*Taxation*), pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any withholding or deduction for or an account of Taxes) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to Condition 11 (*Taxation*).

The Transaction Documents to which it is a party provide that payments by the Bank thereunder shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes unless such withholding or deduction is required by law and, in such case, provide for the payment by the Bank of all additional amounts as will result in the receipt by the Trustee of such net amount as would have been receivable by it if no withholding or deduction had been made.

**Listing and Trading:**

Application has been made to the FCA for the Certificates (other than Exempt Certificates) to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the Regulated Market.

Certificates may also be issued and listed (or admitted to trading, as the case may be), on other or further stock exchanges or markets agreed between the Trustee, the Bank and the relevant Dealer in relation to the Series. Certificates which are neither listed nor admitted to trading on any market may also be issued.

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

**Certificateholder Meetings:**

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

**Tax Considerations:**

See the section entitled "*Taxation*" for a description of certain tax considerations applicable to the Certificates.

**Governing Law and Dispute Resolution:**

The Certificates and any non-contractual obligations arising out of or in connection with the Certificates will be governed by, and construed in accordance with, English law. Each Transaction Document (other than the Master Purchase Agreement, each Supplemental Purchase Agreement and each Sale Agreement) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Master Purchase Agreement, each Supplemental Purchase Agreement and each Sale Agreement will be governed by the laws of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE.

In respect of any dispute under any Transaction Document to which it is a party (other than the Master Purchase Agreement, each Supplemental Purchase Agreement and each Sale Agreement), the Bank has agreed to arbitration in London under the Arbitration Rules of the London Court of International Arbitration (the "**Rules**"). The Bank has also agreed to submit to the exclusive jurisdiction of the courts of England or the courts of the Abu Dhabi Global Market (the "**ADGM**") in respect of any dispute under such Transaction Document, subject to the right of the Trustee and/or the Delegate (as applicable) to require any

dispute to be resolved by any other court of competent jurisdiction.

In respect of any dispute under any of the Master Purchase Agreement, each Supplemental Purchase Agreement and each Sale Agreement, the Bank has agreed to submit to the exclusive jurisdiction of the courts of Abu Dhabi.

The Corporate Services Agreement will be governed by the laws of the Cayman Islands and subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

**Transaction Documents:**

The Transaction Documents in relation to each Series shall comprise the Master Purchase Agreement, as supplemented by each relevant Supplemental Purchase Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking, any Sale Agreement, the Master Murabaha Agreement (together with all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Master Murabaha Agreement in connection with the relevant Series), the Master Declaration of Trust, as supplemented by each relevant Supplemental Declaration of Trust, the Agency Agreement and the relevant Certificates (each a "**Transaction Document**" and, together, the "**Transaction Documents**").

**Rating:**

The rating(s) of any Series of Certificates to be issued under the Programme which is to be rated will be specified in the applicable Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation).

**Selling and Transfer Restrictions:**

There are restrictions on the distribution of this Base Prospectus and the offer, sale or transfer of Certificates in the United States of America, the European Economic Area, the United Kingdom, Hong Kong, Japan, Malaysia, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the Cayman Islands and such other restrictions as may be required in connection with the offering and sale of the Certificates. See "*Subscription and Sale*".

**United States Selling Restrictions:**

Regulation S, Category 2.

## **RISK FACTORS**

*Each of the Trustee and the Bank believes that the following factors may affect its ability to fulfil its obligations relating to Certificates issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Trustee nor the Bank is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Certificates issued under the Programme are also described below.*

*Each of the Trustee and the Bank believes that the factors described below represent the principal risks inherent in investing in the Certificates issued under the Programme, but the inability of the Trustee to pay Periodic Distribution Amounts, Dissolution Amounts or other amounts on or in connection with any Certificates or to pay any amount in respect of the relevant Dissolution Amounts or other amounts on or in connection with any Certificates may occur for other reasons which may not be considered significant risks by the Trustee or the Bank based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

*Although the Trustee and the Bank believe that the various structural elements described in this Base Prospectus lessen some of these risks for Certificateholders, there can be no assurance that these measures will be sufficient to ensure payment to Certificateholders of any Periodic Distribution Amount or the relevant Dissolution Amounts in respect of the Certificates of any Series on a timely basis or at all.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this section.*

### **Risk factors relating to the Trustee**

The Trustee was incorporated under the laws of the Cayman Islands on 1 June 2011 as an exempted company with limited liability and has a limited operating history. The Trustee has not and will not engage in any business activity other than the issuance of Certificates under the Programme, the acquisition of Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the relevant Transaction Documents relating to each Series.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets relating to each Series of Certificates, including the obligation of the Bank to make payments to the Trustee under the relevant Transaction Documents.

The ability of the Trustee to pay amounts due on the Certificates will primarily be dependent upon receipt by the Trustee from the Bank of all amounts due under the Transaction Documents to which it is a party (which in aggregate may not be sufficient to meet all claims under the relevant Certificates and the Transaction Documents in the event that the Bank does not fully perform its obligations thereunder). As a result, the Trustee is subject to all the risks to which the Bank is subject, to the extent such risks could limit the Bank's ability to satisfy in full and on a timely basis, its obligations under the Transaction Documents to which it is a party. See "*Factors that may affect the Bank's ability to fulfil its obligations in respect of the Transaction Documents*" for a further description of these risks.

### **Factors that may affect the Bank's ability to fulfil its obligations in respect of the Transaction Documents**

*Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Bank's business, results of operations, financial condition and prospects*

The Bank, in common with other financial institutions, is susceptible to changes in the macro-economic environment and the performance of financial markets generally. As at the date of this Base Prospectus, the performance of global debt and equity markets has been volatile, reflecting the ongoing volatility in the macro-economic climate which has had, and which continues to have, a material adverse effect on the economies of the GCC states, including the UAE.

Between July 2014 and January 2016, international crude oil prices declined dramatically (falling by approximately 75 per cent. from a high monthly average OPEC Reference Basket price per barrel of U.S.\$107.89 in July 2014, to a monthly average price of U.S.\$26.50 in January 2016).

Notwithstanding the partial correction in global crude oil prices through 2016 to 2018 (according to the OPEC website, the average price of the OPEC Reference Basket was approximately U.S.\$40.76 per barrel for the year ended 31 December 2016, approximately U.S.\$52.43 per barrel for the year ended 31 December 2017 and approximately U.S.\$69.78 per barrel for the year ended 31 December 2018), the economies of the oil-revenue dependent GCC states have continued to be adversely affected with greater budget deficits, a decrease in fiscal revenues and consequent lower public spending seen between 2016 and 2018. Government fiscal deficits have resulted in weakened net asset positions, larger external financing needs and continued lower government spending. This has resulted in the downgrading, or placing on "creditwatch", of a number of GCC sovereigns including, particularly, the Sultanate of Oman and the Kingdom of Bahrain.

Additionally, in the UAE, the significant fiscal reforms implemented by the federal government in response to the low oil price environment since 2015 have had, and are expected to continue to have, a transformative effect on the UAE economy. The federal government has scaled back capital transfers to government-related entities, cut government investment, raised electricity and water tariffs and removed fuel subsidies. Further, with effect from 1 January 2018, the federal government has introduced a value-added tax ("**VAT**") regime in the UAE at a rate of 5 per cent.

These measures have become an integral part of a broader federal government strategy aimed at rationalising fiscal expenditure generally and reducing fiscal dependency on hydrocarbon related revenues. When taken in totality with the ongoing oil price volatility, the diversion of significant fiscal revenues to the Saudi Arabian led military intervention in the Republic of Yemen since 2015 and domestic job losses in both the private and public sectors across the UAE (and particularly within Abu Dhabi), the impact on the UAE economy since early 2015 has been significant. Moreover, in respect of the Bank's Abu Dhabi-based, Government-related customers, recent legislation including Abu Dhabi Executive Council Circular No. 11 of 2015 and Abu Dhabi Executive Council Circular No. 1 of 2017 (together, the "**Abu Dhabi Public Debt Laws**") requires any company owned by the Government which has received a copy of such circulars to obtain the approval of the Abu Dhabi Executive Council for it or any of its subsidiaries to enter into any transaction for borrowing or issue of debt (with an additional requirement to co-ordinate with the Public Debt Office of Abu Dhabi if such borrowing is to be guaranteed by the Government). In practice, it is unclear what the impact will be of the application of the Abu Dhabi Public Debt Laws on the Bank's Abu Dhabi-based, Government-related customers. If the provisions of the Abu Dhabi Public Debt Laws are strictly applied, requiring the Bank's Abu Dhabi-based, Government-related customers to obtain Abu Dhabi Executive Council approval each time they contract with the Bank, it is possible that the Bank may experience a decline in (and/or a delay in execution of) lending activity to customers within this sector.

The measures taken by the UAE federal government to counter the impact of the oil price volatility since 2015 have created significant stress in UAE retail markets (which represents one of the Bank's core businesses). In the event that macro-economic conditions do not improve in the UAE and the challenges faced by the retail sector were to spread to the Bank's corporate customers, the impact on the Bank's business, results of operations and financial condition could be significant.

While the Bank's direct exposure to the crude oil, gas, mining and quarrying sectors is not significant (with approximately 9.1 per cent. of its gross loans and advances being to customers in the energy industry as at 30 September 2019), a continued deterioration in global oil prices may further adversely impact the UAE economy as a whole and may indirectly adversely impact the Bank as a result of a deterioration in other sectors of the UAE economy.

Furthermore, the impact of political events has caused volatility in international financial markets and investor sentiment generally across the EU and the United States including, for example, periodic under and over performance of debt and equity markets.

These extremely volatile market conditions have resulted in reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets. The adverse market conditions have impacted investment markets both globally and in the UAE, with increased volatility in interest rates and exchange rates. Between December 2015 and December 2018, the U.S. Federal Reserve increased U.S. overnight

interest rates by an aggregate 225 basis points (in nine separate increments of 25 basis points each). Throughout 2019, the U.S. Federal Reserve has lowered the U.S. overnight interest rate by an aggregate 75 basis points (in three separate increments of 25 basis points each). Any future movements in such rates could further exacerbate the reduced liquidity environment and, if the U.S. overnight interest rates are increased in the future, may adversely impact the Bank's net interest margins and borrowing costs, if the Bank is unable to pass these increased costs on to its customers.

As a result of market conditions prevailing as at the date of this Base Prospectus, companies to which the Bank directly extends credit have historically experienced, and may continue to experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs and some of these companies have been unable to meet their debt service obligations or other expenses as they become due, including amounts payable to the Bank.

The business, results of operations, financial condition and prospects of the Bank have been materially adversely affected by these trends and may be further materially adversely affected by a continuation of the general unfavourable economic conditions in the other countries of the GCC and emerging markets generally as well as by United States, European and international trading market conditions and/or related factors.

### ***Credit risks***

*Credit risk is the risk that the Bank's counterparties will fail to discharge their obligations on maturity or in a timely manner, causing the Bank to incur a financial loss. Credit risks could materially adversely affect the Bank's business, results of operations, financial condition and prospects. Some of the credit risks facing the Bank are set out below.*

If the Bank is unable to effectively monitor and control the level of, or, where required, successfully restructure, its non-performing loans with debtors in financial distress, or its allowances for loan impairment are insufficient to cover loan losses, the Bank's financial condition and results of operations would be adversely affected.

In common with other banks in the GCC, as a result of adverse economic and political developments in recent years, adverse changes in consumer confidence levels, consumer spending, liquidity levels, bankruptcy rates and commercial and residential real estate prices, among other factors, have historically impacted the Bank's credit portfolio. See further "*Risk Factors – Factors that may affect the Bank's ability to fulfil its obligations in respect of the Transaction Documents – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Bank's business, results of operations, financial condition and prospects*".

This volatile economic environment and the likely impact on the level of economic activity in Abu Dhabi and the UAE is expected to continue to have an adverse effect on the Bank's credit risk profile. Although the Bank regularly reviews its credit exposures and has re-priced a portion of its loan portfolio and restructured some of its loans under stress, customer defaults may continue to occur. The occurrence of these events has affected, and could continue to materially adversely affect, the Bank's business, results of operations, financial condition and prospects.

As at 30 September 2019, the Bank had NPLs of AED 12.0 billion and, for the nine months ended 30 September 2019, carried impairment allowances of AED 13.1 billion. In accordance with IFRS, the Bank is required to reflect the impairment calculated (which is established based on its best estimates of recoveries and judgments leading to calculation of probable losses) as an upfront charge to the income statement. This is written back to the income statement as and when interest or principal (as appropriate) on the debt is received. The Bank's management believes that the levels of impairment allowances for impaired loans as at 30 September 2019 were sufficient to cover the Bank's potential loan losses as at that date. However, there is no guarantee that impairment allowances recognised by the Bank will be sufficient to cover its actual credit portfolio losses. As at 30 September 2019, the Bank had a provision coverage ratio of 109.1 per cent.

The Bank regularly reviews and monitors compliance with lending limits to individual financial institutions and country limits. See further "*Risk Management*". Further, the Bank's credit group is responsible for the formulation of credit policies and processes in line with growth, risk management and

strategic objectives and the Bank's management believes that the systems in place to implement the Bank's loan restructuring and loan loss impairment allowances are adequate as at each reporting date.

If the Bank fails to appropriately restructure or monitor and control the levels of, and adequately provide for, its impaired loans and loans under stress, the Bank may need to make further impairment charges and its business, results of operations, financial condition and prospects could be materially adversely affected.

*The Bank's loan and investment portfolios and deposit base are concentrated by geography, sector and client*

The Bank's loan and investment portfolio is concentrated, geographically, in the UAE. As a result, any deterioration in general economic conditions in the UAE or any failure of the Bank to effectively manage its geographic, sectoral and client risk concentrations could have a material adverse effect on its business, results of operations, financial condition and prospects.

Together, the Bank's loans and advances and investment securities portfolios (net of provisions) totalled AED 514.3 billion, or 65.3 per cent. of its total assets, as at 30 September 2019. Of the Bank's total gross loans and advances to customers as at 30 September 2019, real estate accounted for 20.9 per cent., banks and other financial institutions accounted for 15.7 per cent. and personal loans and credit cards accounted for 13.7 per cent.

The Bank's investment securities portfolio comprised AED 119.3 billion (or 85.6 per cent.) non-trading debt investments as at 30 September 2019. The Bank's non-trading debt investments portfolio has significant exposure to the Middle East and North Africa ("**MENA**") region issuers which are principally government and public sector entities. As at 30 September 2019, the Bank's investment securities portfolio had an exposure of AED 41.1 billion (or 29.5 per cent.) to the UAE while exposure to the GCC excluding the UAE was AED 23.3 billion (or 16.7 per cent.).

Further, the majority of the population in the UAE is comprised of non-nationals who require a renewable work permit sponsored by their employer to work and reside in the UAE. See further "*Overview of the United Arab Emirates and Abu Dhabi*". Therefore, most of the Bank's customer base and retail loan portfolio is comprised of UAE-based expatriates. The Bank is exposed to a "skip risk" that such customers may leave the UAE without making repayments on their loans. Although the Bank takes overseas enforcement action against "skip" borrowers in certain countries and regularly reviews its credit exposures and has in place systems for assessing the financial condition and creditworthiness of its debtors, its failure to do so accurately or effectively may result in an increase in the rate of default for the Bank's loan portfolio, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

*A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances for doubtful loans and advances to customers would adversely affect the Bank's results of operations and financial condition*

In connection with lending activities, the Bank periodically establishes impairment allowances for loan losses, which are recorded in its income statement. The Bank's overall level of impairment allowances is based upon its assessment of prior loss experience, the volume and type of lending being conducted, collateral held, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although the Bank endeavours to establish an appropriate level of impairment allowances based on its best estimate of the amount of incurred loss, it might be possible, for example, due to economic stress situations or changes in the regulatory environment, that the Bank has to significantly increase its impairment allowances for loan losses. Any significant increase in impairment allowances for loan losses or a significant change in the Bank's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the impairment allowances allocated with respect thereto, would have an adverse effect on its business, results of operations, financial condition and prospects.

IFRS 9 was introduced for financial reporting periods commencing on 1 January 2018, replacing IAS 39 and introducing an 'expected credit loss' model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

The impact of the adoption of IFRS 9 is set out in Note 4 (*Transitional impact*) to the 2018 Financial Statements.

Any mandatory change to the Bank's impairment calculation models imposed as a result of further accounting standards or regulatory changes may adversely impact impairment allowances established by the Bank which would have an adverse effect on its business, results of operations, financial condition and prospects.

*The Bank may be materially adversely affected by a loss of business from key clients that represent a significant portion of its loans and deposits*

The Bank generates a significant proportion of its net operating income from certain key clients, including Government-controlled and Government-related entities, members of the ruling family of Abu Dhabi and other high net worth individuals (including the controlled/affiliated entities of these individuals). The loss of all or a substantial portion of the business provided by one or more of these clients could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

In addition, the financial condition and ongoing profitability of Government-controlled or Government-related entities largely depends upon Government spending and policy. Therefore, the Bank is exposed to shifts in Governmental spending and policy and its impact on the level of economic activity in Abu Dhabi and the UAE over which it has no control and the effect of such shifts on the Bank may be difficult to predict. Extremely volatile economic conditions since mid-2014 have resulted in larger budget deficits across the GCC economies coupled with reduced fiscal budgets and public spending. See further "*Risk Factors – Factors that may affect the Bank's ability to fulfil its obligations in respect of the Transaction Documents – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Bank's business, results of operations, financial condition and prospects*".

The Bank's failure to adequately foresee and assess such shifts may have an adverse effect on its business, results of operations, financial condition and prospects.

### **Liquidity risks**

Liquidity risk is the risk that the Bank will be unable to meet the payment obligations associated with its financial liabilities when they fall due and/or replace funds when they are withdrawn. Liquidity risks could materially adversely affect the Bank's business, results of operations, financial condition and prospects. Some of the liquidity risks facing the Bank are set out below.

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

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

The Bank's Group Assets and Liability Committee sets and monitors liquidity ratios and regularly updates the Bank's liquidity management policies and seeks to ensure that the Bank is in a position to meet its obligations as they fall due. See further "*Risk Management*". Further, the Bank conducts analysis of maturities of assets and liabilities on a periodic basis to determine its ongoing funding needs and to ensure adequate liquidity is maintained across the defined time horizon. The Bank's Group Risk Committee receives regular updates on the Bank's liquidity under both normal and stressed market conditions, as well as developing strategies to ensure liquidity is available for defined time horizons under stress scenarios. As at 30 September 2019, the Bank had cash and balances with central banks of AED 154.5 billion.

The UAE Central Bank adopted a policy of a gradual, phased introduction of the capital and liquidity standards for credit institutions, approved by the Basel Committee on Banking Supervision (the "**Basel**

**Committee**") in response to the 2008 global financial crisis (the "**Basel III Reforms**"). As part of this gradual introduction of Basel III in the UAE, the UAE Central Bank informed certain banks in the UAE that they are obliged to report the Basel III LCR and the Net Stable Funding Ratio ("**NSFR**") to the UAE Central Bank.

The LCR is a metric introduced by the Basel Committee on Banking Supervision as part of the Basel III Reforms to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. The ratio is calculated by taking a financial institution's stock of unencumbered HQLAs – which include low-risk, highly marketable asset classes, designed to provide significant sources of liquidity in such a stress scenario – and dividing it by its projected net cash outflows over the immediately following 30-day period. The LCR requires that banks have sufficient HQLAs in their liquidity buffer to cover the difference between expected cash outflows and expected capped cash inflows over a 30-day stressed period. The Basel III Reforms require that the minimum value of the ratio is 100 per cent. (i.e., an institution's stock of HQLAs should at least equal total net cash outflows) while the UAE Central Bank introduced LCR for the relevant UAE banks in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. as of 1 January 2019. As at 30 September 2019, the Bank held a portfolio of HQLAs valued at AED 223.4 billion and had a LCR of 145.9 per cent.

Accordingly, and in line with the UAE Central Bank direction, the Bank monitors its liquidity position through LCR compliance reporting. The associated requirement to maintain a significant buffer of HQLAs may adversely affect the Bank's core businesses of consumer and wholesale banking, particularly given the inherent cost of maintaining a HQLA portfolio of sufficient size and quality to cover regulatory outflow assumptions embedded in the LCR. If the Bank were to choose to mitigate against these additional costs by introducing selective deposit fees or minimum lending rates, this may result in a loss of customer deposits, a key source of the Bank's funding, net new money outflows and/or a declining market share in its domestic loan portfolio.

By virtue of the inherent costs associated with LCR compliance and maintaining a sufficient portfolio of HQLAs, the Bank may be at a competitive disadvantage to its peer UAE based financial institutions who do not monitor liquidity through LCR which may have a material adverse effect on its business, results of operations, financial condition and prospects.

*The Bank relies on short-term demand and time deposits as a major source of funding but primarily has medium- and long-term assets, which may result in contractual asset-liability maturity gap*

In common with other banks in the UAE, many of the Bank's liabilities are short-term demand and time deposits, whereas its assets are generally medium to long-term (such as loans and mortgages). Mismatches between the maturities of assets and liabilities could arise if the Bank is incapable of rolling over existing deposits, raising new deposits or obtaining alternative sources of funding for the existing or future loan portfolio or if the cost of obtaining these deposits or funding differs from market prices.

Although the Bank has accessed wholesale funding markets (through bilateral or syndicated loans and international bond markets) in order to diversify and increase the maturity of its funding sources, such borrowings have not eliminated contractual asset-liability maturity gaps.

If a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, or the Bank fails to refinance some of its large short- to medium-term borrowings, the Bank may need to access more expensive sources to meet its funding requirements. No assurance can be given that the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Bank's inability to refinance or replace such deposits with alternative funding could materially adversely affect the Bank's liquidity, business, results of operations, financial condition and prospects.

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

As part of its normal banking business, the Bank issues revocable and irrevocable commitments to extend credit, guarantees, letters of credit and other financial facilities and makes commitments to invest in securities before such commitments have been fully funded. All of these are accounted for off balance sheet until such time as they are actually funded or cancelled. Although these commitments are contingent and therefore off-balance sheet, they nonetheless subject the Bank to related credit, liquidity



and market risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as loans and advances to customers, and commitments to extend credit are contingent on customers maintaining required credit standards. Although the Bank anticipates that not all of its obligations in respect of these commitments will be triggered, it may have to make payments in respect of a substantial portion of such commitments, which could have a material adverse effect on its financial position, and in particular its liquidity position. As at 30 September 2019, the Bank had AED 237.3 billion in such contingent liabilities.

### ***Market risks***

The Bank's business exposes it to market risk, which is the risk that changes in market prices, such as interest rates, equity prices, commodity prices, foreign exchange rates and credit spreads will affect the Bank's income or the fair value of its holdings of financial instruments. Market risks could adversely affect the Bank's business, results of operations, financial condition and prospects. Some of the market risks facing the Bank are set out below.

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

The Bank's operations are affected by, among other factors, fluctuations in interest rates. In particular, the Bank's activities depend on the Bank's interest rate risk management, as well as the connections between market rates and interest margins. The Bank's net interest income largely depends on the level of the Bank's interest-bearing assets and liabilities, as well as the average interest rate on interest-bearing assets and liabilities and on the average interest on interest-bearing assets and liabilities.

Any shortage of liquidity in markets that are sources of funding for the Bank could contribute to an increase in the Bank's marginal borrowing costs. Similarly, any increase in interbank reference rates could also affect the value of certain assets that are sensitive to changes in applicable interest rates. As at 30 September 2019, a significant portion of the Bank's borrowings were set at floating rates based on interbank reference rates, such as 3-month LIBOR and 3-month EIBOR, plus a specified margin.

Interest rates are sensitive to many factors beyond the Bank's control, including the policies of central banks, such as the UAE Central Bank and the U.S. Federal Reserve, political factors and domestic and international economic conditions. For example, the U.S. Federal Reserve raised interest rates in December 2015 for the first time since 2006. Between December 2015 and December 2018, the U.S. Federal Reserve increased U.S. overnight interest rates by an aggregate 225 basis points (in nine separate increments of 25 basis points each). Throughout 2019, the U.S. Federal Reserve has lowered the U.S. overnight interest rate by an aggregate 75 basis points (in three separate increments of 25 basis points each). Future changes in U.S. overnight interest rates may adversely impact the Bank's financial performance.

If interbank reference rates rise, the interest payable on the Bank's floating rate borrowings increases. Additionally, in a rising interest rate environment, the Bank's interest expense can increase significantly as a result of the higher interest rates payable on the Bank's existing time deposits and a propensity amongst customers to convert their lower interest bearing current and savings account deposits to time deposits. The Bank's marginal cost of funding may increase as a result of a variety of factors, including further deterioration of conditions in the financial markets or loss of confidence by and between financial institutions. If the Bank fails to pass on such increase in funding cost to its customers in a timely manner or at all due to market, competitive or other conditions, it could have a material adverse effect on its business, results of operations, financial condition and prospects.

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

The Bank holds investment securities and any decrease in the realised or unrealised fair value investment gains of those investment securities, together with any fair value losses on such investment securities as a result of global macro-economic volatility could have a material adverse impact. Instability in the international debt and equity capital markets could have a material adverse impact on the Bank's investment portfolios and its financial condition and results of operations. As at each reporting period, the Bank records: (a) realised gains or losses on the sale of any investment securities; (b) unrealised fair value gains or losses in respect of any investment securities as at the end of the period on a mark to market basis; and (c) impairment where there is a sustained decrease in fair value of any investment securities.

The amounts of such gains and losses may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of the securities, which in turn may vary considerably, and the Bank's investment policies. The Bank cannot predict the amount of realised or unrealised gain or loss for any future period, and variations from period to period are not indicative of future performance. Gains on the Bank's investment portfolio may not continue to contribute to net income at levels consistent with those from recent periods or at all.

### ***Operational risks***

The Bank defines operational risk as the risk of loss from inadequate or failed internal processes, people, systems or external events. Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems, equipment and external systems and occurrence of natural disasters. Although the Bank has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to eliminate any of the operational risks entirely, which could have a material adverse effect on its financial condition and results of operations. Some of the operational risks facing the Bank are set out below.

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

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

The Bank's risk management techniques may not be fully effective or consistently implemented in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Bank's methods of managing risk are based upon its use of historical market behaviour which, as evidenced by events caused by the global financial crisis and global macro-economic volatility in more recent times, may not always accurately predict future risk exposures, and could be significantly greater than such historical measures indicate. Other risk management practices, including "know your client" practices, depend upon evaluation of information regarding the markets in which the Bank operates, its clients or other matters that are publicly available or information otherwise accessible to the Bank.

There is a lack of publicly available information and financial data regarding debtors' credit and payment histories in the GCC (primarily due to borrowers' limited credit histories and inability (and, in certain cases, unwillingness) to provide the quality and quantity of information sought by lenders and the fact that credit bureaus in the UAE are in their infancy). Although the establishment of the Al Etihad Credit Bureau has improved the quality of credit information available to UAE banks, the credit bureau remains in a nascent stage. See further "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Establishing a credit bureau in the UAE*". Accordingly, the Bank, in common with other UAE banks, is frequently required to make risk management assessments in the absence of the quality and quantity of information available to lenders in other, more developed markets.

As such practices are less developed in the GCC than they are in other markets and may not have been consistently and thoroughly implemented in the past, this information may not be accurate, complete, up-to-date or properly evaluated in all cases.

There can be no assurance that the Bank's risk management and internal control policies and procedures will adequately control, or protect the Bank against, all credit, liquidity, market and other risks. In addition, certain risks could be greater than the Bank's empirical data would otherwise indicate. The Bank also cannot give assurance that all of its staff have adhered, or will adhere, to its risk policies and procedures. Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

*If the Bank is unable to retain key members of its senior management and/or remove underperforming staff and/or hire new qualified personnel in a timely manner, this could have an adverse effect on the business of the Bank*

The Bank's ability to maintain and grow its business will depend, in part, on its ability to continue to recruit, retain and ensure the performance and contribution of qualified and experienced financial services and leadership personnel. In common with other banks in the UAE, the Bank can experience a shortage of qualified employees residing in the UAE, which may require it to recruit from outside the UAE. In addition, even after hiring its employees, the Bank may face challenges in retaining such employees due to the continued recruitment efforts of its competitors.

Additionally, with the strong growth that the Bank has continued to deliver post-Merger, the Bank may need to continue to increase its number of employees. The Bank is guided in its human resources decisions by the UAE federal government's recommended policy that companies operating in the UAE recruit UAE nationals in accordance with the target set by the UAE Central Bank's nationalisation directive. The UAE federal government's policy supporting the recruitment of UAE nationals does not set any upper limit at which the policy would no longer be applicable. If the Bank is not able to meet or exceed the UAE federal government's minimum threshold for Emirati employees as set out in the UAE federal policy on Emiratisation, promulgated by UAE Cabinet Decree number 3/10/267 of 2015, dated 25 October 2015 (the "**Emiratisation Circular**"), it may be subject to legal penalties, calculated in accordance with the Emiratisation Circular. See further "*Description of the Bank – Employees – Emiratisation*".

While the Bank believes that it has effective staff recruitment, retention, development and rewards programmes in place, its failure to recruit, train and/or retain necessary personnel or the shortage of qualified UAE nationals or other nationals prepared to relocate to the UAE, could have a material adverse effect on its business, results of operations, financial condition and prospects.

*The Bank's business is dependent on its information and technology systems which are subject to potential cyber-attack*

In common with other financial institutions based in the GCC and elsewhere in the world, cyber-security has become an increasingly important consideration for financial institutions. The quantity of sensitive financial and personal identifiable information stored by financial institutions globally makes them potential targets of cyber-attacks. In common with other financial institutions, the Bank recognises the need to protect itself from the threat to security of its information and customer data from cyber-attacks. Risks to technology and information systems change rapidly and require continued focus and investment and the Bank acts accordingly and takes appropriate steps on an ongoing basis to combat such threats and minimise such risks by implementing cyber-security controls. Given the increasing sophistication and scope of potential cyber-attack, it is however possible that future attacks may lead to significant breaches of security. To actively pre-empt this, the Bank has implemented a variety of preventative and detective technical security controls, which are periodically reviewed and assessed, both internally and externally. However, failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could adversely affect the Bank's reputation, business, results of operations, financial condition and prospects.

### **Regulatory risks**

Regulatory risk is the risk of loss or reputational damage resulting from an inability to maintain compliance with the prudential and regulatory controls established in the jurisdictions in which the Bank operates. Regulatory risks could adversely affect the Bank's business, results of operations and financial condition. Some of the regulatory risks currently facing the Bank are set out below.

*The Bank is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Bank's business*

The Bank is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic, social and other objectives and limit their exposure to risk. See further "*The United Arab Emirates Banking Sector and Regulations*". These regulations include UAE federal laws and regulations (particularly those of the UAE federal government

and the UAE Central Bank), as well as the laws and regulations of the other countries in which the Bank operates. In particular (but without limitation), the Bank is subject to restrictions on credit limits in respect of real estate and construction financing, major shareholders or to a single customer (based on the Bank's customer deposits and/or capital and reserves as prescribed by the UAE Central Bank).

Such regulations may limit the Bank's ability to increase its loan portfolio or raise capital or may increase the Bank's cost of doing business. Any further changes in laws or in UAE Central Bank regulations or policy and/or the manner in which they are interpreted or enforced may affect the Bank's reserves, revenues and performance and may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects, including its ability to compete successfully in the geographies in which it operates. Furthermore, non-compliance with regulatory guidelines could expose the Bank to potential liabilities and fines. Although the Bank works closely with its regulators and continually monitors compliance with UAE Central Bank regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

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

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

The Bank is also required to comply with applicable anti-money laundering ("**AML**"), counter-terrorism financing laws, sanctions and other regulations in the jurisdictions in which it operates, including those related to countries subject to sanctions by the Office of Foreign Assets Control of the U.S. Department of Treasury (OFAC), similar regulations of the EU and other jurisdictions, and applicable anti-corruption laws in the jurisdictions in which it conducts business. These laws and regulations require the Bank, among other things, to adopt and enforce "know your customer" ("**KYC**") policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. The Bank has adopted KYC/AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments. To the extent that the Bank fails or is perceived to fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Bank. In addition, the Bank's business and reputation could suffer if customers use the Bank's products and services for money laundering or illegal purposes.

### ***Risks relating to the UAE and the Middle East***

*The UAE's economy is highly dependent upon its oil revenue*

The UAE's economy, and the economy of Abu Dhabi in particular, is highly dependent upon oil revenue. While Abu Dhabi is actively promoting tourism and real estate and undertaking several large-scale development projects, the hydrocarbon sector (mining and quarrying) dominates Abu Dhabi's economy and contributed approximately 31.7 per cent. to nominal Abu Dhabi's GDP in 2016, 34.1 per cent. in 2017 and (according to preliminary estimates published by the Abu Dhabi Statistics Centre (the "**Statistics Centre**")) 40.4 per cent. in 2018.

The Bank has historically received significant funding and other support from the Government and the UAE federal government. In the case of the Government, such funding and other support has been largely derived from the Government's significant oil revenues.

According to OPEC data, as at 31 December 2018, the UAE had approximately 6.5 per cent. of the world's proven crude oil reserves (giving it the sixth largest oil reserves in the world) (*source*: OPEC Annual Statistical Bulletin 2019) while, according to preliminary data produced by the FCSA, the hydrocarbon sector (mining and quarrying) accounted for 25.9 per cent. of the UAE's GDP in 2018 and crude oil revenues accounted for 36.1 per cent. of total public revenues in 2018. According to the OPEC website, the price of the OPEC Reference Basket has fluctuated significantly in recent years. During the second half of 2008 and into 2009, world oil prices fell approximately 70 per cent. from their peak level of U.S.\$137.0 per barrel of Murban crude reached in July 2008 to an average of approximately U.S.\$62.7

per barrel for the year ended 31 December 2009, before returning to an average of approximately U.S.\$105.9 per barrel for the year ended 31 December 2013. However, since July 2014, when the monthly average OPEC Reference Basket price per barrel was U.S.\$107.9, crude oil prices fell sharply by approximately 75 per cent. to a monthly average price of U.S.\$26.5 in January 2016. In recent years, crude oil prices have recovered slightly, with the monthly average price being U.S.\$62.4 per barrel in September 2019. Oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which the Bank has no control. Factors that may affect the price of oil include, but are not limited to:

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

If the prevailing low international prices for hydrocarbon products are sustained for a significant period of time into the future, this could have a significant adverse effect on the UAE's economy which, in turn, could have an adverse effect on the Bank's business, financial condition and results of operations and thereby affect the Bank's ability to perform its obligations in respect of the Transaction Documents.

*The Bank is subject to political and economic conditions in Abu Dhabi, the UAE and the Middle East*

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

Investors should also note that the Bank's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of interrelationships within the global financial markets. In addition, the implementation by the Government or the UAE federal government of restrictive fiscal or monetary policies or regulations, including changes with respect to interest rates, new legal interpretations of existing regulations or the introduction of a broad taxation regime (extending beyond VAT, which was introduced in the UAE with effect from 1 January 2018) or exchange controls could have a material adverse effect on the Bank's business, financial condition and results of operations and thereby affect the Bank's ability to perform its obligations in respect of the Transaction Documents.

While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not and there is a risk that regional geopolitical instability could impact the UAE. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including the Arab Republic of Egypt, Algeria, the Hashemite Kingdom of Jordan, Libya, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the Republic of

Yemen, the Republic of Iraq (Kurdistan), Syria, Palestine, the Republic of Turkey, Tunisia and the Sultanate of Oman.

This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with Islamic State (also known as Daesh, ISIS or ISIL)) and has given rise to increased political uncertainty across the region. Further, the UAE, along with other Arab states, is currently participating in the Saudi Arabian led intervention in Yemen which began in 2015 in response to requests for assistance from the Yemeni government against the Al Houthi militia. The UAE is also a member of another Saudi Arabian led coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. Additionally, in June 2017, a number of MENA countries including the UAE, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the Arab Republic of Egypt severed diplomatic relations with the State of Qatar, citing Qatar's alleged support for terrorism and accusing Qatar of creating instability in the region. The termination of diplomatic relations included the withdrawal of ambassadors and imposing trade and travel bans.

The Bank has operations in Qatar where it has a single branch and Sudan where it has two branches. The Bank is in the process of closing its Qatar operations. In Libya, the Bank has a 50:50 investment in First Gulf Libyan Bank, with the Economic and Social Development Fund of Libya.

These situations have caused significant disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur. Continued instability affecting the countries in the MENA region could adversely impact the UAE although to date there has been no significant impact on the UAE.

Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of the Middle East and, in particular, could impact the numbers of tourists that choose to visit the UAE and the number of businesses interested in doing business in the UAE and, consequently, could have an adverse effect on the Bank's business, results of operations, financial condition and prospects, and thereby affect the Bank's ability to perform its obligations in respect of the Transaction Documents.

*Neither the Government nor the UAE federal government is under any obligation to continue to invest in or otherwise engage in business with the Bank and either or both may alter their respective relationships with the Bank at any time and for any reason*

Immediately following the Merger, the Government and related entities owned approximately 37 per cent. of the issued and outstanding shares of the Bank through two sovereign wealth funds, Abu Dhabi Investment Council ("**ADIC**") and Mubadala Investment Company ("**MIC**").

Pursuant to Abu Dhabi Law No. 14 of 2018 Concerning the Reorganisation of Abu Dhabi Investment Council (the "**Reorganisation Law**"), ADIC was dissolved and a new entity, Abu Dhabi Investment Council Company PJSC ("**ADIC PJSC**") became the sole legal successor to ADIC and automatically assumed all assets and liabilities of ADIC (including its shares in the Bank). ADIC PJSC is 100 per cent. owned by MIC. Hence, as at the date of this Base Prospectus, the Government indirectly owns approximately 37 per cent. of the issued and outstanding shares of the Bank through MIC.

The Government was instrumental in the founding of each of NBAD and FGB and in supporting the Merger, with each of NBAD and FGB maintaining very strong working relationships with the Government and Government-related entities. For example, during the period between 2008 and 2009, the Government (through its purchase of Tier 1 notes issued by each of NBAD and FGB) provided a total of AED 4.0 billion in Tier 1 capital to each of NBAD and FGB. Despite the Government's and the UAE federal government's past investments in and deposits with the Bank and its predecessor entities and funding support, neither the Government nor the UAE federal government are under any obligation to continue to invest in, make deposits with, do business with or otherwise support the Bank. The Government and the UAE federal government may, whether directly or through government-owned entities, at any time and for any reason, dispose of its investments in, withdraw its deposits from, cease to do business with or otherwise cease to support the Bank. The reduction or elimination of government support could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

*The interests of the Bank's largest shareholder may conflict with the commercial interests of the Bank, which may also conflict with the interests of the Certificateholders*

By virtue of the Government's ownership interest in the Bank's share capital, the Government has the ability to block actions or resolutions proposed at the Bank's annual or extraordinary general meetings. Accordingly, the Government could prevent the Bank from pursuing transactions, making dividend payments or other distributions or payments to shareholders or undertaking other actions, which may be contrary to the commercial interests of the Bank. Such actions could have a material adverse effect on the Bank's business, results or operations, financial condition and prospects.

*Neither the Certificates nor the Bank's obligations in respect of the Transaction Document will be guaranteed by the Government or by any third party*

As at the date of this Base Prospectus, the Government indirectly owns approximately 37 per cent. of the issued and outstanding shares of the Bank through MIC.

Like any other shareholder, the Government has no legal obligation to provide additional funding for any of the Bank's future operations. The Government is not providing a guarantee of any of the Bank's obligations in respect of the Transaction Documents, nor is the Government under any obligation to purchase any of the Bank's liabilities or guarantee any of the Bank's obligations, and Certificateholders therefore do not benefit from any legally enforceable claim against the Government.

*The increasingly competitive environment in the UAE banking industry may adversely affect the Bank's business and results of operations*

The Bank faces competition within the UAE for all of its products and services. The Bank competes primarily with a large number of other domestic banks in the UAE, some of which are also owned, directly or indirectly, by the governments of the relevant Emirates, government-related entities or members of the ruling families of the relevant Emirates. As at 30 September 2019, there were a total of 48 commercial banks registered in the UAE (*source*: UAE Central Bank). The Bank's main domestic competitors in terms of size of banking franchise and product and customer segments are Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, HSBC Bank plc, Mashreqbank psc and Standard Chartered Bank. In the UAE market, as at 30 September 2019, and according to the Interim Financial Statements and the publicly available financial statements of the Bank's main domestic competitors for the nine months ended 30 September 2019, the Bank is the largest bank in the UAE by total assets. There can be no assurance that the Bank will be able to maintain its current market share in the future.

In addition to the local commercial banks in the UAE, the Bank competes with a number of international banks in investment advisory, investment banking, corporate advisory, finance and other services. In the large corporate and government client segments, the Bank faces competition from international banks and such competition is expected to increase in the UAE over time. Although the Bank seeks to cooperate with some of the top-tier international banks, especially in securities underwriting and distribution, it will also compete with them in other areas, particularly in corporate advisory and treasury operations in which these banks have a long history of successful operations in other regions.

Further, the UAE could be viewed as an over-banked market, even by regional standards, with 48 different commercial banks (comprising 21 locally incorporated commercial banks and 27 foreign commercial banks) licensed to operate inside the UAE as at 30 September 2019 (excluding the Dubai International Financial Centre (the "DIFC")) (*source*: UAE Central Bank), serving a population estimated to be in the region of approximately 9.5 million people at the end of 2018 (*source*: Statistical Yearbook 2018 edition, United Nations Department of Economic and Social Affairs, Statistics Division). There has traditionally been little impetus for consolidation. However, the Merger has stimulated further movement towards greater consolidation amongst UAE banks. This has already been observed in the three-way merger between Abu Dhabi Commercial Bank PJSC, Al Hilal Bank P.J.S.C. and Union National Bank P.J.S.C. which was completed on 1 May 2019. In June 2019, Dubai Islamic Bank PJSC announced that it would acquire Noor Bank PJSC. While such continued consolidation would increase the level of concentration in the domestic banking sector, they would also likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as

information technology system development. See further "*The United Arab Emirates Banking Sector and Regulations – Characteristics of the Banking System – Historic lack of consolidation*".

If the Bank is unable to compete successfully, it could adversely impact the Bank's business, results of operations, financial condition and prospects.

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

The Bank has a long-term foreign currency issuer default rating of AA- with stable outlook from Fitch, a long-term bank deposits rating of Aa3 with stable outlook from Moody's and an issuer credit rating of AA- with stable outlook from S&P. These ratings, which are intended to measure the Bank's ability to meet its debt obligations as they mature, are an important factor in determining the Bank's cost of borrowing funds.

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

- limit the Bank's ability to raise funding;
- increase the Bank's cost of borrowing; and
- limit the Bank's ability to raise capital,

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

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

*Any alteration to, or abolition of, the foreign exchange "peg" of the UAE dirham or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Bank to U.S. dollar foreign exchange movements against the UAE dirham or other such currencies*

The Bank maintains its accounts, and reports its results, in UAE dirham. The UAE dirham has been pegged to the U.S. dollar since 22 November 1980 and remains pegged as at the date of this Base Prospectus. Additionally, the following oil producing GCC countries have their currencies pegged to the U.S. dollar as at the date of this Base Prospectus: the Kingdom of Saudi Arabia; the Sultanate of Oman; the Kingdom of Bahrain; and the State of Qatar. In response to the volatility of oil prices internationally through 2015, oil producing countries with currencies that had been traditionally pegged to the U.S. dollar, faced pressure to de-peg and, in certain cases, did de-peg their currencies. For example, Kazakhstan de-pegged the Kazakhstani tenge from the U.S. dollar on 20 August 2015, which was followed on 21 December 2015 by the removal of the U.S. dollar peg against the Azerbaijani manat.

There is a risk that additional countries may choose to unwind their existing currency peg to the U.S. dollar, both in the GCC and the wider region. While the long-term impacts of such actions are uncertain, it is likely that any such de-pegged currency would face a de-valuation against the U.S. dollar immediately post-removal of the peg. Given the levels of exposure amongst regional financial institutions to other pegged currencies, it is also likely that such currency de-valuation(s) would pose a systemic risk to the regional banking systems in the UAE and across the wider GCC, thereby impacting the open cross-currency positions held by regional banks, including the Bank.

While the UAE Central Bank has re-iterated its intention to retain the UAE dirham peg against the U.S. dollar, there can be no assurance that the UAE dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the Bank's result of operations and financial condition. Additionally, any such de-pegging either in the UAE or across the wider region, particularly if such de-pegging is accompanied by the anticipated currency de-valuations against the U.S. dollar (as described above), could have an adverse effect on the Bank's business, results of operations,



financial condition and prospects, and thereby affect the Bank's ability to perform its obligations in respect of the Transaction Documents.

*Tax changes in the UAE may have an adverse effect on the Bank*

As at the date of this Base Prospectus, the Bank is not currently subject to corporation tax on its earnings within the UAE. However, investors should be aware that with effect from 1 January 2018, certain of the GCC states (including the UAE) have implemented a VAT regime at a rate of 5 per cent, with the remaining GCC states expected to implement VAT in 2019.

The UAE national legislation implementing this framework agreement was published on 23 August 2017 (UAE Federal Decree Law No. 8 of 2017) and, on 28 November 2017, the UAE Ministry of Finance published accompanying VAT implementing regulations.

As at the date of this Base Prospectus, it is not possible to accurately and fully predict the impact of the new VAT regime on the Bank's business, results of operations and financial condition. However, it is possible that, as a result of the introduction of VAT in the UAE, the Bank's costs will increase and its future profitability could be negatively affected.

The implementation of VAT and/or any future corporation tax regime which may be introduced in the UAE may have a material adverse effect on the Bank's business, results of operations and financial condition, which in turn could affect the Bank's ability to perform its obligations in respect of the Transaction Documents.

**Risk factors relating to the Certificates**

*Absence of secondary market/limited liquidity*

There is no assurance that a secondary market for the Certificates of any Series will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of such Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates.

An application has been made for the listing of the Certificates on the London Stock Exchange but there can be no assurance that any such listing will occur on or prior to the date of this Base Prospectus or at all, if it does occur, that it will enhance the liquidity of the Certificates.

Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates.

*The Certificates are limited recourse obligations*

The Certificates are not debt obligations of the Trustee. Instead, each Certificate represents solely an undivided *pro rata* ownership interest in the relevant Trust Assets relating to that Series. Recourse to the Trustee is limited to the relevant Trust Assets of the relevant Series and the proceeds of the relevant Trust Assets of the relevant Series are the sole source of payments on the Certificates of that Series. Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 14 (*Dissolution Events*), the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders) as applicable, will be (subject to Condition 15 (*Enforcement and Exercise of Right*)) against the Bank to perform its obligations under the Transaction Documents to which it is a party.

Certificateholders will otherwise have no recourse to any assets of the Trustee (other than the Trust Assets) or the Delegate in respect of any shortfall in the expected amounts due on the Certificates. The Bank is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against the Bank to recover such payments due to the Trustee pursuant to the Transaction Documents.

Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the

Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Bank shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

After enforcing the relevant Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 6(b) (*Trust – Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

#### ***The Certificates may be subject to early dissolution***

In certain circumstances, the Certificates may be subject to early dissolution. An early dissolution feature of any Certificate is likely to limit its market value. During any period when the Trustee may (acting on the instructions of the Bank) elect to redeem any Certificates, the market value of those Certificates generally will not rise substantially above the relevant Dissolution Amount payable. This also may be true prior to any dissolution period.

The Trustee may (acting on the instructions of the Bank) be expected to redeem the Certificates when the Bank's cost of financing is lower than the profit rate on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates and may only be able to do so at a significantly lower rate. Potential investors should consider re-investment risk in light of other investments available at that time.

#### ***Certificates where denominations involve integral multiples: Definitive Certificates***

In relation to any issue of Certificates which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Certificates may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination.

In such a case a holder who, as a result of trading such amounts, holds a face amount of less than the minimum Specified Denomination would need to purchase an additional face amount of Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

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

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

### **Risks factors relating to the Wakala Assets**

#### ***Ownership of the Wakala Assets***

The *Shari'a* analysis is as follows: an ownership interest in the Wakala Assets comprised within the relevant Wakala Portfolio will pass to the Trustee under the Master Purchase Agreement, as supplemented by the relevant Supplemental Purchase Agreement (together, the "**Purchase Agreement**"). The Trustee will declare a trust in respect of the Wakala Assets and the other Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the Master Declaration of Trust, as supplemented by the relevant Supplemental Declaration of Trust. Accordingly, from a *Shari'a* perspective, Certificateholders will, through the ownership interest obtained by the Trustee pursuant to the terms of the Purchase Agreement, have an undivided ownership interest in the relevant Wakala Assets.

However, no investigation or enquiry will be made and no due diligence will be conducted in respect of any Wakala Assets. The Wakala Assets will be selected by the Bank, and the Certificateholders, the

Trustee, the Delegate and the Agents will have no ability to influence such selection. Only limited representations will be obtained from the Bank in respect of the Wakala Assets. No steps will be taken to perfect the legal transfer of the ownership interest (including registration, if necessary) in the Wakala Assets with any relevant regulatory authority in the UAE or otherwise give notice to any lessee or obligor in respect thereof. Therefore, other than from a *Shari'a* perspective, Certificateholders shall not have any interest in any Wakala Assets which require perfection in order to legally transfer any ownership interest therein.

### ***Transfer of the Wakala Assets***

No investigation has been or will be made as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the contracts (if any), the law of the jurisdiction where such Wakala Assets are located or any other relevant law. No investigation will be made to determine if any Purchase Agreement will have the effect of transferring an interest in the relevant Wakala Assets.

Nevertheless, as indicated earlier, although the *Shari'a* analysis is such that an ownership interest in the Wakala Assets will pass to the Trustee under the Purchase Agreement, the Certificateholders will not have any rights of enforcement as against the Wakala Assets and their rights are limited to enforcement against the Bank of its obligation to purchase all (or the applicable portion thereof, as the case may be) of the Wakala Assets pursuant to the terms of the Purchase Undertaking.

However, the Bank has covenanted in the Purchase Undertaking and the Master Declaration of Trust that if the relevant Exercise Price or Certificateholder Put Option Exercise Price, as the case may be, is not paid in accordance with the Purchase Undertaking for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates to be redeemed on the Certificateholder Put Option Date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price or the Certificateholder Put Option Exercise Price, as the case may be.

If the Bank fails to purchase all (or the applicable portion thereof, as the case may be) of the Wakala Assets in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out in Condition 14 and the terms of the Master Declaration of Trust, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Master Declaration of Trust against the Bank by commencing proceedings in the ADGM courts. The ADGM courts should respect the choice of English law as the governing law of the Purchase Undertaking and the Master Declaration of Trust. See "*Risk factors relating to enforcement – Investors may experience difficulty in enforcing arbitration awards and foreign judgments in Abu Dhabi*".

### **Risk factors relating to taxation**

#### ***Taxation risks on payments***

Payments made by the Bank to the Trustee under the Transaction Documents to which it is a party or by the Trustee in respect of the Certificates could become subject to taxation. The Transaction Documents to which it is a party require the Bank (acting in its relevant capacity thereunder), to pay additional amounts in the event that any withholding or deduction is required by law to be made in respect of payments made by it to the Trustee which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 11 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by a Relevant Jurisdiction in certain circumstances. In the event that the Trustee fails to pay any such additional amounts pursuant to Condition 11 (*Taxation*), the Bank has (pursuant to the Master Declaration of Trust) unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any withholding or deduction for, or an account of Taxes) equals any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 11 (*Taxation*).

## **Risk factors relating to enforcement**

### *Claims for specific enforcement*

In the event that the Bank fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of the Bank's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement of a contractual obligation, which is a discretionary matter for the relevant court.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Bank to perform its obligations set out in the Transaction Documents to which it is a party.

### *Investors may experience difficulty in enforcing arbitration awards and foreign judgments in Abu Dhabi*

The payments under the Certificates are dependent upon the Bank making payments in the manner contemplated under the Transaction Documents. If the Bank fails to do so, it may be necessary for an investor to bring an action against the Bank to enforce its obligations (subject to the provisions of the Conditions), which may be costly and time consuming.

Furthermore, to the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self-help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the courts.

The Bank has irrevocably agreed that certain of the Transaction Documents to which it is a party are governed by English law and that any dispute arising from any Transaction Document to which it is a party (other than the Master Purchase Agreement, each Supplemental Purchase Agreement and each Sale Agreement) will, unless the option to litigate is exercised, be referred to arbitration under the Rules with an arbitral tribunal with its seat in London. Under the Conditions, any disputes arising from the Conditions will, unless the option to litigate is exercised, be referred to arbitration in London under the Rules.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

How the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign court judgments under the UAE. Federal Law No. 1 of 1992 as amended, or ignoring the provisions of Article 238 of Federal Law No. 11 of 1992 (as amended by Federal Law No. 30 of 2005) (the "**Law of Civil Procedure**"). Federal Cabinet Resolution No. 57 of 2018 (the "**Resolution**") governs the enforcement of foreign arbitral awards. The Resolution confirms that arbitral awards issued in a foreign state may be enforced in the UAE and that the conditions for enforcement of foreign arbitral awards set out in the New York Convention take precedence over the Resolution. There remains a risk that notwithstanding the Resolution or the terms of an applicable multilateral or bilateral

enforcement convention, the UAE courts may in practice still consider and apply the grounds set out in Federal Law No. 6 of 2018 (the "**UAE Arbitration Law**") related to the enforcement of non-UAE seated arbitral awards (as provided in Articles 52 to 57 of the UAE Arbitration Law) to the enforcement of any non-UAE arbitral award. The UAE Arbitration Law and the Resolution are both new and it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

Under the Conditions and the Transaction Documents (other than the Master Purchase Agreement, each Supplemental Purchase Agreement and each Sale Agreement), any dispute may, at the option of the Trustee or the Delegate, also be referred to the courts of England or the ADGM courts, who shall have exclusive jurisdiction to settle any dispute arising from the Conditions or such Transaction Documents.

Where an English judgment has been obtained, there is no assurance that the Bank has, or would at the relevant time have, assets in the United Kingdom against which such a judgment could be enforced. The Bank is incorporated in and has its operations and the majority of its assets located in the UAE. Under current UAE federal law, the courts in the UAE are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the parties' choice of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the laws of Abu Dhabi and the UAE, and public policy, order or morals in the UAE. This may mean that the UAE courts may seek to interpret English law governed Transaction Documents as if they were governed by UAE law and there can therefore be no certainty that in those circumstances the UAE courts would give effect to such Transaction Documents in the same manner as the parties may intend.

As the UAE is a civil law jurisdiction, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty. The enforcement of a foreign judgment or arbitral award may be a lengthy process in the UAE.

In the case of any dispute under the Conditions and/or the relevant Transaction Documents, which, at the option of the Trustee or the Delegate, has been referred to the ADGM courts in accordance with Article 13(6) of Abu Dhabi Law No. 4 of 2013 and Section 16(2)(e) of the ADGM Courts, Civil Evidence, Judgments, Enforcement and Judicial Appointments Regulations 2015 (the "**ADGM Courts Regulations**"), any judgment, decision or order made by the ADGM courts in favour of the Delegate (on behalf of the Certificateholders) must, upon application by the Delegate to the ADGM courts or the Abu Dhabi Judicial Department, be enforced against the Bank and/or its assets situated in Abu Dhabi by the Enforcement Division of the Abu Dhabi Judicial Department without re-examination of the merits of the case provided that the procedure for enforcement is adhered to, as described in the Memorandum of Understanding dated 11 February 2018 between the Abu Dhabi Judicial Department and the ADGM courts (concerning the reciprocal enforcement of judgments).

Abu Dhabi Law No. 4 of 2013 and the ADGM Courts Regulations provide for the jurisdiction of the ADGM courts to include all civil and commercial disputes where the parties to the relevant dispute have expressly agreed to submit to the jurisdiction of the ADGM courts, even where such parties are unconnected to the ADGM. None of the Trustee, the Bank or the Delegate are connected to the ADGM.

Investors should note, however, that, as at the date of this Base Prospectus, Abu Dhabi Law No. 4 of 2013 and the ADGM Courts Regulations remain relatively untested and there is therefore no certainty as to how the ADGM courts intend to exercise their jurisdiction under this law should any party dispute the right of the ADGM courts to hear a particular dispute where any party is unconnected to the ADGM, nor is there any certainty that the Abu Dhabi courts will enforce the judgment of the ADGM courts without reconsidering the merits of the case.

## **Additional risks**

### ***Credit ratings may not reflect all risks***

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating of the Certificates changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Certificates may have a different regulatory treatment. This may result in European regulated investors selling the Certificates which may impact the value of the Certificates and any secondary market. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

### ***Change of law***

The conditions of the Certificates and the Transaction Documents are based on English law, the laws of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE, and administrative practices in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English or administrative practice after the date of this Base Prospectus nor whether any such change could adversely affect the ability of the Trustee to comply with its obligations and make payments under the Certificates or the Bank to comply with its obligations and make payments under the Transaction Documents to which it is a party.

### ***Investors must make their own determination as to Shari'a compliance***

The Shariah Supervisory Board of the Bank, the Shariah Advisory Board of Dubai Islamic Bank PJSC, Dar Al Sharia, the Shariah Supervisory Committee of Standard Chartered Bank and the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited have issued a *fatwa* in respect of the Certificates and the related structure and mechanism described in the Transaction Documents and their compliance with *Shari'a* principles. However, a *fatwa* is only an expression of the view of the relevant *Shari'a* advisory board based on its experience in the subject and is not a binding opinion. There can be no assurance as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates and none of the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents makes any representation as to the same. Investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Investors are advised to obtain their own independent *Shari'a* advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradeability of the Certificates on any secondary market. Questions as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents (other than the Master Purchase Agreement, each Supplemental Purchase Agreement and each Sale Agreement) would be, if in dispute, the subject of arbitration in London under the Rules. The Bank has also agreed under the Transaction Documents to which it is a party (other than the Master Purchase Agreement, each Supplemental Purchase Agreement and each Sale Agreement) to submit to the exclusive jurisdiction of the courts of England or the ADGM courts, at the

option of the Trustee or the Delegate. In such circumstances, the arbitrator or judge (as applicable) should apply the governing law of the relevant Transaction Document in determining the obligations of the parties.

#### ***Reliance on Euroclear and Clearstream, Luxembourg procedures***

The Certificates of each Series will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate. While the Certificates of any Series are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates of any Series are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in a Global Certificate.

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

#### ***Exchange rate risks and exchange controls***

The Trustee will pay Periodic Distribution Amounts and Dissolution Amounts on the Certificates and the Bank will make any payments under the Transaction Documents in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency.

These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate.

Neither the Trustee nor the Bank have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the face amount payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Trustee or the Bank to make payments in respect of the Certificates or Transaction Documents (as applicable). As a result, investors may receive lower Periodic Distribution Amounts or amounts in respect of the face amount of such Certificates than expected, or no such Periodic Distribution Amount or face amount.

#### ***Consents in relation to the variation of the Transaction Documents and other matters***

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

The Master Declaration of Trust contains provisions permitting the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to make any modification to the Master Declaration of Trust or any Transaction Document if, in the opinion of the Delegate, such modification:

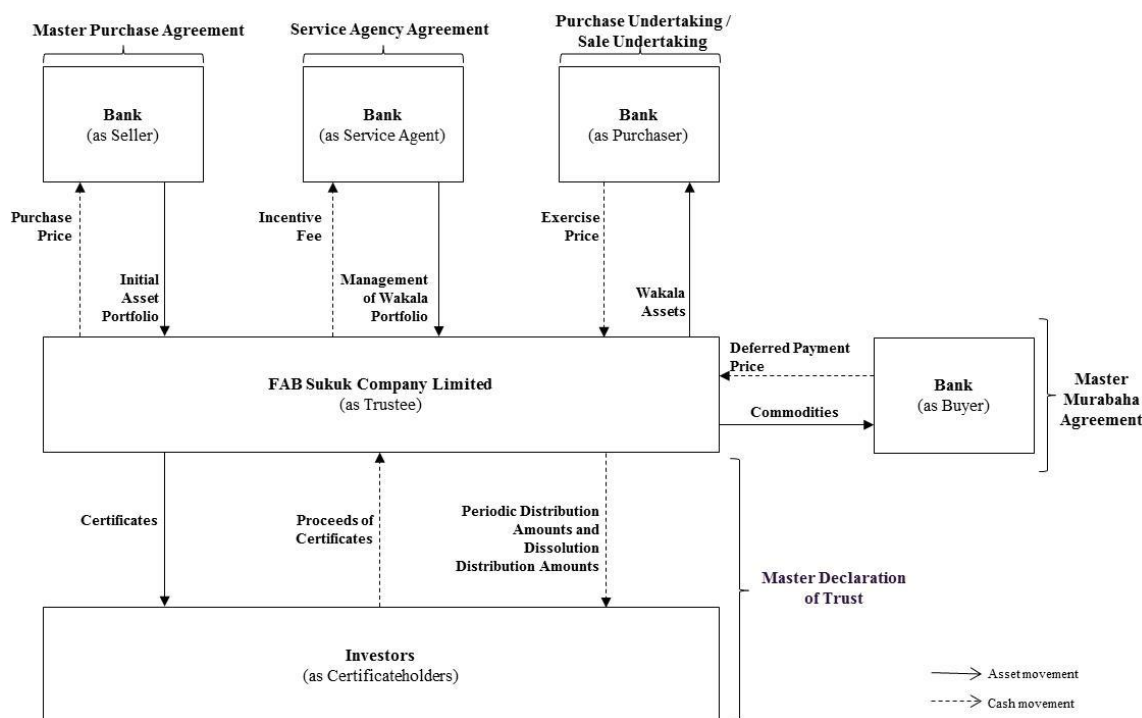
(a) is of a formal, minor or technical nature; (b) is made to correct a manifest error; or (c) is not materially prejudicial to the interests of the Certificateholders and is other than in respect of a Reserved Matter (as defined in the Master Declaration of Trust). Unless the Delegate otherwise agrees, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.



## STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series to be issued under the Programme. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Base Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

### Structure Diagram



### Payments by the Certificateholders and the Trustee

On the Issue Date of each Tranche of Certificates, the Certificateholders will pay the issue price in respect of the Certificates (the "**Issue Price**") to the Trustee, and the Trustee will apply as follows:

- an amount as specified in the applicable Final Terms, which shall be equal to no less than 55 per cent. of the aggregate face amount of the relevant Certificates, to the Bank (in its capacity as seller, the "**Seller**") as the purchase price payable for the purchase from the Bank of all its rights, title, interests, benefits and entitlements in, to and under the following assets (in the case of the first Tranche of the relevant Series of Certificates, the "**Initial Asset Portfolio**" or, in the case of each subsequent Tranche of such Series, the "**Additional Assets**") of (i) tangible assets located in the UAE in relation to which the Bank or any person on its behalf has entered into financing contracts (the "**Financing Assets**") provided, however, that each such Financing Asset is in existence on the date on which it enters the relevant Wakala Portfolio (as defined below) and, in the case of any Financing Assets that include real estate assets, such real estate assets are located in an Investment Area (within the meaning of Abu Dhabi Law No. 19 of 2005 Concerning Real Property) in Abu Dhabi, (ii) real estate assets (other than plots of land) located in an Investment Area (within the meaning of Abu Dhabi Law No. 19 of 2005 Concerning Real Property) in Abu Dhabi, which are currently leased or currently intended to be leased (other than on the basis of a finance lease) by the Seller to third parties (the "**Real Estate Assets**"), and (iii) tradable *Shari'a* compliant income-generating assets (including, without limitation, any sukuk), other than Financing Assets, Real Estate Assets or equity securities, that have associated with them underlying tangible assets or asset portfolios and all of such assets or asset portfolios are comprised of tangible assets (the "**Other Tangible Assets**" and, together with the Financing Assets and the Real Estate Assets, the "**Tangible Assets**"); and

- (b) the remaining portion of the proceeds of the relevant Issue Price as specified in the applicable Final Terms, which shall be no more than 45 per cent. of the relevant aggregate face amount of the Certificates (the "**Murabaha Investment Amount**"), to purchase certain *Shari'a* compliant commodities (the "**Commodities**") through the Commodity Agent and the Trustee will sell such Commodities to the Bank (in its capacity as buyer, the "**Buyer**") on a deferred payment basis for a sale price specified in an offer notice (the "**Deferred Payment Price**") pursuant to a murabaha contract (the "**Murabaha Contract**") (such sale of *Shari'a* compliant commodities by the Trustee to the Buyer the "**Commodity Murabaha Investment**").

In relation to a Series, the Initial Asset Portfolio, if applicable, the Additional Assets and, if applicable, each Commodity Murabaha Investment and all other rights arising under or with respect thereto (including the right to receive payment of profit, rental, Deferred Payment Price and any other amounts due in connection therewith) shall comprise the "**Wakala Portfolio**" in respect of such Series, and the Tangible Assets comprised in such Portfolio from time to time, the "**Wakala Assets**".

### **Periodic Distribution Payments**

In relation to a Series, all revenues from the Wakala Portfolio (including all profit, rental and other amounts (other than any amounts in the nature of capital or principal)) payable in respect of the Wakala Assets and, if applicable, all instalment profit amounts comprising the Deferred Payment Price payable in respect of the Commodity Murabaha Investment (the "**Wakala Portfolio Income Revenues**" and, together with any amounts payable in respect of the Wakala Assets comprising the relevant Wakala Portfolio in the nature of capital or principal, the "**Wakala Portfolio Revenues**") will be recorded by the Service Agent in a book-entry ledger account (the "**Income Collection Account**"). On each Wakala Distribution Determination Date, the Service Agent shall pay into the relevant Transaction Account amounts standing to the credit of the Income Collection Account, which is intended to fund an amount equal to the aggregate of the Periodic Distribution Amounts payable by the Trustee under the Certificates of the relevant Series on the immediately following Periodic Distribution Date (the "**Required Amount**") and such Required Amount will be applied by the Trustee for that purpose.

In the event that the Wakala Portfolio Income Revenues are greater than the Required Amount, the amount of any excess shall be credited by the Service Agent to a separate book-entry ledger account (the "**Reserve Account**"). If the amount standing to the credit of the Transaction Account on a Wakala Distribution Determination Date is insufficient to fund the Required Amount, the Service Agent shall apply amounts standing to the credit of the Reserve Account towards such shortfall, by paying an amount *equal* to the same into the Transaction Account. If having applied such amounts from the Reserve Account, there remains a shortfall, the Service Agent may, in its sole discretion, provide either:

- (a) *Shari'a* compliant funding to the Trustee itself; or
- (b) *Shari'a* compliant funding from a third party to be paid to the Trustee,

in each case, in an amount equal to the shortfall remaining (if any) on terms that such funding is repayable from Wakala Portfolio Revenues received in respect of a subsequent period or on the relevant Dissolution Date on which the Certificates of the relevant Series are redeemed in full (each a "**Liquidity Facility**").

### **Dissolution Payments**

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

- (a) the aggregate amounts of Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and
- (b) the Trustee will have the right under the Purchase Undertaking to require the Bank to purchase all of its rights, title, interests, benefits and entitlements in, to and under Wakala Assets at the relevant Exercise Price,

and such amounts are intended to fund the relevant Dissolution Distribution Amount payable by the Trustee under the Certificates of the relevant Series on the Scheduled Dissolution Date.

The Certificates in relation to any Series may be redeemed in whole or in part, as the case may be, prior to the relevant Scheduled Dissolution Date for the following reasons, in the case of each of (ii) and (iii), if so specified in the applicable Final Terms: (i) for taxation reasons, (ii) at the option of the Bank, (iii) at the option of the Certificateholders, (iv) to the extent applicable pursuant to the Service Agency Agreement and Condition 10(e) (*Dissolution following a Total Loss Event*), unless the Real Estate Assets forming part of the relevant Wakala Portfolio have been replaced in accordance with the Service Agency Agreement, following a Total Loss Event, and (v) following a Dissolution Event.

In the case of each of (iii) and (v) above such redemption of the Certificates shall be funded in a similar manner as for the payment of the relevant Dissolution Distribution Amount on the Scheduled Dissolution Date save for, on (or, in the case of (iii) above, the business day prior to) the relevant Dissolution Date:

- (a) the aggregate amounts (or the applicable portion thereof) of Deferred Payment Price then outstanding, if any, becoming immediately due and payable; and
- (b) the Trustee having the right under the Purchase Undertaking to require the Bank to purchase all (or the applicable portion thereof, as the case may be) of its rights, title, interests, benefits and entitlements in, to and under the Wakala Assets at the relevant Certificateholder Put Option Exercise Price or Exercise Price, as the case may be.

In the case of each of (i) and (ii) above, on the business day prior to the relevant Dissolution Date:

- (a) the aggregate amounts (or the applicable portion thereof) of the Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and
- (b) the Bank will have the right under the Sale Undertaking to require the Trustee to sell all (or the applicable portion thereof, as the case may be) of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets at the relevant Exercise Price or Optional Dissolution Exercise Price, as the case may be,

and such amounts are intended to fund the relevant Dissolution Amount payable by the Trustee under the Certificates of the relevant Series on the Early Tax Dissolution Date or the Optional Dissolution Date, as the case may be.

In the case of (iv) above, on the Total Loss Dissolution Date:

- (a) the aggregate amounts of Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and
- (b) the Trustee will have the right under the Service Agency Agreement to receive all insurance proceeds relating to the Real Estate Assets,

and such amounts are intended to fund the relevant Dissolution Distribution Amount payable by the Trustee under the Certificates of the relevant Series on the Total Loss Dissolution Date.

*For Shari'a reasons, the Optional Dissolution Right and the Certificateholder Put Option cannot both be specified as applicable in the applicable Final Terms in respect of any single Series.*

## TERMS AND CONDITIONS OF THE CERTIFICATES

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

In the case of a Tranche of Certificates which will not be admitted to listing, trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU, as amended) in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system ("**Exempt Certificates**") and, accordingly, for which no base prospectus is required to be published under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), a pricing supplement (a "**Pricing Supplement**") will be issued describing the final terms of such Tranche of Exempt Certificates. Each reference in these terms and conditions to "**Final Terms**" shall, in the case of a Tranche of Exempt Certificates, be read and construed as a reference to such Pricing Supplement unless the context requires otherwise.

FAB Sukuk Company Limited (in its capacities as issuer and as trustee, the "**Trustee**") has established a programme (the "**Programme**") for the issuance of trust certificates (the "**Certificates**" and each a "**Certificate**") in a maximum aggregate face amount of U.S.\$3,500,000,000 as may be increased in accordance with the terms of the Master Declaration of Trust (as defined below).

The final terms for a Certificate (or the relevant provisions thereof) are set out in Part A of the applicable Final Terms endorsed on a Certificate which supplement and complete these terms and conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of each Series. References to the "**applicable Final Terms**" are to the final terms (or the relevant provisions thereof) endorsed on each Certificate.

Each Certificate will represent an undivided *pro rata* ownership interest in the relevant Trust Assets (as defined below) held on trust by the Trustee (the "**Trust**") for the holders of such Certificates pursuant to: (i) an amended and restated master declaration of trust (the "**Master Declaration of Trust**") dated 9 January 2020 and entered into by the Trustee, First Abu Dhabi Bank PJSC (the "**Bank**") and Citicorp Trustee Company Limited as the Trustee's delegate (the "**Delegate**"); and (ii) a supplemental declaration of trust in respect of the relevant Tranche (the "**Supplemental Declaration of Trust**").

The Certificates of each Series shall form a separate series and these Conditions shall apply *mutatis mutandis* separately and independently to the Certificates of each Series and, in these Conditions, the expressions "**Certificates**", "**Certificateholders**" and related expressions shall be construed accordingly.

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

These Conditions include summaries of, and are subject to, the detailed provisions of the Master Declaration of Trust as supplemented by each relevant Supplemental Declaration of Trust and the other Transaction Documents. Payments relating to the Certificates will be made pursuant to an amended and restated agency agreement to be dated 9 January 2020 (the "**Agency Agreement**") made between, *inter alios*, the Trustee, the Delegate, the Bank, Citibank N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the "**Paying Agents**"), calculation agent (together with any further or other calculation agents appointed from time to time in respect of the Certificates, in such capacity, the "**Calculation Agent**"), Citibank N.A., London Branch as transfer agent (together with any further or other transfer agents appointed from time to time in respect of the Certificates, in such capacity, the "**Transfer Agent**") and Citigroup Global Markets Europe AG as

registrar (in such capacity, a "**Registrar**"). The Paying Agents, the Calculation Agent, the Registrar and the Transfer Agent are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors.

The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of the following documents, copies of which are available for inspection and/or collection during usual business hours at the registered office of the Trustee (presently at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands) and at the specified office of the Principal Paying Agent:

- (a) an amended and restated master purchase agreement between the Trustee and the Bank dated 9 January 2020 (the "**Master Purchase Agreement**") and, in respect of each Tranche, the supplemental purchase agreement with respect thereto (the "**Supplemental Purchase Agreement**") having the details set out in the applicable Final Terms;
- (b) an amended and restated service agency agreement between the Trustee and the Bank dated 9 January 2020 (the "**Service Agency Agreement**");
- (c) an amended and restated purchase undertaking executed by the Bank in favour of the Trustee and the Delegate dated 9 January 2020 (the "**Purchase Undertaking**");
- (d) an amended and restated sale undertaking executed by the Trustee in favour of the Bank dated 9 January 2020 (the "**Sale Undertaking**");
- (e) an amended and restated master murabaha agreement dated 9 January 2020 between the Trustee, the Bank and the Delegate (the "**Master Murabaha Agreement**");
- (f) the Master Declaration of Trust and, in respect of each Tranche, the applicable Supplemental Declaration of Trust with respect thereto;
- (g) the Agency Agreement;
- (h) a corporate services agreement entered into on 8 July 2011 between MaplesFS Limited (as provider of corporate services to the Trustee) and the Trustee (the "**Corporate Services Agreement**"); and
- (i) in respect of each Tranche, the applicable Final Terms,

as each may be amended and restated and/or supplemented from time to time.

Each Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed, in respect of each Series, to authorise and direct the Trustee on behalf of the Certificateholders, to: (i) apply the proceeds of the issue of the Certificates in accordance with the terms of the Transaction Documents; and (ii) enter into, and perform its obligations under and in connection with, each Transaction Document, subject to the terms and conditions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust and these Conditions.

## 1. **INTERPRETATION**

Words and expressions defined in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust and the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between any such document and the applicable Final Terms, the applicable Final Terms will prevail. In addition, in these Conditions the following expressions have the following meanings:

"**Accountholder**" means each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as entitled to a particular face amount of the Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error);

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

"**Bank Event**" has the meaning given to it in Condition 14 (*Dissolution Events*);

"**Broken Amount**" has the meaning given to it in the applicable Final Terms;

"**Business Day**" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Financial Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant Specified Currency and in each (if any) Additional Financial Centre;

"**Calculation Amount**" has the meaning given to it in the applicable Final Terms;

"**Cancellation Notice**" means a cancellation notice in substantially the form of schedule 6 to the Master Declaration of Trust;

"**Certificateholder**" means a person in whose name a Certificate is registered in the Register (or in the case of joint holders, the first named thereof) save that, for so long as the Certificates of any Tranche are represented by a Global Certificate, each Accountholder shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, for the purposes hereof other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Trustee, solely in the registered holder of such Global Certificate in accordance with and subject to the terms of the Master Declaration of Trust as supplemented by the relevant supplemental Declaration of Trust and such Global Certificates, and the expressions "**holder**" and "**holder of Certificates**" and related expressions shall (where appropriate) be construed accordingly;

"**Certificateholder Put Option**" means the right specified in Condition 10(d) (*Capital Distributions of the Trust – Certificateholder Put Option*);

"**Certificateholder Put Option Date**" means, in relation to the exercise of the Certificateholder Put Option, the date specified as such in the applicable Final Terms;

"**Certificateholder Put Option Dissolution Amount**" means, in relation to each Certificate to be redeemed on the relevant Certificateholder Put Option Date, the aggregate of:

- (a) the face amount of such Certificate; plus
- (b) any accrued but unpaid Periodic Distribution Amounts relating to such Certificate; plus
- (c) without duplication or double-counting, such other amount specified in the applicable Final Terms as being payable upon any Certificateholder Put Option Date (if any);

"**Clearstream, Luxembourg**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

"**Day Count Fraction**" has the meaning given to it in Condition 8(b) (*Periodic Distribution Provisions – Determination of Periodic Distribution Amount*);

"**Delegation**" has the meaning given to it in Condition 19 (*The Delegate*);

**"Dispute"** has the meaning given to it in Condition 22 (*Governing Law and Dispute Resolution*);

**"Dissolution Amount"** means, in relation to each Certificate, as the case may be:

- (a) the Dissolution Distribution Amount;
- (b) the Early Dissolution Amount (Tax);
- (c) the Optional Dissolution Amount; or
- (d) the Certificateholder Put Option Dissolution Amount;

**"Dissolution Distribution Amount"** means, in relation to each Certificate, either:

- (a) the sum of:
  - (i) the outstanding face amount of such Certificate; and
  - (ii) any accrued but unpaid Periodic Distribution Amounts relating to such Certificate; or
- (b) such other amount specified in the applicable Final Terms as being payable upon any relevant Dissolution Date (if any);

**"Dissolution Date"** means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;
- (d) any Certificateholder Put Option Date;
- (e) any Total Loss Dissolution Date;
- (f) any Dissolution Event Redemption Date; or
- (g) such other date as specified in the applicable Final Terms for the redemption of Certificates and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;

**"Dissolution Event"** has the meaning given to it in Condition 14 (*Dissolution Events*);

**"Dissolution Event Redemption Date"** has the meaning given to it in Condition 14 (*Dissolution Events*);

**"Dissolution Request"** has the meaning given to it in Condition 14 (*Dissolution Events*);

**"Early Dissolution Amount (Tax)"** means, in respect of any Certificate, the Dissolution Distribution Amount or such other amount specified in the applicable Final Terms payable on any Early Tax Dissolution Date;

**"Early Tax Dissolution Date"** has the meaning given to it in Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

**"Euroclear"** has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

**"Exercise Notice"** means an exercise notice delivered pursuant to the terms of the Purchase Undertaking or the Sale Undertaking, as the context so requires;

**"Extraordinary Resolution"** has the meaning given to it in schedule 4 (*Provisions for Meetings of Certificateholders*) to the Master Declaration of Trust;

**"Fixed Amount"** has the meaning given to it in the applicable Final Terms;

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

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

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

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

**"Issue Date"** has the meaning given to it in the applicable Final Terms;

**"Liability"** means, in respect of any person, any actual loss, damage, cost (excluding cost of funding and opportunity costs), fee, charge, award, claim, demand, expense, judgment, action, proceeding or other liability whatsoever and including any value added tax or similar tax charged or chargeable in respect of any sums referred to in this definition and legal or other fees and expenses on a full indemnity basis and references to **"Liabilities"** shall mean all of these;

**"Maximum Notice Period"** has the meaning given in the applicable Final Terms;

**"Maximum Optional Dissolution Amount"** means the amount specified as such in the applicable Final Terms;

**"Minimum Notice Period"** has the meaning given in the applicable Final Terms;

**"Minimum Optional Dissolution Amount"** means the amount specified as such in the applicable Final Terms;

**"Minimum Total Loss Requirement"** has the meaning given to it in the Service Agency Agreement;



**"Murabaha Percentage"** means the percentage specified as such in the applicable Final Terms which shall be no more than 45 per cent.;

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

- (a) the face amount of such Certificate; plus
- (b) any accrued but unpaid Periodic Distribution Amounts relating to such Certificate; plus
- (c) without duplication or double-counting, such other amount specified in the applicable Final Terms as being payable upon any Optional Dissolution Date (if any);

**"Optional Dissolution Date"** means, in relation to the exercise of an Optional Dissolution Right, the date specified as such in the applicable Final Terms;

**"Optional Dissolution Right"** means the right specified in Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of the Bank*);

**"Payment Business Day"** means: (i) in the case where presentation and surrender of a Definitive Certificate is required before payment can be made, a day on which banks in the relevant place of surrender of a Definitive Certificate are open for presentation and payment of registered securities and for dealings in foreign currencies; and (ii) in the case of payment on a Global Certificate, by transfer to an account, if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Periodic Distribution Amount"** has the meaning given to it in Condition 8(a) (*Periodic Distribution Provisions – Periodic Distribution Amount*) and as specified in the applicable Final Terms;

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

**"Permitted Reorganisation"** means:

- (a) any solvent winding up or dissolution of a Principal Subsidiary where the remaining assets of such Principal Subsidiary are distributed to the Bank or any wholly owned Subsidiary of the Bank;
- (b) any disposal by any Subsidiary (including, but not limited to, on its solvent winding up) of the whole or a substantial part of its business, undertaking or assets to the Bank or any wholly owned Subsidiary of the Bank;
- (c) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly owned Subsidiary of the Bank; or
- (d) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by a modification made by Extraordinary Resolution of the Certificateholders pursuant to Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*);

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

**"Potential Dissolution Event"** means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

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

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and;
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, respectively;

**"Principal Subsidiary"** means any Subsidiary of the Bank: (i) whose assets from time to time represent not less than 15 per cent. of the consolidated assets of the Bank, or whose revenues from time to time represent not less than 15 per cent. of the consolidated revenues of the Bank, as shown in the Bank's most recent audited consolidated annual financial statements (or, if more recent, consolidated interim financial statements); or (ii) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary;

**"Proceedings"** has the meaning given to it in Condition 22 (*Governing Law and Dispute Resolution*);

**"Profit Rate Determination Date"** has the meaning specified in the applicable Final Terms; **"Rate"** means, in relation to a particular Tranche, the rate or rates (expressed as a percentage per annum) specified in the applicable Final Terms for such Tranche and calculated or determined in accordance with these Conditions and/or the applicable Final Terms;

**"Real Estate Assets"** has the meaning given to it in the Master Purchase Agreement;

**"Record Date"** has the meaning given to it in Condition 9(a) (*Payment – Payments in respect of Certificates*);

**"Register"** has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

**"Regular Period"** means:

- (a) in the case of Certificates where Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including the Return Accrual Commencement Date to but excluding the first Periodic Distribution Date and each successive period from and including one Periodic Distribution Date to but excluding the next Periodic Distribution Date;
- (b) in the case of Certificates where, apart from the first Return Accumulation Period, Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Periodic Distribution Date falls; and
- (c) in the case of Certificates where, apart from one Return Accumulation Period other than the first Return Accumulation Period, Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Periodic Distribution Date falls other than the Periodic Distribution Date falling at the end of the irregular Return Accumulation Period;

"**Relevant Date**" has the meaning given to it in Condition 11 (*Taxation*);

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other similar instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Jurisdiction**" has the meaning given to it in Condition 11 (*Taxation*);

"**Relevant Powers**" has the meaning given to it in Condition 19 (*The Delegate*);

"**Return Accumulation Period**" means the period from (and including) a Periodic Distribution Date (or, in the case of the first Return Accumulation Period, the Issue Date) to (but excluding) the next (or, in the case of the first Return Accumulation Period, the first) Periodic Distribution Date;

"**Rules**" has the meaning given to it in Condition 22 (*Governing Law and Dispute Resolution*);

"**Sale Agreement**" means any sale agreement entered into in connection with the Purchase Undertaking or the Sale Undertaking, as the context so requires;

"**Scheduled Dissolution Date**" means, in respect of each Series, the date specified as such in the applicable Final Terms;

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

"**Series**" means a Tranche of Certificates together with any additional Tranche or Tranches of Certificates which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue;

"**Service Agent**" means First Abu Dhabi Bank PJSC acting in its capacity as service agent pursuant to the Service Agency Agreement;

"**Specified Currency**" has the meaning given to it in the applicable Final Terms;

"**Specified Denomination(s)**" has the meaning given to it in the applicable Final Terms;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**");

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

"**Tangible Asset Percentage**" means the percentage specified as such in the applicable Final Terms which shall be no less than 55 per cent.;

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET or TARGET 2) (the "**TARGET System**") is open;

"**Tax Event**" has the meaning given to it in Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

"**Taxes**" has the meaning given to it in Condition 11 (*Taxation*);

"**Tranche**" means Certificates which are identical in all respects (including as to listing and admission to trading);

"**Transaction Account**" means, in relation to each Series, the non-interest bearing account in London in the Trustee's name maintained with the Principal Paying Agent, details of which are specified in the applicable Final Terms;

"**Transaction Documents**" means, in relation to each Series, the Master Purchase Agreement, each relevant Supplemental Purchase Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking, any Sale Agreement, the Master Murabaha Agreement (together with all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Master Murabaha Agreement in connection with the relevant Series), the Master Declaration of Trust, each relevant Supplemental Declaration of Trust, the Agency Agreement and the relevant Certificates;

"**Trust Assets**" has the meaning given to it in Condition 6(a) (*Trust – Trust Assets*);

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

"**Wakala Portfolio**" has the meaning given to it in the Service Agency Agreement.

All references in these Conditions to "**U.S. dollars**", "**USD**", "**U.S.\$**" and "**\$**" are to the lawful currency of the United States of America. All references to "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Union, as amended.

## 2. **FORM, DENOMINATION AND TITLE**

### (a) **Form and Denomination**

The Certificates are issued in registered form in the Specified Denomination(s). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the "**Register**") which the Trustee will cause to be kept by the Registrar outside the Cayman Islands and the United Kingdom in accordance with the provisions of the Agency Agreement.

Upon issue, Certificates will be represented by beneficial interests in one or more Global Certificates, in fully registered form, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Ownership interests in Global Certificates will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants.

References to Euroclear and Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system.

### (b) **Title**

Title to the Certificates passes only by registration in the Register. Subject to the terms of any relevant Global Certificate and/or the definition of "**Certificateholders**", the registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes

(whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

The Trustee and the Delegate may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to any Certificateholder by reason only of either having accepted as valid or not having rejected an original certificate or letter of confirmation purporting to be signed on behalf of Euroclear or Clearstream, Luxembourg or any other relevant clearing system to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular nominal amount of Certificates credited to his or her securities account.

### 3. TRANSFERS OF CERTIFICATES

#### (a) Transfers

Subject to Condition 3(d) (*Transfers of Certificates – Closed Periods*), Condition 3(f) (*Transfers of Certificates – Regulations*), the limitations as to transfer set out in Condition 2(b) (*Form, Denomination and Title – Title*) and the provisions of the Agency Agreement, a Certificate may be transferred in whole or in an amount equal to the Specified Denomination(s) or any integral multiple thereof by depositing the Certificate, with the form of transfer on the back, duly completed and signed, at the specified office of the Transfer Agent together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

Transfers of interests in the Certificates represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

#### (b) Delivery of New Certificates

Each new Certificate to be issued upon any transfer of Certificates will, within three business days of receipt by the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in each Global Certificate, owners of interests in a Global Certificate will not be entitled to receive physical delivery of Certificates.

#### (c) Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge on behalf of the Trustee by the Registrar or the Transfer Agent but upon payment (or the giving of such indemnity as the Trustee, Registrar or Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

(d) **Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered during the period of fifteen days ending on (and including) the due date for any payment of the Dissolution Amount or any Periodic Distribution Amount (as defined in Condition 8(a) (*Periodic Distribution Provisions – Periodic Distribution Amount*) as specified in the applicable Final Terms) or any other date on which payment of the face amount or payment of any profit in respect of a Certificate falls due as specified in the applicable Final Terms.

(e) **Exercise of Options or Partial Dissolution in Respect of Certificates**

In the case of an exercise of the Bank's or a Certificateholder's option in respect of, or a partial redemption of, a holding of Certificates, the Registrar will update the entries on the Register accordingly and, in the case of Definitive Certificates, new Definitive Certificates shall be issued to the Certificateholders to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Definitive Certificates shall only be issued against surrender of the existing Definitive Certificates to the Registrar or any Transfer Agent.

(f) **Regulations**

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Master Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

Unless otherwise requested by him, each Certificateholder shall be entitled to receive, in accordance with Condition 2(b) (*Form, Denomination and Title – Title*), only one Certificate in respect of his or her entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3(b) (*Transfers of Certificates – Delivery of New Certificates*).

4. **STATUS AND LIMITED RECOURSE**

(a) **Status**

Each Certificate will represent an undivided *pro rata* ownership interest in the relevant Trust Assets (pursuant to the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust) and will be a limited recourse obligation of the Trustee. Each Certificate will rank *pari passu*, without preference or priority, with all other Certificates of the relevant Series issued under the Programme.

*The payment obligations of the Bank (acting in any capacity) under the Transaction Documents to which it is a party will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (Negative Pledge)) unsecured obligations of the Bank and shall at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of the Bank, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.*

(b) **Limited Recourse**

The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. Save as provided in this Condition 4 (*Status and Limited Recourse*), Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Bank, any of the Agents or any of their respective affiliates. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 15 (*Enforcement and Exercise of Right*),

Certificateholders acknowledge that, by subscribing for or acquiring Certificates, they will not have any claim against the Trustee (and/or its directors, officers or shareholders), the Bank (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates, or against any of their respective assets (other than the relevant Trust Assets) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee (and/or its directors), the Bank (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

The Bank is obliged to make payments under the relevant Transaction Documents to which it is a party directly to the Trustee, the Delegate (acting in the name and on behalf of the Trustee) and/or the Agents. The Delegate will, as delegate of the Trustee for the Certificateholders, have direct recourse against the Bank to recover payments due to the Trustee from the Bank pursuant to such Transaction Documents. None of the Trustee, the Delegate and the Agents shall be liable for the late, partial or non-recovery of any such payments from the Bank save in the case of its wilful default, actual fraud or gross negligence.

(c) **Agreement of Certificateholders**

By subscribing for or acquiring Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (i) no payment of any amount whatsoever shall be made by any of the Trustee (acting in any capacity), the Delegate or any of their respective shareholders, directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and further acknowledges and agrees that no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (acting in any capacity), the Delegate or any of their respective directors, officers, employees or agents to the extent the relevant Trust Assets have been exhausted following which all obligations of the Trustee (acting in any capacity) and the Delegate shall be extinguished;
- (ii) it will not petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee (and/or its directors);
- (iii) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with any Transaction Document to which it is a party by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent, director or corporate services provider of the Trustee in its capacity as such for any breaches by the Trustee and any and all personal liability of every such shareholder, officer, employee, agent, director or corporate services provider in its capacity as such for any breaches by the Trustee of any such duty, obligation or undertaking is hereby expressly waived and excluded to the extent permitted by law. The obligations of the Trustee hereunder or any other Transaction Document to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, employees, agents, directors or corporate

services provider of the Trustee (in their capacity as such), save in the case of their wilful default or actual fraud; and

- (iv) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of any sums due under the Transaction Documents with respect to any liability owed by it to the Trustee or claim any lien or other rights over any property held by it on behalf of the Trustee.

## 5. **NEGATIVE PLEDGE**

So long as any Certificate remains outstanding, the Bank shall not, and shall procure that none of its Subsidiaries will create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness of the Bank or Guarantee (by the Bank) of Relevant Indebtedness of others, other than a Permitted Security Interest, without: (a) at the same time or prior thereto securing the Certificates equally and rateably therewith; or (b) providing such other security for the Certificates as: (i) the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of the Certificateholders; or (ii) as may be approved by an Extraordinary Resolution of Certificateholders.

In this Condition 5 (*Negative Pledge*):

**"Indebtedness"** means any present or future indebtedness of any person for or in respect of any money borrowed or raised including (without limitation) any liability arising under bonds, sukuk or other securities or any moneys raised under any transaction having the commercial effect of borrowing or raising money including any *Shari'a*-compliant alternative of the foregoing;

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

**"Permitted Security Interest"** means, for the purposes of this Condition 5 (*Negative Pledge*):

- (a) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;
- (b) any Security Interest arising by operation of law, provided that such Security Interest is discharged within 30 days of arising;
- (c) any Security Interest arising in the ordinary course of banking transactions (such as sale and repurchase transactions and share, loan and bonding lending transactions) provided that the Security Interest is limited to the assets which are the subject of the relevant transaction;
- (d) any Security Interest on assets or property existing at the time the Bank or any Subsidiary acquired such assets or property provided that such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property (other than proceeds of such acquired assets or property), provided that the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (e) any Security Interest securing Indebtedness of a Person and/or its Subsidiaries existing at the time that such Person is merged into or consolidated with the Bank or a Subsidiary, provided that such Security Interest was not created in contemplation of



such merger or consolidation and does not extend to any other assets or property of the Bank or any Subsidiary;

- (f) any Security Interest created in connection with any Non-recourse Project Financing;
- (g) any other Security Interest provided that the aggregate outstanding amount secured by that Security Interest and any other Security Interest permitted to be created and in effect under this Condition 5 (*Negative Pledge*) does not, at any time, exceed 10 per cent. of the aggregate share capital and reserves of the Bank as shown in its most recent audited consolidated (if then prepared by the Bank) or non-consolidated (if consolidated financial statements are not then prepared by the Bank) financial statements prepared in accordance with International Financial Reporting Standards;
- (h) any Security Interest existing on the date on which agreement is reached to issue the first Series; and
- (i) any renewal of or substitution for any Security Interest permitted by any of subparagraphs (a) to (h) above (inclusive) so long as the Relevant Indebtedness secured by such Security Interest is for an amount not materially greater than the principal (and any capitalised interest and fees) of such Relevant Indebtedness and the Security Interest does not extend to any additional property or assets (other than the proceeds of such assets).

## 6. TRUST

### (a) Trust Assets

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

- (i) all of the cash proceeds of the issue of the Certificates, pending the application thereof in accordance with the terms of the Transaction Documents;
- (ii) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Portfolio;
- (iii) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Transaction Documents (excluding any representations given by the Bank to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to clause 17.1 of the Master Declaration of Trust);
- (iv) all moneys standing to the credit of the Transaction Account from time to time; and
- (v) all proceeds of the foregoing.

### (b) Application of Proceeds from Trust Assets

On each Periodic Distribution Date, any Dissolution Date or on any earlier date specified for the dissolution of the Trust for each Series, the relevant Paying Agent will apply the moneys standing to the credit of the Transaction Account in the following order of priority:

- (i) *first*, (to the extent not previously paid) to pay the Delegate all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Master

Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust;

- (ii) *second*, (to the extent not previously paid) to pay *pro rata* and *pari passu*: (A) the Trustee in respect of all amounts properly incurred and documented (each in the opinion of the Delegate) owing to it under the Transaction Documents in its capacity as Trustee; (B) the Trustee Administrator in respect of all amounts owing to it under the Corporate Services Agreement in its capacity as Trustee Administrator; and (C) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;
- (iii) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts accrued but unpaid;
- (iv) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment of the relevant Dissolution Amount; and
- (v) *fifth*, only if such payment is made on a Dissolution Date, payment of any residual amount to the Bank in its capacity as Service Agent as an incentive payment under the Service Agency Agreement.

## 7. COVENANTS

The Trustee covenants that, among other things, for so long as any Certificate is outstanding (as defined in the Master Declaration of Trust), it shall not:

- (a) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (b) create any Security Interest over any of its present or future indebtedness for borrowed money or upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) (other than under or pursuant to any of the Transaction Documents));
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;
- (d) subject to Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (e) except as provided in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (f) have any subsidiaries or employees;
- (g) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly permitted or required thereunder or engage in any business or activity other than:
  - (i) as provided for or permitted in the Transaction Documents;
  - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

8. **PERIODIC DISTRIBUTION PROVISIONS**

(a) **Periodic Distribution Amount**

A "**Periodic Distribution Amount**" will be payable in respect of the relevant Certificates and be distributable by the Trustee to the Certificateholders in accordance with these Conditions.

(b) **Determination of Periodic Distribution Amount**

Except as provided in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Certificate for any Return Accumulation Period shall be the Fixed Amount and, if the Certificates are in more than one Specified Denomination, shall be the Fixed Amount as specified in the applicable Final Terms in respect of the relevant Specified Denomination. Payments of Periodic Distribution Amounts on any Periodic Distribution Date as specified in the applicable Final Terms may, if so specified in the applicable Final Terms, amount to the Broken Amount as specified in the applicable Final Terms.

If any Periodic Distribution Amount is required to be calculated for a period other than a Return Accumulation Period or if no relevant Fixed Amount or Broken Amount is specified in the applicable Final Terms, such Periodic Distribution Amount shall be calculated by applying the Rate to the Calculation Amount, multiplying the product by the applicable Day Count Fraction, and rounding the resulting figure to the nearest sub-unit of the relevant Specified Currency (half of any such sub-unit being rounded upwards) and multiplying such rounded figure by a figure equal to the Specified Denomination of the relevant Certificate divided by the Calculation Amount.

"**Day Count Fraction**" means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition 8(b) (*Periodic Distribution Provisions – Determination of Periodic Distribution Amount*):

- (i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:
  - (A) where the Determination Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Determination Period divided by the product of: (1) the actual number of days in such Regular Period; and (2) the number of Regular Periods in any year; and
  - (B) where the Determination Period is longer than one Regular Period, the sum of:
    - (1) the actual number of days in such Determination Period falling in the Regular Period in which it begins divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year; and

- (2) the actual number of days in such Determination Period falling in the next Regular Period divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year;
- (ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Issue Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(c) **Payment in Arrear**

Subject to Condition 8(d) (*Periodic Distribution Provisions – Cessation of Profit Entitlement*), Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of the Bank*), and Condition 14 (*Dissolution Events*) below, and unless otherwise specified in the applicable Final Terms, each Periodic Distribution Amount will be paid in respect of the relevant Certificates in arrear on each Periodic Distribution Date specified in the applicable Final Terms.

(d) **Cessation of Profit Entitlement**

No further amounts will be payable on any Certificate from and including (a) the relevant Dissolution Date (excluding a Total Loss Dissolution Date), unless default is made in the payment of the Dissolution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 8 to the earlier of (i) the Relevant Date; or (ii) the date on which a Sale Agreement is executed in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be; and (b) the date on which a Total Loss Event occurs. For the avoidance of doubt, in the event that the relevant Dissolution Date falls after the Scheduled Dissolution Date, no profit will accrue from and including the Scheduled Dissolution Date.

9. **PAYMENT**

(a) **Payments in respect of Certificates**

Subject to Condition 8 (*Periodic Distribution Provisions*), payment of each Periodic Distribution Amount and the relevant Dissolution Amount will be made by the relevant Paying Agent in the Specified Currency, by wire transfer in same day funds to the registered account of each Certificateholder. Payments of the relevant Dissolution Amount will only be made against surrender of the relevant Certificate, where the Certificate is in definitive form, at the specified office of the relevant Paying Agent. Payments of the relevant Dissolution Amount and each Periodic Distribution Amount in respect of the Global Certificate will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of these Conditions:

- (i) a Certificateholder's "**registered account**" means an account denominated in the Specified Currency maintained by or on behalf of it with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date;
- (ii) a Certificateholder's "**registered address**" means its address appearing on the Register at that time; and
- (iii) "**Record Date**" means:

- (A) in the case of the payment of a Periodic Distribution Amount, the close of business on the day prior to the relevant Periodic Distribution Date; and
- (B) in the case of the payment of a Dissolution Amount, the date falling two Payment Business Days before the relevant Dissolution Date or other due date for payment of the relevant Periodic Distribution Amount.

(b) **Payments subject to Applicable Laws**

All payments are subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of this Condition 9 (*Payment*) and Condition 11 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (as amended, the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 11 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

(c) **Payment only on a Payment Business Day**

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated by the relevant Paying Agent, on the due date for payment or, in the case of a payment of the relevant Dissolution Amount, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of the relevant Paying Agent.

Certificateholders will not be entitled to any additional Periodic Distribution Amount, Dissolution Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering his Certificate (if required to do so).

If the relevant Dissolution Amount or any Periodic Distribution Amount is not paid in full when due, the relevant Registrar will annotate the Register with a record of the amount actually paid.

(d) **Agents**

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided in the Master Declaration of Trust and the Agency Agreement) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders or any other party to the Transaction Documents.

The names of the initial Agents and their initial specified offices are set out in this Condition. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents provided that: (i) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); and (ii) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any such change or any change of any Specified Office shall be given to the Trustee, the Delegate and the Certificateholders in accordance with the provisions of the Agency Agreement.

The name and specified office of the Principal Paying Agent, Calculation Agent and Transfer Agent:

Citibank N.A., London Branch  
Citigroup Centre  
Canada Square  
London E14 5LB  
United Kingdom

The name and specified office of the Registrar:

Citigroup Global Markets Europe AG  
Reuterweg 16 D-60323  
Frankfurt am Main  
Germany

## 10. CAPITAL DISTRIBUTIONS OF THE TRUST

### (a) **Dissolution on the relevant Scheduled Dissolution Date**

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem the Certificates at the relevant Dissolution Distribution Amount and the Trust will be dissolved by the Trustee on the relevant Scheduled Dissolution Date as specified in the applicable Final Terms, following the payment of such amount in full.

### (b) **Early Dissolution for Tax Reasons**

If a Tax Event occurs, where "**Tax Event**" means:

- (i) (A) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the relevant Series; and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (ii) (A) the Trustee has received notice from the Bank that it has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the relevant Series; and (B) such obligation cannot be avoided by the Bank taking reasonable measures available to it,

the Trustee shall, upon receipt of a duly completed Exercise Notice from the Bank in accordance with the Sale Undertaking, redeem the Certificates in whole, but not in part, at any time (such dissolution date being an "**Early Tax Dissolution Date**"), on giving not less than the Minimum Notice Period nor more than the Maximum Notice Period notice to the Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable) at the relevant Early Dissolution Amount (Tax) if the Trustee satisfies the Delegate immediately before the giving of such notice of the occurrence of such a Tax Event provided, however, that no such notice of dissolution shall be given earlier than 90 days prior to the earliest date on which (in the case of (i) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due, or (in the case of (ii) above) the Bank would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Transaction Document was then due.

Prior to the publication by or on behalf of the Trustee of any notice to Certificateholders pursuant to this Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), the Bank shall deliver to the Trustee and the Delegate: (i) a certificate signed by two directors of the Bank stating that the Trustee is entitled to effect such redemption and settling forth a statement of facts showing that the conditions precedent

to the right of the Trustee so to redeem have occurred; and (ii) an opinion of independent legal advisers of recognised standing to the effect either that the Trustee or the Bank, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice to Certificateholders as is referred to above and payment in full of the relevant Early Dissolution Amount (Tax) to Certificateholders, the Trustee shall be bound to dissolve the Trust.

(c) **Dissolution at the Option of the Bank**

If the Optional Dissolution Right is specified in the applicable Final Terms, the Trustee shall, upon receipt of a duly completed Exercise Notice from the Bank in accordance with the Sale Undertaking, on giving not less than the Minimum Notice Period nor more than the Maximum Notice Period to the relevant Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable), redeem all or, if so specified in such notice, some only of the Certificates at the relevant Optional Dissolution Amount on the Optional Dissolution Date specified in such notice in accordance with this Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of the Bank*).

Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed and no greater than the Maximum Optional Dissolution Amount to be redeemed (in each case as specified in the applicable Final Terms).

If all (and not some only) of the Certificates are to be redeemed on any Optional Dissolution Date in accordance with this Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of the Bank*), upon payment in full of the relevant Optional Dissolution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

In the case of a partial redemption, the notice to the relevant Certificateholders shall also specify the face amount of Certificates drawn and the holder(s) of such Certificates to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

The Optional Dissolution Right and the Certificateholder Put Option may not both be specified as applicable in the applicable Final Terms in respect of any Series.

(d) **Certificateholder Put Option**

If the Certificateholder Put Option is specified in the applicable Final Terms, the Trustee shall, at the option of any Certificateholder, upon such holder giving not less than the Minimum Notice Period nor more than the Maximum Notice Period notice to the Trustee, upon the expiry of such notice, redeem such Certificates on the Certificateholder Put Option Date at the relevant Certificateholder Put Option Dissolution Amount. If all (and not some only) of the Certificates are to be redeemed on any Certificateholder Put Option Date in accordance with this Condition 10(d) (*Capital Distributions of the Trust – Certificateholder Put Option*), upon payment in full of the relevant Certificateholder Put Option Dissolution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

To exercise the option in this Condition 10(d) (*Capital Distributions of the Trust – Certificateholder Put Option*) the relevant holder must, if such Certificates are in definitive form and held outside Euroclear and Clearstream, Luxembourg, deposit its Certificate(s), on any business day in the city of the specified office of the Principal Paying Agent falling within the notice period, with the Principal Paying Agent, giving notice to the Principal Paying Agent of such exercise (a "**Certificateholder Put Option**

**Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable). If Certificates are represented by a Global Certificate or are in definitive form and held through Euroclear or Clearstream, Luxembourg, then in order to exercise the option in this Condition 10(d) (*Capital Distributions of the Trust – Certificateholder Put Option*), a Certificateholder must, within the notice period, give notice to a Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Certificateholder Put Option Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent) and, if this Certificate is represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to a Paying Agent for notation or entry in the Register accordingly.

Any Certificateholder Put Option Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Certificates pursuant to this Condition 10(d) (*Capital Distributions of the Trust– Certificateholder Put Option*) shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Certificates due and payable pursuant to Condition 14 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 10(d) (*Capital Distributions of the Trust – Certificateholder Put Option*).

The Certificateholder Put Option and the Optional Dissolution Right may not both be specified in the applicable Final Terms in respect of any Series.

(e) **Dissolution following a Total Loss Event**

This Condition 10(e) is applicable to the Certificates only if, at any time while any Certificates remain outstanding, the Minimum Total Loss Requirement corresponding to the Certificates is satisfied.

The Trustee shall, upon receipt of notice from the Bank or otherwise becoming aware of the occurrence of a Total Loss Event, unless the Real Estate Assets forming part of the relevant Wakala Portfolio have been replaced in accordance with the Service Agency Agreement, redeem the Certificates in whole, but not in part, by no later than the close of business on the 31st day after the occurrence of the Total Loss Event (the "**Total Loss Dissolution Date**") at the relevant Dissolution Distribution Amount.

For the avoidance of doubt, if this Condition 10(e) is ever applicable to the Certificates at any time then this Condition 10(e) shall cease to apply to the Certificates immediately upon the Minimum Total Loss Requirement corresponding to the Certificates no longer being satisfied and shall immediately apply again if and for so long as the Minimum Total Loss Requirement corresponding to the Certificates is satisfied.

(f) **Dissolution following a Dissolution Event**

Upon the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date, if the conditions set out in Condition 14 (*Dissolution Events*) are satisfied, and the Trust will be dissolved by the Trustee.

(g) **No other Dissolution**

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 10 (*Capital Distributions of the Trust*), Condition 13 (*Purchase and Cancellation of Certificates*) and Condition 14 (*Dissolution Events*).

(h) **Effect of payment in full of Dissolution Amount**



Upon payment in full of all amounts due and payable in respect of the Certificates of any Series and the dissolution of the Trust as provided for in this Condition 10 (*Capital Distributions of the Trust*) or Condition 14 (*Dissolution Events*) (as applicable), such Certificates shall cease to represent interests in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

## 11. TAXATION

All payments in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction ("**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts as shall be necessary in order that the net amounts received by the Certificateholder after such withholding or deduction shall equal the respective amounts due and payable to any Certificateholder which would have otherwise been receivable in the absence of such withholding or deduction, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate presented for payment (where presentation is required):

- (a) by or on behalf of a holder who is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or
- (b) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days.

In these Conditions:

**"Relevant Date"** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the relevant Paying Agent or the Trustee or the Registrar on or before the due date, it means the date on which the full amount of the money having been so received, notice to that effect shall have been duly given to Certificateholders by the Trustee in accordance with Condition 17 (*Notices*); and

**"Relevant Jurisdiction"** means the Cayman Islands and the United Arab Emirates or any Emirate therein or, in either case, any political subdivision or authority thereof or therein having the power to tax.

*The Transaction Documents provide that payments thereunder by the Bank shall be made without any withholding or deduction for, or on account of, any present or future taxes, unless such withholding or deduction is required by law and, in such case, provide for the payment by the Bank of all additional amounts as will result in the receipt by the Trustee of such net amount as would have been receivable by it if no withholding or deduction had been made.*

*Further, in accordance with the Master Declaration of Trust, the Bank has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to this Condition 11 (Taxation), pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any withholding or deduction for or an account of Taxes) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to Condition 11 (Taxation).*

If the Trustee or the Bank becomes subject to any taxing jurisdiction other than the Cayman Islands, the United Arab Emirates, or any Emirate therein, references in these Conditions to the Cayman Islands, United Arab Emirates, or any Emirate therein, shall be construed as references to the Cayman Islands, the United Arab Emirates, or any Emirate therein, and/or such other jurisdiction, as the case may be.

12. **PRESCRIPTION**

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within a period of ten years (in the case of the Dissolution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

13. **PURCHASE AND CANCELLATION OF CERTIFICATES**

(a) **Purchases**

The Bank and/or any Subsidiary may at any time purchase Certificates at any price in the open market or otherwise at any price. Such Certificates may be held, re-sold or, at the option of the Bank, surrendered to the Registrar for cancellation in accordance with Condition 13(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by the Bank and/or any of its Subsidiaries*).

(b) **Cancellation of Certificates held by the Bank and/or any of its Subsidiaries**

If the Bank wishes to cancel any of the Certificates purchased by it and/or any Subsidiary pursuant to Condition 13(a) (*Purchase and Cancellation of Certificates – Purchases*), the Bank shall deliver a Cancellation Notice to the Trustee in accordance with the terms of the Master Declaration of Trust and require the Trustee to cancel such Certificates.

(c) **Dissolution of the Trust upon cancellation of all outstanding Certificates in a Series**

In the event the Bank and/or any of its Subsidiaries purchase all the outstanding Certificates in a Series pursuant to this Condition 13 (*Purchase and Cancellation of Certificates*) and all such Certificates are subsequently cancelled by the Trustee, the relevant Trust will be dissolved by the Trustee and such Certificates shall cease to represent interests in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14. **DISSOLUTION EVENTS**

If, upon the occurrence of any of the following events (each a "**Dissolution Event**"):

- (a) default is made in the payment of the relevant Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of seven days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of 14 days; or
- (b) the Trustee defaults in the performance or observance of or compliance with any of its other obligations or undertakings under the Transaction Documents to which it is a party and such default is not capable of remedy (in the opinion of the Delegate) or (if capable of remedy (in the opinion of the Delegate)) is not remedied within 30 days after written notice of such default shall have been given to the Trustee by the Delegate; or
- (c) a Bank Event occurs; or
- (d) the Trustee repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or
- (e) at any time it is or will become unlawful or impossible for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its obligations under the Transaction Documents or any of the obligations of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (f) either: (i) the Trustee becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking,

assets and revenues of the Trustee is appointed (or application for any such appointment is made); (iii) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (iv) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business; or

- (g) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or
- (h) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (f) and (g) above,

provided however that in the case of the occurrence of any of the events described in paragraphs (b) and (e) above, the Delegate shall have certified in writing to the Bank that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates, the Delegate shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), subject to it having been notified in writing of the occurrence of such Dissolution Event, give notice in writing of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 17 (*Notices*) with a request to such holders to indicate if they wish the Trust to be dissolved. If so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series outstanding or if so directed by an Extraordinary Resolution of the Certificateholders (a "**Dissolution Request**") it shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Trustee, the Bank and the Certificateholders in accordance with Condition 17 of the Dissolution Request whereupon the Certificates shall be immediately redeemed at the relevant Dissolution Distribution Amount on the date specified in such notice (the "**Dissolution Event Redemption Date**") and the Trust shall be dissolved by the Trustee on the day after the last outstanding Certificate has been redeemed.

Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of this Condition, a "**Bank Event**" will occur if one or more of the following events occurs:

- (a) *Non-payment*: the Bank (acting in any capacity) fails to pay any amount in the nature of principal (corresponding to the relevant Dissolution Amount payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document on the due date for payment thereof and such failure has continued for a period of seven days, or fails to pay any amount in the nature of profit (corresponding to the Periodic Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document on the due date for payment thereof and such failure has continued for a period of 14 days; or
- (b) *Breach of other obligations*: the Bank, acting in any capacity, defaults in the performance or observance of any of its other obligations in relation to the Certificates under the Transaction Documents to which it is a party and such default remains unremedied for a period of 30 days after written notice of such default shall have been given to the Bank by the Delegate (acting on behalf of the Trustee) (except where such default is, in the opinion of the Delegate, based on information received by the Delegate (as applicable) from the Bank and/or the Trustee (as applicable), not capable of remedy in which case no such notice of default shall be required), save that a failure by the Bank (acting in its capacity as Service Agent) to comply with its obligations set out in clause 3.1(q) of the Service Agency Agreement will not constitute a Bank Event under this paragraph (b); or
- (c) *Cross-default*:
  - (i) any Indebtedness of the Bank or any Principal Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period;

- (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Bank or (as the case may be) any of its Principal Subsidiaries or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
- (iii) the Bank or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that such an event listed in paragraphs (i), (ii) and/or (iii) shall not constitute a Bank Event unless the aggregate amount of all such Indebtedness either alone or when aggregated with all other Indebtedness in respect of which such an event shall have occurred and be continuing shall be more than U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law for the payment of any amount in excess of U.S.\$50,000,000 (or its equivalent in any other currency or currencies) is rendered against the Bank or any Principal Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days following the service by the Delegate on the Bank or any Principal Subsidiary of notice requiring the same to be paid / remedied; or
- (e) *Security enforced*: a secured party takes possession of, or a receiver, manager or other similar officer is appointed in respect of the whole or (in the opinion of the Delegate, based on information received by the Delegate from the Bank and/or the Trustee) any substantial part of the undertaking, assets and revenues of the Bank or any Principal Subsidiary; or
- (f) *Insolvency, etc.*: (i) the Bank or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator is appointed (or application for any such appointment is made) of the Bank or any Principal Subsidiary in respect of the whole or (in the opinion of the Delegate, based on information received by the Delegate from the Bank and/or the Trustee) any substantial part of the undertaking, assets and revenues of the Bank or any Principal Subsidiary; (iii) the Bank or any Principal Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it; or (iv) the Bank or any Principal Subsidiary ceases or threatens to cease to carry on all or any substantial part of its business save in connection with a Permitted Reorganisation; or
- (g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Bank or any Principal Subsidiary save in connection with a Permitted Reorganisation; or
- (h) *Analogous event*: any event occurs which under the laws of the United Arab Emirates has an analogous effect to any of the events referred to in paragraphs (d) to (g) inclusive above; or
- (i) *Unlawfulness*: it is or will become unlawful for the Bank to perform or comply with any of its obligations under or in respect of the Transaction Documents to which it is a party,

provided however that in the case of the occurrence of any of the events described in paragraphs (b) or (i) or (in respect of a Principal Subsidiary only), (e) to (h) inclusive, the Delegate shall have certified in writing to the Bank that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates.

## 15. ENFORCEMENT AND EXERCISE OF RIGHTS

- (a) Upon the occurrence of a Dissolution Event, to the extent any amount payable in respect of the Certificates has not been paid in full, the Trustee (or the Delegate, acting on behalf of the Trustee), (subject, in each case, to it being indemnified and/or secured and/or

prefunded to its satisfaction), may (acting for the benefit of the Certificateholders) take one or more of the following steps:

- (i) enforce the Bank's obligations under the Transaction Documents to which the Bank is a party; and/or
  - (ii) take such other steps as the Trustee or the Delegate (acting in the name and on behalf of the Trustee) may consider necessary to recover amounts due to the Certificateholders.
- (b) Following the enforcement, realisation of the Certificates and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and the right of the Certificateholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate shall be liable for any such sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including the Bank) to recover any such sum or asset in respect of the relevant Certificates or the Trust Assets. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.
- (c) No Certificateholder shall be entitled to proceed directly against the Trustee or the Bank under any Transaction Document to which either of them is a party unless the Delegate, having become so bound to proceed: (i) fails to do so within a reasonable period; or (ii) is unable by reason of an order of a court having competent jurisdiction, and the failure or inability shall be continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets and the sole right of the Delegate and the Certificateholders against the Trustee and the Bank shall be to enforce their respective obligations under the Transaction Documents.
- (d) Subject to paragraph (b) above, neither the Trustee nor the Delegate shall be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action against (as applicable) the Trustee and/or the Bank under any Transaction Document to which either of the Trustee or the Bank is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the Certificates of the relevant Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable and provided that the Delegate shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders.

## 16. **REPLACEMENT OF CERTIFICATES**

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar (and, if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Trustee may reasonably require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

17. **NOTICES**

Save as provided in this Condition 17 (*Notices*) all notices regarding the Certificates will be in the English language and will be deemed to be validly given if published in a leading English language daily newspaper published in London which is expected to be the Financial Times, or if such publication is not practicable, in a leading English language newspaper having general circulation in Europe. The Trustee shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Certificates are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any Definitive Certificates are issued, there may, so long as the Global Certificate representing the Certificates is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Certificates. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with the relevant Certificate or Certificates, with the Principal Paying Agent.

18. **MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

- (a) The Master Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Master Declaration of Trust or any other Transaction Document. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee and shall be convened by it upon the request in writing of Certificateholders holding not less than one-tenth of the aggregate face amount of the Certificates of a Series. The quorum at any meeting for passing an Extraordinary Resolution will be one or more Certificateholders, proxies or representatives holding or representing in the aggregate more than half of the then outstanding aggregate face amount of the Certificates (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series) or at any adjourned such meeting one or more Certificateholders, proxies or representatives (whatever the outstanding face amount of the Certificates of all the relevant Series held or represented by him/ her or them), provided however that any meeting the business of which includes the modification of certain provisions of the Certificates (including, among others, modifying the relevant Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates, altering the currency of payment of the Certificates or amending any of the Bank's covenants to make a payment under any Transaction Document), the quorum shall be one or more Certificateholders, proxies or representatives holding or representing in the aggregate at least three-quarters of the then aggregate outstanding face amount of the Series (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series) or at any adjourned such meeting one or more Certificateholders, proxies or representatives holding or representing not less than one quarter of the then aggregate outstanding face amount of the Series (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series). To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than three-quarters of the votes cast

on such poll and, if duly passed, will be binding on all Certificateholders, whether or not they are present at the meeting and whether or not voting.

- (b) The Master Declaration of Trust provides that a resolution in writing signed by or on behalf of all the holders of the Certificates outstanding who for the time being are entitled to receive notice of a meeting in accordance with schedule 4 to the Master Declaration of Trust shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.
- (c) The Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document and the Trustee's memorandum and articles of association may only be amended by the Trustee with the consent of the Delegate and the Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of any of the Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document or the Trustee's memorandum and articles of association if, in the opinion of the Delegate: (i) such modification is of a formal, minor or technical nature; (ii) such modification is made to correct a manifest error; or (iii) such modification is not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter or any provisions of the Master Declaration of Trust referred to in the definition of a Reserved Matter. Any such modification may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding on the Certificateholders and, unless the Delegate otherwise decides, shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.
- (d) The Delegate may, without the consent or sanction of the Certificateholders and without prejudice to its rights in respect of any subsequent breach from time to time and at any time: (i) give its consent under the Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document or the Trustee's memorandum and articles of association and agree to waive or to authorise any breach or proposed breach of any provision of the Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document or the Trustee's memorandum and articles of association; or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided that: (A) in the opinion of the Delegate, such waiver, authorisation or determination is not materially prejudicial to the interests of the outstanding Certificateholders; and (B) the Delegate will not do so in contravention of an express direction given by Extraordinary Resolution or a request made pursuant to Condition 14 (*Dissolution Events*). No such direction or request will affect a previous waiver, authorisation or determination. Any such waiver, authorisation or determination shall be binding on the Certificateholders and unless the Delegate otherwise requires, shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.
- (e) In connection with the exercise by it of any of its powers, trusts, authorities and discretions under the Master Declaration of Trust (including, without limitation, any modification), the Delegate shall have regard to the general interests of the Certificateholders as a class (except where the context otherwise requires (as determined by the Delegate in its absolute discretion)) and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from them being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, the Bank or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Trustee and the Bank, to the extent already provided for in Condition 11 (*Taxation*)).

19. **THE DELEGATE**

The Trustee has in the Master Declaration of Trust irrevocably and unconditionally appointed the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), trusts, rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust) and discretions vested in the Trustee by the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, that the Delegate may consider to be necessary or desirable in order, and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, to exercise all of the rights of the Trustee under any of the Transaction Documents and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, (together the "**Delegation**" of the "**Relevant Powers**"), provided that in no circumstances will such Delegation result in the Delegate holding on trust or otherwise managing the relevant Trust Assets and provided further that such Delegation and the Relevant Powers shall not include any obligation, duty, liability or covenant of the Trustee pursuant to the Master Declaration of Trust or any other Transaction Document or any duty, power, trust, authority or discretion to dissolve the trusts constituted by the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Master Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

The Master Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Master Declaration of Trust, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 15 (*Enforcement and Exercise of Right*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Bank under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Bank but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust.

The Delegate may rely without liability to Certificateholders on a report, confirmation, certificate or any advice of any accountants, financial advisers, financial institution, auditors, insolvency officials or any other expert (whether or not addressed to the Delegate and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Delegate or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise) in accordance with or for the purposes of the Master Declaration of Trust or the other relevant Transaction Documents. The Delegate may accept and shall be entitled to rely on any such report, confirmation or certificate or advice as sufficient evidence of the facts stated therein and such report, confirmation, certificate or advice shall be binding on the Trustee, the Delegate and the Certificateholders. The Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.



Each of the Trustee and the Delegate is exempted from: (a) any liability in respect of any loss or theft of the Trust Assets or any cash; (b) any obligation to insure the Trust Assets (other than, with respect to the Trustee, in accordance with the Transaction Documents) or any cash; and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depository or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of the Trustee's or the Delegate's own gross negligence, wilful default or fraud, as the case may be.

Nothing shall, in any case where the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Master Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Master Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Master Declaration of Trust.

20. **FURTHER ISSUES**

In respect of any Series, the Trustee may from time to time (but subject always to the provisions of the Master Declaration of Trust) without the consent of the Certificateholders create and issue additional Certificates having the same terms and conditions as the outstanding Certificates of such Series or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue, and so that the same shall be consolidated and form a single Series with the outstanding Certificates of such Series. Any additional Certificates which are to form a single Series with the outstanding Certificates of a particular Series shall be constituted by a deed supplemental to the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust. References in these Conditions to the Certificates include (unless the context requires otherwise) any other Certificates issued pursuant to this Condition and forming a single Series with such Certificates.

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

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

22. **GOVERNING LAW AND DISPUTE RESOLUTION**

(a) **Governing law**

The Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust (including these Conditions), and the Certificates and any non-contractual obligations arising out of or in connection with the same (including the remaining provisions of this Condition 22 (*Governing Law and Dispute Resolution*)) are and shall be governed by, and construed in accordance with, English law.

(b) **Agreement to arbitrate**

Subject to Condition 22(c) (*Governing Law and Dispute Resolution – Option to litigate*), any dispute, claim, difference or controversy arising out, relating to or having any connection with the Master Declaration of Trust and/or the Certificates (including any dispute as to the existence, validity, interpretation, performance, breach or termination or the consequences of any nullity thereof and any dispute relating to any non-contractual obligations arising out of or in connection with them) ("**Dispute**") shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("**LCIA**") Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 22 (*Governing Law and Dispute Resolution*). For these purposes:

- (i) the seat or legal place of arbitration shall be London;

- (ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
- (iii) the language of the arbitration shall be English.

(c) **Option to litigate**

Notwithstanding Condition 22(b) (*Governing Law and Dispute Resolution – Agreement to arbitrate*), the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, may, in the alternative and at its sole discretion, by notice in writing to the Trustee and the Bank:

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

require that a Dispute be heard by a court of law. If such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 22(d) (*Governing Law and Dispute Resolution – Effect of exercise of option to litigate*) and subject as provided below, any arbitration commenced under Condition 22(d) (*Governing Law and Dispute Resolution – Effect of exercise of option to litigate*) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration (other than the Delegate whose costs will be borne by the Bank) will bear its own costs in relation to the terminated arbitration.

If any notice to exercise the option to litigate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, as the case may be, must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

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

(d) **Effect of exercise of option to litigate**

In the event that a notice pursuant to Condition 22(c) (*Governing Law and Dispute Resolution – Option to litigate*) is issued, the following provisions shall apply:

- (i) subject to paragraph (iii) below, the courts of England or the courts of the Abu Dhabi Global Market ("ADGM"), at the option of the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, shall have exclusive jurisdiction to settle any Dispute and the Trustee submits to the exclusive jurisdiction of such courts;
- (ii) the Trustee agrees that the courts of England or the ADGM, as the case may be, at the option of the Delegate or any Certificateholder, as the case may be, are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(iii) this Condition 22(d) (*Governing Law and Dispute Resolution – Effect of exercise of option to litigate*) is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding paragraphs (i) and (ii) above, the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder may take concurrent Proceedings in any number of jurisdictions.

(e) **Process agent**

The Trustee agrees that the documents which start any Proceedings and any other documents required to be served in relation to the London branch of the Bank at First Abu Dhabi Bank PJSC, London Branch, One Knightsbridge, London SW1X 7LY, United Kingdom or at any other address for the time being at which process may be served on it in accordance with Section 1139 of the Companies Act 2006 (as modified or re-enacted from time to time). If the Bank ceases to have a London branch which can accept service of process on the Trustee's behalf, the Delegate shall be entitled to appoint such a person by written notice addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying Agent. Nothing in this Condition shall affect the right of any party to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

## FORM OF THE CERTIFICATES

The Certificates of each Series will be in registered form. Certificates will be issued outside the United States in reliance on Regulation S under the Securities Act.

### Global Certificates

Each Tranche of Certificates will initially be represented by a global trust certificate in registered form (a "**Global Certificate**"). Global Certificates will be deposited with a common depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the Common Depository. Persons holding beneficial interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Certificates in fully registered form.

### Payments to registered Holder

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

Payment of any amounts in respect of Certificates in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 9(a) (*Payments – Payments in respect of Certificates*)) immediately preceding the due date for payment in the manner provided in that Condition.

### Exchange for definitives

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 17 (*Notices*) if an Exchange Event occurs. For these purposes, an "**Exchange Event**" will occur if: (a) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system is available; or (b) any of the circumstances described in Condition 14 (*Dissolution Events*) occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any other person acting on their behalf, as the case may be, (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

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

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

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

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

**[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore** (the "SFA") – [Notice to be included if classification of the Certificates is not "prescribed capital markets products", pursuant to Section 309B of the SFA.]

#### **APPLICABLE FINAL TERMS**

*Set out below is the form of Final Terms which will be completed for each Tranche of Certificates issued under the Programme.*

Final Terms dated [Date]

#### **FAB Sukuk Company Limited**

**Legal entity identifier (LEI): 549300JEV79SSEDKS489**

**Issue of [Aggregate Face Amount of Tranche] [Title of Certificates] [to be consolidated and form a single series with the existing [Aggregate Face Amount of Tranche] [Title of Certificates] issued on [•] (the "Original Certificates")]**

**under the U.S.\$3,500,000,000**

#### **Trust Certificate Issuance Programme**

#### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 9 January 2020 [and the supplement[s] to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation. This document constitutes the Final Terms relating to the issue of Certificates described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus, in order to obtain all the relevant information.

The Base Prospectus has been published on the market news section of the London Stock Exchange website (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [•]] which are incorporated by reference in the Base Prospectus dated 9 January 2020. This document constitutes the Final Terms relating to the issue of the Certificates described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 9 January 2020 [and the supplement[s] to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus, in order to obtain all the relevant information.

The Base Prospectus has been published on the market news section of the London Stock Exchange website (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).]

1. (i) Trustee: FAB Sukuk Company Limited
- (ii) Bank: First Abu Dhabi Bank PJSC
2. (i) Series Number: [•]
- (ii) Tranche Number: [•]
- (iii) Date on which the Certificates will be consolidated and form a single Series: [The Certificates will be consolidated and form a single Series with [*identify earlier Tranche(s)*] on [*insert date/the Issue Date*]]/[Not Applicable]
3. Specified Currency: [•]
4. Aggregate Face Amount:
  - (i) Series: [•]
  - (ii) Tranche: [•]
5. (i) Issue Price: [•] per cent. of the Aggregate Face Amount [plus [*Specified Currency*]][•] in respect of [•] days of accrued Periodic Distribution Amounts from (and including) [*the issue date of the Original Certificates*] to (but excluding) the Issue Date]
  - (ii) Tangible Asset Percentage: [•]
  - (iii) Murabaha Percentage: [•]
6. (i) Specified Denominations: [•]
- (ii) Calculation Amount: [•]
7. Issue Date: [•]
8. (i) Return Accrual Commencement Date: [•]/[Issue Date]
- (ii) Scheduled Dissolution Date: [•]
9. Periodic Distribution Amount Basis: [•] per cent. Fixed Periodic Distribution Amount
10. Dissolution Basis: Subject to any purchase and cancellation or early redemption, the Certificates will be redeemed at [100] per cent. of their Aggregate Face Amount
11. Call Option: [Not Applicable] [Optional Dissolution Right] [Certificateholder Put Option]
12. Date [Board] approval for issuance of [•] in the case of the Trustee

Certificates obtained: [•] in the case of the Bank  
 13. Status: Senior

**PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE**

14. Periodic Distribution Provisions

- (i) Profit Rate[(s)]: [•] per cent. per annum [payable [annually/ semi-annually/ quarterly/ monthly] in arrear]
- (ii) Periodic Distribution Date(s): [•] in each year up to and including the Scheduled Dissolution Date
- (iii) Fixed Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in]/[on] [•]]/[Not Applicable]
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
- (vi) Profit Rate Determination Date(s): [[•] in each year]/[Not Applicable]

**PROVISIONS RELATING TO DISSOLUTION**

15. Optional Dissolution Right: [Applicable]/[Not Applicable]

- (i) Optional Dissolution Amount(s) of each Certificate: [Dissolution Distribution Amount]/[[•] per Calculation Amount]
- (ii) Optional Dissolution Date(s): [•]
- (iii) If redeemable in part:
  - (A) Minimum Optional Dissolution Amount: [•]
  - (B) Maximum Optional Dissolution Amount: [•]
- (iv) Notice period:
  - Minimum Notice Period: [•] days
  - Maximum Notice Period: [•] days

16. Certificateholder Put Option: [Applicable]/[Not Applicable]

- (i) Certificateholder Put Option Date(s): [•]
- (ii) Certificateholder Put Option Dissolution Amount(s) of each Certificate: [Dissolution Distribution Amount]/[[•] per Calculation Amount]
- (iii) Notice period:
  - Minimum Notice Period: [•] days



Maximum Notice Period: [•] days

17. Dissolution Distribution Amount of each Certificate: [•] per Calculation Amount

18. Early Dissolution Amount (Tax) of each Certificate (following early dissolution for tax reasons): [Dissolution Distribution Amount]/[•] per Calculation Amount

Notice period: Minimum Notice Period: [•] days

Maximum Notice Period: [•] days

**GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES**

19. Form of Certificates: Registered Certificates

Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate

20. Additional Financial Centre(s) relating to payment: [Not Applicable]

21. Details of Transaction Account: FAB Sukuk Company Limited Transaction Account No; [•] for Series No.: [1]/[2]/[3]/[•]

**THIRD PARTY INFORMATION**

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

Signed on behalf of  
**FAB SUKUK COMPANY LIMITED**

By: .....  
*Duly authorised*

Signed on behalf of  
**FIRST ABU DHABI BANK PJSC**

By: .....  
*Duly authorised*

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [•].] [Application is expected to be made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [•].]
- (ii) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

- Ratings: [The Certificates to be issued have not been rated]/[The Certificates to be issued have been rated:
- [Fitch: [•]]
- [Moody's: [•]]

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

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

### 4. RATE

- [Indication of profit rate: [•]
- The profit rate is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.]

### 5. USE OF PROCEEDS

- (i) Use of proceeds: [See "Use of Proceeds" in the Base Prospectus]/[•]
- (ii) Estimated amount of net proceeds: [•]

### 6. OPERATIONAL INFORMATION

- (i) ISIN: [•]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary ISIN [•]. After that, the Certificates will have the same ISIN as the Original Certificates, which is [•]]

- (ii) Common Code: [•]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary Common Code [•]. After that, the Certificates will have the same Common Code as the Original Certificates, which is [•]]
- (iii) CFI: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (iv) FISN: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (v) Names and addresses of additional Paying Agent(s) or Calculation Agent (if any): [•]/[Not Applicable]
- (vi) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable]/[•]
- (vii) Delivery: Delivery [against]/[free of] payment

7. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
  - (A) If syndicated, names of Managers: [Not Applicable/[•]]
  - (B) Stabilisation Manager(s) (if any): [Not Applicable/[•]]
- (ii) If non-syndicated, name of relevant Dealer: [Not Applicable/[•]]

[MIFID II product governance / target market - [appropriate target market legend to be included].]

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") – [Notice to be included if classification of the Certificates is not "prescribed capital markets products" pursuant to Section 309B of the SFA.]]

#### APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement for use in connection with each Tranche of Exempt Certificates, whatever the denomination of those Certificates, issued by the Trustee under the Programme.

Pricing Supplement dated [•]

The FCA has neither approved nor reviewed the information contained in this Pricing Supplement.

#### FAB Sukuk Company Limited

Legal entity identifier (LEI): 549300JEV79SSEDKS489

Issue of [Aggregate Face Amount of Tranche] [Title of Certificates] [to be consolidated and form a single series with the existing [Aggregate Face Amount of a Tranche] [Title of Certificate] issued on [•] (the "Original Certificates")]

under the U.S.\$3,500,000,000

#### Trust Certificate Issuance Programme

#### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 9 January 2020 [and the supplemental Base Prospectus dated [•]]. This document constitutes the Pricing Supplement relating to the issue of Certificates described herein and must be read in conjunction with the Base Prospectus [and its supplement(s)]. This Pricing Supplement must be read in conjunction with the Base Prospectus [as so supplemented].

Full information on the Trustee, the Bank and the Certificates is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at the market news section of the London Stock Exchange website (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).

Any person making or intending to make an offer of the Certificates may only do so in circumstances in which no obligation arises for the Trustee, the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.

- |    |       |                                                                               |                                                                                                                                                      |
|----|-------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | (i)   | Trustee:                                                                      | FAB Sukuk Company Limited                                                                                                                            |
|    | (ii)  | Bank:                                                                         | First Abu Dhabi Bank PJSC                                                                                                                            |
| 2. | (i)   | Series Number:                                                                | [•]                                                                                                                                                  |
|    | (ii)  | Tranche Number:                                                               | [•]                                                                                                                                                  |
|    | (iii) | Date on which the Certificates will be consolidated and form a single Series: | [The Certificates will be consolidated and form a single Series with [identify earlier Tranche(s)] on [insert date/the Issue Date]]/[Not Applicable] |

3. Specified Currency: [•]
4. Aggregate Face Amount of Series: [•]
- (i) Series: [•]
- (ii) Tranche: [•]
5. (i) Issue Price: 100 per cent. of the Aggregate Face Amount [plus [*Specified Currency*][•] in respect of [•] days of accrued Periodic Distribution Amounts from (and including) [*the issue date of the Original Certificates*] to (but excluding) the Issue Date]
- (ii) Tangible Asset Percentage: [•]
- (iii) Murabaha Percentage: [•]
6. (i) Specified Denominations: [•]
- (ii) Calculation Amount: [•]
7. Issue Date: [•]
8. (i) Return Accrual Commencement Date: [•]/[Issue Date]
- (ii) Scheduled Dissolution Date: [•]
9. Periodic Distribution Amount Basis: [•] per cent. Fixed Periodic Distribution Amount
10. Dissolution Basis: Subject to any purchase and cancellation or early redemption, the Certificates will be redeemed at [100] per cent. of their Aggregate Face Amount
11. Call Option: [Not Applicable] [Optional Dissolution Right] [Certificateholder Put Option]
12. Date [Board] approval for issuance of Certificates obtained: [•] in the case of the Trustee  
[•] in the case of the Bank
13. Status: Senior

#### **PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE**

14. Periodic Distribution Provisions
- (i) Profit Rate[(s)]: [•] per cent. per annum [payable [annually/ semi-annually/ quarterly/ monthly] in arrear]

- (ii) Periodic Distribution Date(s): [•] in each year up to and including the Scheduled Dissolution Date
- (iii) Fixed Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in]/[on] [•]]/[Not Applicable]
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
- (vi) Profit Rate Determination Date(s): [[•] in each year]/[Not Applicable]

**PROVISIONS RELATING TO DISSOLUTION**

- 15. Optional Dissolution Right: [Applicable]/[Not Applicable]
  - (i) Optional Dissolution Amount of each Certificate: [Dissolution Distribution Amount]/[[•] per Calculation Amount]
  - (ii) Optional Dissolution Date: [Any Periodic Distribution Date]/[•]
  - (iii) If redeemable in part:
    - (A) Minimum Optional Dissolution Amount: [•]
    - (B) Maximum Optional Dissolution Amount: [•]
  - (iv) Notice period: Minimum Notice Period: [•] days  
Maximum Notice Period: [•] days
- 16. Certificateholder Put Option: [Applicable]/[Not Applicable]
  - (i) Certificateholder Put Option Date(s): [•]
  - (ii) Dissolution Amount(s) of each Certificate: [Dissolution Distribution Amount]/[[•] per Calculation Amount]
  - (iii) Notice period: Minimum Notice Period: [•] days  
Maximum Notice Period: [•] days
- 17. Dissolution Distribution Amount of each Certificate: [•] per Calculation Amount
- 18. Early Dissolution Amount (Tax) of each Certificate (following early dissolution for tax reasons): [Dissolution Distribution Amount]/[[•] per Calculation Amount]

**GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES**

- 19. Form of Certificates: Registered Certificates

Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate

20. Additional Financial Centre(s) relating to payment:

[Not Applicable]

21. Details of Transaction Account:

FAB Sukuk Company Limited Transaction Account No; [•] for Series No.: [1]/[2]/[3]/[•]



Signed on behalf of  
**FAB SUKUK COMPANY LIMITED**

By: .....  
*Duly authorised*

Signed on behalf of  
**FIRST ABU DHABI BANK PJSC**

By: .....  
*Duly authorised*

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the [Other] with effect from [•].] [Application is expected to be made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the [Other] with effect from [•].]
- [Not Applicable]
- (ii) Estimate of total expenses related to admission to trading; [•]

### 2. RATINGS

- Ratings: [The Certificates to be issued have not been rated]/[The Certificates to be issued have been rated:
- [Fitch: [•]]
- [Moody's: [•]]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

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

### 4. RATE

- [Indication of profit rate: [•]
- The profit rate is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.]

### 5. OPERATIONAL INFORMATION

- (i) ISIN: [•]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary ISIN [•]. After that, the Certificates will have the same ISIN as the Original Certificates, which is [•]]
- (ii) Common Code: [•]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary Common Code [•]. After that, the Certificates will have the same Common Code as the Original Certificates, which is [•]]
- (iii) CFI: [[See/[include code], as updated, as set out on] the website of the Association of National

Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

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

6. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
  - (A) If syndicated, names of Managers: [Not Applicable/[•]]
  - (B) Stabilisation Manager(s) (if any): [Not Applicable/[•]]
- (ii) If non-syndicated, name of relevant Dealer: [Not Applicable/[•]]

7. **THIRD PARTY INFORMATION**

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

## **USE OF PROCEEDS**

The net proceeds from the issue of each Tranche of Certificates will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents in the following proportion (i) the Tangible Asset Percentage of the aggregate face amount of the Certificates of such Tranche towards the purchase from the Bank of all of its rights, title, interests, benefits and entitlements in, to and under (in the case of the first Tranche of the relevant Series of Certificates) the relevant Initial Asset Portfolio and (in the case of any subsequent Tranche of such Series) the relevant Additional Assets pursuant to the Master Purchase Agreement; and (ii) the Murabaha Percentage of the aggregate face amount of the Certificates of such Tranche towards the purchase of commodities to be sold to the Bank pursuant to the Master Murabaha Agreement.

The amounts subsequently received by the Bank in consideration for the transactions entered into with the Trustee as set out above, including with respect to the proceeds received from the on-sale of the commodities by the Bank, shall be invested in the Bank's Islamic finance business.

## DESCRIPTION OF THE TRUSTEE

### General

FAB Sukuk Company Limited, a Cayman Islands exempted company with limited liability, was incorporated on 1 June 2011 under the Companies Law (2011 Revision) of the Cayman Islands with company registration number 257247. The Trustee was established as a company for the sole purpose of issuing Certificates under the Programme and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at the offices of MaplesFS Limited at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands, and its telephone number is +1 345 945 7099.

Pursuant to a special resolution dated 6 December 2017, the Trustee changed its name from "FGB Sukuk Company Limited" to "FAB Sukuk Company Limited" with effect from 6 December 2017.

The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 ordinary shares of a par value of U.S.\$1.00 each, 250 of which have been issued. All of the issued shares (the "**Shares**") are fully-paid and are held by MaplesFS Limited as share trustee (the "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") dated 8 July 2011 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Declaration of Trust). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit a Qualified Charity (as defined in the Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to such Qualified Charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

### Business of the Trustee

The business of the Trustee has been limited to issuing Certificates under the Programme and performing its obligations under the Transaction Documents. The Trustee has no substantial liabilities other than in connection with the Certificates to be issued under the Programme. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 1 June 2011.

### Financial Statements

Since its date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

### Directors of the Trustee

The Directors of the Trustee are as follows:

<u>Name</u>	<u>Function at the Trustee</u>	<u>Other appointments outside Trustee</u>
Stacy Bodden	Director	Vice President at MaplesFS Limited
Norbert Neijzen	Director	Regional Head of Fiduciary, Middle East at Maples Fund Services (Middle East) Limited

The business address for Stacy Bodden is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The business address for Norbert Neijzen is c/o Maples Fund Services (Middle East) Limited, Office 1407, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The Trustee has no subsidiaries, employees or non-executive directors.

## **Conflicts**

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

## **The Trustee Administrator**

MaplesFS Limited acts as the corporate administrator of the Trustee (in such capacity the "**Trustee Administrator**"). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of an amended and restated corporate services agreement entered into between the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**"), the Trustee Administrator performs in the Cayman Islands, the United Arab Emirates and/or such other jurisdictions as may be agreed by the Trustee and the Trustee Administrator from time to time, various administrative functions on behalf of the Trustee, including communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator also provides registered office facilities for the Trustee. In consideration of the foregoing, the Trustee Administrator receives various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that either party may terminate the agreement upon the occurrence of certain stated events, including any breach by the other party of its obligations thereunder.

The Trustee Administrator is subject to the overview of the Trustee's Board of Directors. The Corporate Services Agreement may be terminated, (other than as stated above) by either the Trustee or the Trustee Administrator giving the other party at least three months' written notice.

The Trustee Administrator's principal office is at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof.

## DESCRIPTION OF THE BANK

### Overview

The Bank is a public joint stock company and is the result of the Merger of NBAD and FGB which was effected on the Effective Date. The Merger was effected in accordance with the provisions of Article 291 of the UAE Federal Law No. 2 of 2015 Concerning Commercial Companies (the "CCL"), pursuant to which FGB was dissolved and its shares were delisted from the Abu Dhabi Securities Exchange ("ADX") on the Effective Date. NBAD, as the surviving corporate entity and the legal successor of FGB, automatically assumed all assets and liabilities of FGB with effect from the Effective Date.

On 24 April 2017, the shareholders of NBAD passed the necessary resolutions at its general assembly meeting to approve a change in its registered name to "First Abu Dhabi Bank PJSC". On 25 April 2017, the requisite regulatory approvals to effect the change of name were received by NBAD from the UAE Securities and Commodities Authority (the "SCA"). Accordingly, the change of name to "First Abu Dhabi Bank PJSC" became effective from 25 April 2017.

Following the Merger, the Bank's principal shareholder was the Government which held (through the wholly-owned ADIC and MIC) approximately 37 per cent. of the issued and outstanding shares of the Bank. Pursuant to the Reorganisation Law, ADIC was dissolved and ADIC PJSC became the sole legal successor to ADIC and automatically assumed all assets and liabilities of ADIC (including its shares in the Bank). ADIC PJSC is 100 per cent. owned by MIC. Hence, as at the date of this Base Prospectus, the Government indirectly owns approximately 37 per cent. of the issued and outstanding shares of the Bank through MIC.

The Bank is a full-service bank and its core businesses include consumer, wholesale, treasury and Islamic banking capabilities. The Bank is primarily a regionally focussed banking group, offering its consumer, wholesale, treasury and Islamic banking products and services within the UAE and the wider MENA region. Additionally, as at the date of this Base Prospectus, the Bank has a strong international presence across five continents through its subsidiaries or affiliate entities and its branches and representative offices.

As at the date of this Base Prospectus, the Bank has been assigned long-term credit ratings of AA- by each of Fitch and S&P and Aa3 by Moody's, in each case with a stable outlook.

As at 30 September 2019, and according to the Interim Financial Statements and the publicly available financial statements of the Bank's main domestic and regional competitors for the nine months ended 30 September 2019, the Bank is the largest bank in the UAE, in addition to being the second largest bank in the GCC, in each case by total assets. As at 30 September 2019, the Bank had total assets of AED 788.2 billion, total net loans and advances of AED 377.8 billion and total customer accounts and other deposits of AED 476.8 billion. For the nine months ended 30 September 2019, the Bank's net profit attributable to shareholders was AED 9.4 billion.

The Bank currently operates its principal areas of business through the following four distinct business segments for financial reporting purposes:

- **Corporate and Investment Banking ("CIB")**: the CIB segment covers the Group's corporate and institutional clients through dedicated client sub-segments including institutional banking, corporate banking and a financial institutions group. The CIB segment offers a broad range of products and services to corporate and investment banking clients within the UAE and internationally including credit facilities, global transaction services, corporate finance, Islamic finance and global markets products. For the nine months ended 30 September 2019, AED 8,416.7 million, or 55.5 per cent., of the Group's operating income for the period and AED 5,918.8 million, or 62.3 per cent., of the Group's net profit before the deduction of minority interests for the period was attributable to the CIB segment;
- **Personal Banking Group ("PBG")**: the PBG segment targets mass market, affluent, high-net-worth, Islamic finance and small-to-medium enterprise ("SME") customers through a wide range of diverse distribution and sales channels, including mobile and internet banking, branches and direct sales agents and through its banking subsidiaries. Product offerings range from day-to-day banking products such as current accounts, deposits, credit cards and loans, Islamic variants of

the same, to more sophisticated investment solutions and business banking products and services. The PBG segment is structured to maximise expertise and focus on key areas, with dedicated teams for major customer segments, products and channels. For the nine months ended 30 September 2019, AED 5,695.8 million, or 37.6 per cent., of the Group's operating income for the period and AED 2,804.1 million, or 29.5 per cent., of the Group's net profit before the deduction of minority interests for the period was attributable to the PBG segment;

- **Subsidiaries:** the subsidiaries segment represents the financial results of the Bank's principal operating subsidiary entities across real estate management, Islamic finance, credit card finance, brokerage and fund management. The segment includes the financial results of the following subsidiaries: FAB Properties Sole Proprietorship LLC ("**FAB Properties**"), Mismak Properties Sole Proprietorship LLC ("**Mismak**"), First Abu Dhabi Bank Securities LLC ("**FAB Securities**") and First Gulf Libyan Bank. For the nine months ended 30 September 2019, AED 94.9 million, or 0.6 per cent. of the Group's operating income for the period and AED 98.9 million, or 1.0 per cent. of the Group's net profit before the deduction of minority interests for the period was attributable to the subsidiaries segment; and
- **Head office:** the head office segment provides centralised human resources, information technology ("**IT**"), operations, finance, strategy, investor relations, risk management, credit management, corporate communications, legal and compliance, internal audit, procurement, treasury operations, integration management office and administrative support to all of the Group's distinct businesses units. For the nine months ended 30 September 2019, AED 960.4 million, or 6.3 per cent., of the Group's operating income for the period and AED 685.9 million, or 7.2 per cent., of the Group's net profit before the deduction of minority interests for the period was attributable to the head office segment.

For further details on the Bank's reporting segments, see "*Description of the Bank – Strategy*".

The Bank is registered in accordance with the CCL and is licensed to operate as a commercial bank in the UAE and is regulated by the UAE Central Bank. The Bank's registered office is at FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, UAE and its telephone number is +971 (0) 2 305 3012.

As at 30 September 2019, the Bank had 76 branches and pay offices and a network of 541 automated teller machines ("**ATMs**") in the UAE, with the majority in Abu Dhabi and Dubai. Additionally, as at 30 September 2019, the Bank had a strong international presence across five continents through its subsidiaries or affiliate entities and its branches and representative offices. The Bank also offers services to individuals and corporate customers through a diverse range of alternate distribution channels including its internet banking, phone and SMS banking systems and through the Group's mobile apps.

## **Strengths**

### ***Largest bank in the UAE and one of the largest in the GCC with a dominant market position***

The Merger created a leading local and regional financial institution with total assets of AED 788.2 billion, total net loans and advances of AED 377.8 billion and total customer accounts and other deposits of AED 476.8 billion, representing the largest financial institution in the UAE and the second largest in the GCC, as at 30 September 2019. The combination of two, best-in-class and complementary consumer and wholesale banking businesses (comprising NBAD, one of the leading wholesale banks in the UAE with a significant international footprint, and FGB, a market-leading consumer banking franchise) significantly enhances the value proposition that the Bank is able to offer its customers.

The Bank has one of the largest customer bases in the UAE and maintains one of the largest domestic distribution networks. This distribution network offers significant opportunities to attract additional clients and expand the Bank's range of products and services to existing clients. As at 30 September 2019, the Bank had one of the largest branch networks in the UAE, comprising 76 branches and pay offices and a network of 541 ATMs, together with tele-banking, internet banking and mobile banking platforms.

The Bank's dominant market position throughout the UAE and wider GCC region reflects the Bank's focus on high quality customer service, creation of innovative products and services, in addition to, the strength of its offering and its established track record in both consumer and wholesale banking.



The significant scale of the Bank post-Merger has enabled the Bank to derive tangible synergistic benefits, including greater economies of scale and cost efficiencies as a result of the consolidation of common businesses, the integration of IT platforms and banking systems and the reduction (and, in some cases, closure) of overlapping branch locations. The Bank's executive management anticipates that operating cost synergies of approximately AED 1.5 billion attributable to the Merger will be realised by 2020. The Bank has also derived revenue synergies as a result of its increased financial strength, with a greater ability to achieve revenue growth by virtue of its broader product and customer diversification, giving the Bank a strong platform for sustained profitability in its core banking markets in addition to making the Bank uniquely placed to capture new growth opportunities.

#### ***Broad regional and international network***

In the UAE, the Bank is the leading financial institution with a broad portfolio of conventional and Islamic consumer and wholesale products, an extensive distribution network and well-established relationships with its broad client base. The Bank has one of the largest customer bases in the UAE and maintains one of the largest domestic distribution networks. This distribution network offers significant opportunities to attract additional clients and further expand the Bank's range of products and services to existing clients. As at 30 September 2019, the Bank had 76 branches and pay offices and a network of 541 ATMs throughout the UAE with a suite of alternate banking channels, including internet banking, mobile banking channels and SMS alerts.

Internationally, the Bank has a strong international presence across five continents through its subsidiaries or affiliate entities and its branches and representative offices (including operations in Qatar which the Bank is in the process of closing).

This broad geographical footprint provides opportunities for the Bank to grow its product and service offering, in addition to developing its existing client base and leveraging off the Bank's well established domestic operations.

#### ***Strong capital base and liquidity***

As at 30 September 2019, the Bank had a total capital adequacy ratio of 17.5 per cent., a Tier 1 capital adequacy ratio of 16.3 per cent. and a Tier 2 capital adequacy ratio of 1.1 per cent., calculated in each case in accordance with UAE Central Bank guidelines. As part of the gradual introduction of Basel III in the UAE, and pursuant to the "Regulations re Capital Adequacy" published by the UAE Central Bank in the UAE official gazette (the "**Official Gazette**") issue 612, which were effective from 1 February 2017, (the "**February 2017 Regulations**") and the accompanying standards (the "**Accompanying Standards**") which were published by the UAE Central Bank on 17 January 2018 in its Circular No. 28/2018 entitled "Standard re Capital Supply" and are expressed to be effective from 31 December 2017, effective from 1 January 2019, the Bank is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 14.5 per cent. Included within this UAE Central Bank prescribed minimum total capital adequacy ratio, the Bank, as a domestically systemic important bank ("**D-SIB**"), is required, effective from 1 January 2019 to maintain a Common Equity Tier 1 buffer of 1.50 per cent. In addition to the minimum capital adequacy ratio of 14.5 per cent., a counter-cyclical buffer is applicable to the Bank which is determined based on the basis of the geographical distribution of assets and the counter-cyclical capital buffer applicable in such jurisdictions. The Bank's capital adequacy ratio has been bolstered by the issuance by each of NBAD and FGB of AED 4.0 billion of Tier 1 capital notes in February 2009, as well as by the issuance by NBAD of U.S.\$750 million perpetual Tier 1 capital securities in July 2015, which are accounted for as equity in accordance with IAS 32 *Financial Instruments – Presentation*. The Bank also maintains a strong liquidity position with a LCR of 145.9 per cent. and loan to deposit ratio of 79.6 per cent. as at 30 September 2019. As at 30 September 2019, the Bank had cash and balances with central banks of AED 154.5 billion.

The LCR requires that banks have sufficient HQLAs in their liquidity buffer to cover the difference between expected cash outflows and expected capped cash inflows over a 30-day stressed period. The Basel III Reforms require that the minimum value of the ratio is 100 per cent. (i.e., an institution's stock of HQLAs should at least equal total net cash outflows) while the UAE Central Bank introduced LCR for the relevant UAE banks in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. as of 1 January 2019. As at 30 September 2019, the Bank held a portfolio of net HQLAs valued at AED 223.4 billion and had a LCR of 145.9 per cent. The Bank believes that its adherence to the LCR criteria will ensure that it is well equipped to

absorb any unanticipated systemic shocks to the UAE or MENA economies or banking sectors. See also *"Risk Factors – Factors that may affect the Bank's ability to fulfil its obligations in respect of the Transaction Documents – Liquidity risks – The Bank's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations"*.

The Bank believes that the benefits of its strong capital and liquidity profile will, principally, be two-fold; with its sound capital base and a well-diversified business mix and funding profile better positioning the Bank to meet increasing regulatory demands, while the Bank's larger capital base and increased underwriting capacity will enable it to better serve UAE corporates with international ambitions and to better support international companies operating in the UAE.

#### ***Supportive principal shareholder***

As at the date of this Base Prospectus, the Bank's principal shareholder is the Government, which indirectly holds approximately 37 per cent. of the issued and outstanding shares of the Bank through MIC.

The Government was instrumental in the founding of each of NBAD and FGB and in supporting the Merger, with each of NBAD and FGB maintaining very strong working relationships with the Government, a situation which the Bank expects to continue post-Merger. Government support for the Bank (and, historically, for NBAD and FGB) has typically manifested itself in many ways such as Government controlled entities engaging the Bank (and, formerly, NBAD and FGB) in new business opportunities and remaining as long-standing clients of each institution. Furthermore, in common with other regional governments, the Government provided financial support to its local banks, including each of NBAD and FGB, during the 2008 global financial crisis which helped domestic banks to maintain liquidity and achieve a high capital adequacy ratio, well above the UAE Central Bank guidelines. The historic financial support and continued strong business relationships with the Government has, historically, helped to stabilise the performance of each of NBAD and FGB in turbulent economic periods and to enhance customer and market confidence in these institutions.

Although there can be no assurance that the Government will continue to support the Bank in the same manner as it has historically supported each of NBAD and FGB, management believes that the Bank's relationship with the Government remains strong post-Merger and is unlikely to change in the foreseeable future.

#### ***Full service offering of conventional and Islamic products***

Following the Merger, the Bank is able to provide a comprehensive range of both conventional and Islamic banking products and services to its customer base, therefore diversifying income sources as well as offering the Bank the opportunity to grow its balance sheet and strengthen its position in its core domestic market. As a full-service bank, the Bank has wider access to a more diverse customer base than its domestic competitor banks that offer either purely conventional products or, as the case may be, purely Islamic products. This product flexibility provides the Bank with a greater ability to cross-sell an enhanced product and service offering than many of its domestic competitors, providing a strong platform from which the Bank can continue to drive revenue growth and increased profitability.

#### ***Experienced Board and executive management team with proven track record in the banking industry***

The Bank believes that it has a strong and experienced Board and a long-serving executive team with a proven track record in the UAE and international banking sectors.

The Bank's strategy is supported by the executive management team's broad expertise in the region, proven record for implementing industry leading initiatives, and by its focus on best practices and customer service. See further *"Description of the Bank – Strategy"*. The Bank benefits from continuity of personnel within its executive management team, with the experienced management team being drawn from the legacy NBAD and FGB executive management and having extensive experience in the financial services sector in the UAE, the MENA region and internationally. Additionally, the Bank's Board are also largely drawn from the former NBAD and FGB boards of directors with a similarly strong track record in the banking industry. Further details of the Bank's Board and executive management are set out under *"Management"*.

### ***Prudent risk management culture***

The Bank has a well-diversified loan portfolio and limited foreign exchange risk. It has invested, and continues to invest, significantly in improving its risk management procedures. Post-Merger, and as a function of the size and financial strength of the Bank, the Bank's management plans to commit even greater resources and investment to the internal risk management, compliance and control functions. As at 30 September 2019, the Bank had NPLs of AED 12.0 billion and, for the nine months ended 30 September 2019, carried impairment allowances of AED 13.1 billion. As at 30 September 2019, the Bank's NPL ratio was 3.1 per cent.

The Bank's management believes that the levels of impairment allowances for impaired loans as at 30 September 2019 were sufficient to cover the Bank's potential loan losses as at that date. As at 30 September 2019, the Bank's provision coverage ratio was 109.1 per cent.

### **Strategy**

As the largest full-service bank in the UAE, the Bank has developed individual strategies for each of its core business segments of CIB, PBG and subsidiaries. As its overarching strategic goal, the Bank aims to defend and grow its dominant position in the domestic market across consumer and wholesale markets, with a particular focus on strengthening its Islamic banking franchise.

### ***CIB***

The Bank's CIB segment is sub-divided into dedicated, targeted customer segments, as follows: (a) the institutional banking group, which focuses on large institutional clients with an annual turnover in excess of AED 1 billion in addition to Government and Government-related entities; (b) the corporate banking group, which targets corporate clients with an annual turnover between AED 350 million and AED 1 billion; and (c) the financial institutions group, which offers product and services to global financial institutions, including non-banking financial institutions, that are primarily liquidity and funding providers.

CIB offers a differentiated coverage model within each of these customer sub-segments, uniquely tailored according to the specific client requirements and sub-segment dynamics. The CIB coverage teams work on a 'follow the client' model and oversee client requirements across the international locations in which the Group has a presence.

The CIB segment is also structured with dedicated product teams including the Global Transactions Banking product team through which the Bank offers core credit facilities to clients including short term loans and overdrafts; global cash management solutions and global trade finance products. CIB's Global Corporate Finance product unit offers clients debt capital markets and syndicated loan solutions (including distribution); project finance and structured finance solutions; and corporate finance advisory services (includes merger and acquisition advisory; equity capital markets advisory; project finance advisory; and capital restructuring advisory services). CIB also includes the Global Markets product unit that offers clients across geographies and across the 5 customer sub-segments a comprehensive range of treasury products including: flow and structured foreign exchange products; interest rate products; liquidity management solutions; credit derivatives; commodities trading; and investment solutions. FAB Islamic is CIB's Islamic banking window covering all *Shari'a*-compliant product offerings in co-ordination with the other product groups and in full adherence with all relevant local and international regulatory guidelines and *Shari'a* principles.

The key strategic priorities for CIB are to maintain the Group's dominant position in Abu Dhabi while focusing on increasing its 'share of wallet' in Dubai as well as international markets.

A key strength of the post-Merger Bank is the significant size of its balance sheet which management intends to leverage to increase market share in particular product and customer classes, particularly in the competitive debt capital markets and loan syndication markets within the MENA region. Through its offering of best-in-class global transaction banking and global markets products and services in conventional as well as *Shari'a*-compliant forms, the Group intends to increase and diversify its customer base. Additionally, CIB intends to defend and foster its strategic relationships with the Government and Government-related entities, continuing as the preferred banking partner for the Government with a focus on liabilities, trade finance and Government-related payments.

Building on the Bank's strategy to be regionally dominant and internationally relevant, at an individual customer level, the institutional banking group and the corporate banking group aim to widen their sector exposure with clients across industry sectors by differentiating themselves from competitors by virtue of their comprehensive product offerings. The financial institutions group aims to deepen relationships with the top end of the banking and non-banking financial institutions in key global markets by leveraging the Bank's strong credit rating.

### ***PBG***

PBG aims to maintain its dominance in retail banking by focusing on customer experience and digital distribution, data-driven customer value propositions and by growing in selected international markets.

The Bank is focused on improving the experiences of its customers and plans to deliver these improvements through a strong service culture and a digitally enabled service delivery model. The Bank is currently investing in empowering clients for instant self-serve, data and analytics, a mobile first solution, digital branch and digital sales tools.

PBG has strengthened its position in the consumer payment ecosystem and plans to leverage the insight this data provides to offer data-driven value propositions for all of the Bank's customer segments. The Bank is currently growing its merchant acquiring business, its "Payit" digital wallet, its "E-Dirham" closed loop payment system and is building "Abu Dhabi Pay" as a complete payment ecosystem for Abu Dhabi.

PBG is also growing its businesses in select international markets. The Bank continues to invest in its Egyptian retail business and, in May 2019, the Bank launched a digitally enabled bank in the Kingdom of Saudi Arabia with a full suite of products and three branches. PBG also continues to grow its private banking centres across the globe and remains focused on becoming the bank for MENA customers' onshore and offshore Islamic banking business.

### ***Islamic banking business***

As at the date of this Base Prospectus, the Group's Islamic banking offering primarily comprises the Group's Islamic banking window which operates under the FAB Islamic brand. Additionally, the Group offers Islamic finance products and services through its Islamic finance house subsidiaries; namely FAB Islamic and Aseel Finance PJSC ("**Aseel**").

The Group will continue to operate the FAB Islamic brand and offer Islamic banking products and services across the Group's client base with a particular focus on CIB customers. As at 30 September 2019, FAB Islamic was the largest Islamic banking window in the UAE in terms of asset size.

The Group believes that its Islamic banking franchise is well positioned and will enable the Group to capitalise on opportunities arising from the growth in the domestic Islamic banking sector.

### ***Subsidiaries***

The Bank's principal subsidiaries include FAB Properties, Mismak, FAB Securities and First Gulf Libyan Bank.

- ***FAB Properties***

The Group's real estate business is predominantly managed by its wholly-owned subsidiary, FAB Properties. FAB Properties commenced operations in 2011 under the legacy FGB business (First Gulf Properties LLC) and also includes the legacy NBAD property management subsidiary, Abu Dhabi National Properties PJSC, which was consolidated into FAB Properties during 2017. In March 2018, First Gulf Properties LLC changed its legal name to FAB Properties LLC. Through FAB Properties, the Group offers property management and facility management. FAB Properties manages a mixed and varied property portfolio in the UAE with total rent collection of approximately AED 1,385 million for the nine months ended 30 September 2019. The property management business of FAB Properties is an ancillary service provided to select CIB and high net-worth individual clients of the Bank which the Group expects to continue to grow opportunistically.

- *Mismak*

The Group's real estate investment and development activities are contained within Mismak. Each of Mismak and First Merchant International LLC are legacy FGB subsidiaries and are wholly-owned subsidiaries of the Bank.

Mismak also provides engineering advisory services to support the Group's internal credit department when assessing client request for credit for real estate development projects. Additionally, the Group provides asset management and advisory services in circumstances where a client is in default and the Group's real estate subsidiaries (including Mismak) take over the management of real estate assets which have been pledged as collateral.

- *FAB Securities*

FAB Securities is the Group's securities brokerage firm and is independently licensed by SCA. FAB Securities is one of the largest brokerage service providers in the UAE operating through four active branches across the UAE in addition to its own dedicated e-trading platform. FAB Securities trades across the ADX, the Dubai Financial Market, Nasdaq Dubai, selected markets in the GCC and over 90 global markets facilitated through a single account. FAB Securities offers clients securities from various asset classes including equities, and fixed income in the primary and secondary markets (such as initial public offerings, new issues and listed and unlisted securities). In addition to securities trade execution, FAB Securities provides advisory services, market research and coverage for its institutional and individual clients.

- *First Gulf Libyan Bank*

First Gulf Libyan Bank is the Bank's 50:50 joint venture investment in Libya with the Economic and Social Development Fund of Libya. First Gulf Libyan Bank is a full-fledged commercial bank. Although the Bank owns 50 per cent. of the outstanding shares of First Gulf Libyan Bank, the Group classifies the investment as a subsidiary since the Bank exercises control over the investee as a result of being able to exercise management control and being able to cast the majority of the votes on First Gulf Libyan Bank's board of directors.

### ***International operations***

Internationally, the Bank's operations are primarily focused on the CIB segment with the ultimate objective of positioning the Bank as the primary link for businesses and governments seeking access to regional and global capital markets, particularly in emerging markets such as the UAE and wider GCC.

The Bank's Saudi banking operations commenced operations on 1 May 2019 out of the Bank's Riyadh branch. The Bank intends to offer services to Saudi retail and corporate customers which leverage the Bank's global relationships, expertise and financial strength and thereby strengthen its market position in the Kingdom of Saudi Arabia.

The Bank also has selective PBG operations internationally, the most significant of which is in Egypt. The Bank's overall strategic mission is to create value for customers, employees, shareholders and communities to grow stronger through differentiation, agility and innovation. This strategic mission of value creation is embodied in the strategic priorities which the Bank has established for its distinct core operating segments.

### **Capital Structure and Shareholders**

The Bank's share capital is listed on the ADX and, as at 30 September 2019, had a market capitalisation of U.S.\$44.7 billion. As at 30 September 2019, the Bank's authorised, issued and paid up share capital comprised 10,920,000,000 shares with a nominal value of AED 1 each.

As at the date of this Base Prospectus, the Bank's principal shareholder is the Government, which indirectly holds approximately 37 per cent. of the issued and outstanding shares of the Bank through MIC.

## Financial Performance

### Income statement

The Bank reported net profit attributable to shareholders of AED 9,439.0 million for the nine months ended 30 September 2019, while net interest income was AED 9,743.9 million for the same period. Net fee and commission income was AED 2,386.6 million for the nine months ended 30 September 2019, with operating income of AED 15,167.7 million and general, administration and other operating expenses of AED 4,083.7 million for the same period. Annualised return on tangible equity for the nine months ended 30 September 2019 was 16.7 per cent. and the cost to income ratio (excluding Merger integration costs) for the year ended 31 December 2018 was 26.5 per cent.

The following table shows the breakdown, by the division indicated, of the Bank's net profit for the nine months ended 30 September 2019:

	<b>Net profit attributable to shareholders for the nine months ended 30 September 2019</b>
	<i>(unaudited)</i>
	<i>(AED millions)</i>
Corporate and Investment Banking.....	5,918.8
Personal Banking Group.....	2,804.1
Subsidiaries.....	98.9
Head office.....	685.9
Minority Interest.....	(68.7)
<b>Total.....</b>	<b>9,439.0</b>

### Statement of financial position

The Bank's total net loans and advances portfolio was AED 377.8 billion as at 30 September 2019. The distribution of the corporate loan portfolio across economic sectors is oriented towards real estate, banks, energy, other financial institutions and transport and communication, which is in line with the domestic economy.

The following table provides a breakdown of the Bank's total loans and advances portfolio by counterparty as at 30 September 2019:

	<b>As at 30 September 2019</b>
	<i>(unaudited)</i>
	<i>(AED millions)</i>
Government sector.....	33,340.6
Public sector.....	66,828.5
Banking sector.....	29,908.8
Corporate/private sector.....	190,214.4
Personal/retail sector.....	72,422.2
<b>Gross loans and advances.....</b>	<b>392,714.4</b>
Less: interest suspended.....	(2,785.0)
Less: expected credit losses.....	(12,162.0)
<b>Net loans and advances.....</b>	<b>377,767.4</b>

The Bank's loan portfolio contains a high proportion of loans to the government and public sector entities. As at 30 September 2019, 25.5 per cent. of gross loans and advances were to government and public sector entities. This concentration of lending reflects the historically close relationship between each of NBAD and FGB and government and public sector entities.

Approximately 12.1 per cent. of the Bank's loan portfolio was denominated in foreign currency (excluding U.S. dollars) as at 30 September 2019. The Bank has implemented risk management methods to mitigate and control these foreign currency risks along with other market risks to which the Bank is exposed. See further "Risk Management".

The Bank maintains a securities portfolio (both trading and investment) of high credit quality. The Bank has a Board approved comprehensive risk appetite for these portfolios and they are managed and limited by value-at-risk ("**Var**"), notional exposure, credit spread and interest rate sensitivities, geographic and single name exposure concentrations. See further "*Risk Management*".

The Bank has no direct exposure to collateralised debt obligations, structured investment vehicles and other sub-prime related issues. The securities portfolios are concentrated in the European and MENA markets. The trading portfolio mainly comprises debt instruments and a managed portfolio of funds and equities. The held-to-maturity portfolio comprises of debt issuances by sovereigns, corporates and financial institutions.

The following table provides a breakdown of the Bank's securities portfolio as at 30 September 2019:

	<b>As at 30 September 2019</b>
	<i>(unaudited)</i>
	<i>(AED millions)</i>
Fair value through profit or loss .....	19,492.6
Fair value through other comprehensive income.....	114,379.6
Investments in associates and joint venture.....	53.3
Amortised cost.....	5,408.9
Expected credit loss .....	(3.7)
	<b>139,330.7</b>

### **Capital adequacy**

As part of the introduction of Basel III in the UAE, and pursuant to the February 2017 Regulations and the Accompanying Standards, the Bank is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 14.5 per cent. effective from 1 January 2019. Included within this UAE Central Bank prescribed minimum total capital adequacy ratio, the Bank, as a D-SIB, is required from 1 January 2019 to maintain a Common Equity Tier 1 buffer of 1.50 per cent. In addition to the minimum capital adequacy ratio of 14.5 per cent., a counter-cyclical buffer is applicable to the Bank which is determined based on the basis of the geographical distribution of assets and the counter-cyclical capital buffer applicable in such jurisdictions.

As at 30 September 2019, the Bank had a total capital adequacy ratio of 17.5 per cent., a CET 1 ratio of 14.2 per cent. and a Tier 1 capital adequacy ratio of 16.3 per cent., calculated in each case in accordance with UAE Central Bank guidelines. The Bank's capital adequacy ratio has been bolstered by the issuance by each of NBAD and FGB of AED 4.0 billion of Tier 1 capital notes in February 2009, as well as by the issuance by NBAD of U.S.\$750 million perpetual Tier 1 capital securities in July 2015.

The Bank's capital management is aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always meeting minimum regulatory capital adequacy ratio requirements. The principal difference between the UAE Central Bank's guidelines and Bank of International Settlements requirements is that, under the UAE Central Bank's guidelines, GCC government exposure is risk weighted at zero per cent. whereas, under the Bank of International Settlements guidelines, GCC government exposure is risk weighted according to the relevant country's credit rating. Details of the Bank's risk weighted assets as at 30 September 2019, calculated in accordance with UAE Central Bank guidelines, are set out in the table below.

	<b>As at 30 September 2019</b>
	<i>(unaudited)</i>
	<i>(AED millions, other than percentage figures)</i>
<b>Tier 1 capital:</b>	
<b>CET 1 capital</b>	
Share capital .....	10,920.0
Share premium .....	53,417.1
Eligible reserves.....	9,483.2
Retained earnings.....	17,909.4

	<b>As at 30 September 2019</b>
	<i>(unaudited)</i>
	<i>(AED millions, other than percentage figures)</i>
Profit for the period.....	9,439.0
Non-controlling interest .....	423.5
<b>Total CET 1 capital prior to deduction (A)</b> .....	<b>91,657.1</b>
Goodwill and intangible assets.....	20,670.5
Other deductions from CET 1 capital.....	255.7
<b>Total CET 1 capital after deductions</b> .....	<b>70,730.9</b>
<i>Additional Tier 1 capital:</i>	
Eligible AT1 capital (after grandfathering) .....	10,754.8
<b>Total Tier 1 capital (B)</b> .....	<b>81,485.6</b>
<b>Tier 2 capital:</b>	
Undisclosed reserves/general provisions.....	5,399.01
Subordinated term loans .....	289.3
<b>Total Tier 2 capital (C)</b> .....	<b>5,688.3</b>
<b>Total capital base (B + C)</b> .....	<b>87,173.9</b>
<b>Risk weighted assets:</b>	
Balance sheet and off-balance sheet items .....	1,025,483.7
Credit risk .....	431,916.0
Market risk.....	30,931.1
Operational risk .....	35,696.0
<b>Total risk weighted assets</b> .....	<b>498,543.1</b>
<b>CET 1 ratio (%)</b> .....	<b>14.2</b>
<b>Tier 1 capital adequacy ratio (%)</b> .....	<b>16.3%</b>
<b>Total capital adequacy ratio (%)</b> .....	<b>17.5%</b>

### **Equity**

The Bank's total equity (which comprises, amongst other things, its issued share capital of AED 10.9 billion as at 30 September 2019 and its other reserves and retained earnings (of AED 18.9 billion in aggregate as at 30 September 2019)) amounted to AED 104.1 billion as at 30 September 2019.

Of the Bank's reserves, the most significant are the statutory reserve and the special reserve into which, under the CCL and the Bank's articles of association, 10.0 per cent. of net profit each year must be contributed until each reserve reaches 50.0 per cent. of the nominal value of the Bank's paid up share capital. Eligible reserves also include accumulated other comprehensive income and other disclosed reserves. These reserves on a combined basis amounted to AED 9.5 billion as at 30 September 2019.

As at 30 September 2019, shareholders' equity includes AED 4.0 billion Tier 1 capital notes issued by FGB in February 2009 to the Government; AED 4.0 billion Tier 1 capital notes issued by NBAD in February 2009 to the Government; and U.S.\$750 million perpetual Tier 1 capital securities issued by NBAD in July 2015, which are accounted for as equity in accordance with IAS 32 *Financial Instruments – Presentation*.

### **Funding**

As at 30 September 2019, the Bank had customer accounts and other deposits which totalled AED 476.8 billion. The Bank's customer accounts and other deposits contain a high proportion of deposits from government and public sector entities, again reflecting the linkage between NBAD, FGB and these governmental and government-related entities. As at 30 September 2019, 34.3 per cent. of the Bank's customer accounts and other deposits were from government entities and a further 13.0 per cent. were from public sector entities. The Bank's funding needs are also met by equity reserves and retained earnings, interbank lines of credit and repurchase agreements. Additionally, and prior to the Merger, the legacy NBAD and FGB entities accessed wholesale funding markets (through bilateral or syndicated loans and international bond markets) in order to diversify and increase the maturity of their funding



sources. The Bank intends to continue to utilise the following debt capital markets funding platforms as a key source of funding:

- this Programme;
- the U.S.\$15,000,000,000 euro medium term note programme;
- the U.S.\$7,500,000,000 euro commercial paper programme;
- the A\$2,000,000,000 Australian domestic debt issuance programme;
- the A\$2,000,000,000 Australian and New Zealand domestic debt issuance programme;
- the U.S.\$5,000,000,000 U.S. commercial paper programme;
- the EUR1,000,000,000 French certificates de depot programme;
- the First Abu Dhabi Bank USA N.V., Curacao, acting through its Washington, D.C. branch U.S.\$3,000,000,000 U.S. certificate of deposit programme;
- the HKD5,000,000,000 certificate of deposit programme;
- the GBP10,000,000,000 certificate of deposit programme;
- the NBAD Americas N.V. certificate of deposit programme;
- the MYR3,000,000,000 medium term note and trust certificate issuance programme;
- the U.S.\$2,000,000,000 structured note programme; and
- the U.S.\$1,000,000,000 certificate of deposit programme.

As at the date of this Base Prospectus, the Bank also has outstanding the following standalone debt capital markets instruments:

- the (NBAD issued) AED 4,000,000,000 6 month EIBOR plus 2.3 per cent. per annum Tier 1 capital notes;
- the (FGB issued) AED 4,000,000,000 6 month EIBOR plus 2.3 per cent. per annum Tier 1 capital notes;
- the JPY10,000,000,000 2.60 per cent. "Samurai" bond due 2026; and
- the U.S.\$750,000,000 perpetual Tier 1 capital securities.

The following table shows the sources of the Bank's funding as at 30 September 2019:

	<b>As at 30 September 2019</b>
	<i>(unaudited)</i>
	<i>(AED millions)</i>
Due to banks and financial institutions .....	39,543.2
Repurchase agreements.....	52,258.1
Commercial paper.....	18,020.9
Derivative financial instruments .....	22,602.1
Customer accounts and other deposits .....	476,759.0
Term borrowings .....	51,124.6
Subordinated notes.....	361.7
Other liabilities .....	23,413.0
Total equity.....	104,080.5
	<b><u>788,163.1</u></b>

## **Competition**

The UAE banking sector as at 30 September 2019 comprised 48 commercial banks, including eight Islamic banks, and branches or subsidiaries of 27 foreign commercial banks. The licensed foreign bank branches and subsidiaries focus mainly on consumer banking, trade finance, foreign currency operations and government-related business. Foreign bank participation in public sector financing has had a significant downward effect on margins in this area. The UAE banking market is becoming increasingly competitive and challenging, with the consummation of the Merger anticipated by many commentators to act as a catalyst for further consolidation amongst locally incorporated banks.

UAE local banks enjoy tax advantages with zero corporate, income and sales tax while international banks operating in the UAE are subject to 20 per cent. corporate tax on their profits. With effect from 1 January 2018, certain of the GCC states (including the UAE) have implemented a VAT regime at a rate of 5 per cent, with the remaining GCC states expected to implement VAT in 2019. See also "*Risk Factors – Factors that may affect the Bank's ability to fulfil its obligations in respect of the Transaction Documents – Risks relating to the UAE and the Middle East – Tax changes in the UAE may have an adverse effect on the Bank*" and "*Taxation – United Arab Emirates*".

## **Employees**

As at 30 September 2019, the Bank employed 5,419 staff. These staff members do not include the 3,431 members of the Bank's outsourced workforce (who principally work within the consumer areas of sales, collections, call centre operations and credit card processing).

The Bank's human resources policy is aligned to its strategic vision and ambitious growth plans and is designed to attract, retain and motivate high-calibre, professional, skilled and knowledgeable employees. The Bank strives to foster a transparent working environment and invests significant resource in the provision of employee training and development schemes, in addition to providing a competitive remuneration and compensation structure.

## ***Emiratization***

In 1999, as part of a policy of "Emiratization", UAE banks were instructed by the UAE federal government to increase the number of UAE nationals on their payroll by at least 4 per cent. per annum. This policy has now been replaced by the Emiratization Circular which has introduced a scoring system based on target points in order to ensure the employment as well as progression of Emirati employees in the organisation. The target points or minimum threshold for Emirati employees for an organisation is set by the UAE Central Bank on the basis of a number of factors (with the primary factor being the operating income).

The Emiratization Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties to be computed in accordance with a specific formula set out in the Emiratization Circular.

As at 30 September 2019, the Bank's Emiratization percentage stood at 32.8 per cent. of its workforce in the UAE, equating to 1,293 UAE nationals employed in positions at different levels across the Bank.

In line with the Emiratization Circular, the Bank has made a commitment to employing and training UAE nationals. The Bank's Emiratization strategy supports the Bank's position as a nationalisation leader across the UAE. The Bank's Emiratization strategy, implemented through recruitment and employee selection as well as training programmes, enjoys the support and commitment of business heads and management across all business areas of the Bank.

## **Property**

The Bank's principal fixed assets include its head office building in Abu Dhabi and its other branch buildings and offices. Such property and equipment had a net book value of AED 4.3 billion as at 30 September 2019.

As at 30 September 2019, the value of the Bank's investment properties, stated at fair value and representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, was AED 7.9 billion.

The fair value of the Bank's investment properties is based on valuations performed by third party valuers. The valuers are accredited with recognised and relevant professional qualification and with recent experience in the location and category of investment properties being valued. The fair values have been determined based on varying valuation models depending on the intended use of the investment properties in accordance with the Royal Institution of Chartered Surveyors Valuation Standards. The property rental income earned by the Bank from its investment properties that are leased out under operating leases, amounted to AED 79.7 million for the nine months ended 30 September 2019.

### **Information Technology**

The Bank's IT department delivers an effective, efficient and sustainable management of information assets and technology and is focused on utilising advanced IT systems to serve the Bank's customers and ensure that customers' data is well protected and secured.

Following the Merger, the Bank has integrated the IT systems of NBAD and FGB. The IT business systems allow the Bank to offer enhanced services to its customers across all geographies in which the merged Bank operates. As part of the Bank's investment in its technology systems, it has also built a new, enhanced data centre, with the aim of providing a robust physical and technical platform for the merged Bank's business application systems. See "*Description of the Bank – Strategy – Subsidiaries – First Gulf Information Technology LLC*" for further information.

### **Litigation**

As at the date of this Base Prospectus, the Bank is not involved in any pending or, to the best of the Bank's knowledge, threatened litigation or arbitration proceedings which may constitute a threat to the Bank or to any of its subsidiaries or which would have a material adverse effect on its financial position. Therefore, no material provision has been made as at 30 September 2019 regarding any outstanding legal proceedings. Pending legal proceedings are reviewed on an ongoing basis and, where required, provisions are made at the end of each fiscal quarter subject to appropriate internal approvals.

### **Insurance**

The Bank has various insurance policies in place, including a banker's blanket bond insurance policy. The Bank's blanket bond insurance policy covers, among other risks, loss of its property whilst on the Bank's premises and whilst in transit; forgery of cheques, securities and other documents; and employee frauds, errors and negligence. The Bank believes that these insurance policies provide it with comprehensive insurance coverage against the various risks to which the Bank is exposed.

### **Sustainability Policy**

The Bank is committed to taking a strategic approach to managing sustainability through its organisational culture and conducting business in a responsible way. In this context, the term "sustainability" refers to ensuring long-term business success while creating economic, environmental and social value for generations to come through the identification of new opportunities and the active management of current and future risks. Sustainability is a central factor in the Bank's long-term profitability and growth and is integral to its success and ability to meet the needs and expectations of its stakeholders.

Undertaking business in a responsible way is an important focus for the Bank. Its sustainability policy and environmental policy set out broad principles to assist the Bank in managing its business and operations in a responsible manner which is essential for the long-term growth and resilience of the organisation.

The Bank supports the country's sustainability objectives to which the government of the UAE is committed, including:

- UAE Vision 2021;

- UAE Green Agenda 2015-2030;
- Abu Dhabi Economic Vision 2030; and
- United Nations Sustainable Development Goals 2030.

The Bank focuses its sustainability efforts on the issues that it considers most material and follows international best practice and recognised standards to ensure proper sustainable management and impact reduction across its sustainability priorities. The Bank references the UN Sustainable Development Goals ("SDGs") and aligns its business practices and sustainability performance to the relevant SDGs. The Bank is a member of the UAE Private Sector Advisory Council, which is focused on the implementation of the SDGs in the UAE.

In its lending, the Bank is a signatory to the Equator Principles, a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risks in projects intended to support responsible risk decision-making. The Bank is the only UAE bank that is a signatory to the Equator Principles.

In the management of its own environmental impact, the Bank applies the ISO 14064-3 standard for greenhouse gas emissions verification, and reports to CDP (formerly Carbon Disclosure Project). The Bank was awarded a B-score by CDP in 2018, the highest score for financial institutions within the MENA region. In its sustainability reporting, the Bank aligns itself with the Global Reporting Initiative (GRI) Standards, the Equator Principles and the ICMA Green Bond Principles, while referencing the UNGC and SDGs.

The Bank is an active participant and contributor to a number of national sustainability committees and taskforces, such as:

- the UAE Climate Change and Environment Council, the Private Sector Advisory Council to the UAE National Committee on the SDGs;
- the Abu Dhabi Sustainable Finance Declaration;
- the ADGM (Abu Dhabi Global Market) Consultative Working Group on Sustainable Finance;
- the ADGM Sustainable Finance Forum Advisory Group;
- the World Future Energy Summit Technical Advisory Committee;
- the EAD (Environment Agency Abu Dhabi) Declaration on Cleaning the Marine Environment; and
- the Dubai Declaration on Sustainable Finance.

The Bank's corporate community investment programme reflects what the Bank does to voluntarily contribute to the communities in which it operates. It is designed to inspire its staff while building rewarding relationships with its communities beyond its core business activities. In 2019, the Bank has worked in partnership with non-profit organisations including Emirates Nature-WWF, Emirates Foundation, SEDRA Foundation and Special Olympics Abu Dhabi to:

- make a positive change in people's attitude or behaviour;
- help people with skills and personal development; and
- make a direct impact on people's quality of life.

The Bank also launched its "#PeoplewithPurpose" volunteering programme in 2018, which builds on the Bank's community partnerships and supports community investments.

The Bank is included in the MSCI Emerging Markets ESG Leaders Index, reinforcing the Bank's position as a regional leader in sustainability, highlighting the link between the Bank's sustainability performance,

and the growing importance of its environmental, social and corporate governance ("ESG") performance to investors. The Bank is also represented on the FTSE4Good Emerging Markets Index.

### ***Green Bond Framework***

From time to time and pursuant to its U.S.\$15,000,000,000 euro medium term note programme, the Bank intends to issue securities ("**green bonds**") whose net proceeds would be used to fund or refinance, in whole or in part, eligible projects within eligible categories set out set out in the Bank's Green Bond Framework. For the avoidance of doubt, finance provided to any business or project that is not eligible under the criteria set out in the Green Bond Framework will not be considered as the use of proceeds of a green bond issued under this Framework.

The Bank has broadly defined the eligible categories in accordance with the "Green Bond Principles" publicised by the International Capital Market Association. Eligible categories include:

- renewable energy;
- energy efficiency;
- pollution prevention and control;
- sustainable management of living natural resources;
- terrestrial and aquatic biodiversity conservation;
- clean transportation;
- sustainable water and wastewater management;
- climate change adaptation;
- eco-efficient product technologies; and
- green buildings.

Up to 100 per cent. of the proceeds of any green bond issue may be applied to refinance existing eligible projects within the eligible categories. Proceeds used for refinancing eligible projects will be substituted out of any green bond in favour of funding new eligible projects within eligible sectors as and when these become funded by the Bank. The Bank expects that the proceeds of each green bond will be allocated to eligible projects within the Middle East region. However, given the global nature of the Bank's business and the international operations of many of the Bank's clients, the proceeds of any green bond issue may be applied globally without geographical restriction. Where any portion of the proceeds of a green bond issue has not been applied to finance eligible projects within eligible sectors, proceeds may be invested according to local liquidity management guidelines.

Prior to completion of the Merger, legacy NBAD became the first financial institution in the UAE to issue a green bond in March 2017. In August 2019, the Bank was the first financial institution in the region to print a green private placement bond. Additionally, the Bank was also the joint bookrunner and joint lead manager on the first socially responsible sukuk issued by International Finance Facility Immunisation Company ("**IFFIm**") and the first ever green sukuk issued by a MENA corporate in 2014 and 2019, respectively.

## SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements. See also "Presentation of Information – Presentation of Financial Information".

The following tables set out certain consolidated statement of financial position and consolidated statement of profit or loss financial information of the Group as at and for the nine months ended 30 September 2019 (as extracted from the Interim Financial Statements) and as at and for the financial year ended 31 December 2018 (as extracted from the 2018 Financial Statements).

### Consolidated statement of financial position

	As at 30 September 2019	As at 31 December 2018	As at 31 December 2017
	(AED millions)		
<b>Assets</b>			
Cash and balances with central banks .....	154,534.3	182,908.7	138,111.1
Investments at fair value through profit or loss .....	19,492.6	14,620.9	19,320.8
Due from banks and financial institutions .....	21,124.4	19,176.1	13,829.5
Reverse repurchase agreements .....	25,606.7	19,033.5	21,347.0
Derivative financial instruments .....	18,990.6	13,084.2	11,399.4
Loans and advances .....	377,767.4	352,966.4	330,465.9
Non-trading investments .....	119,838.1	90,433.6	88,457.7
Investment properties .....	7,930.2	7,388.5	6,927.7
Property and equipment .....	4,330.8	3,991.2	3,535.5
Intangibles .....	19,548.8	19,699.7	19,901.4
Other assets .....	18,999.2	20,583.6	15,672.4
<b>Total assets</b> .....	<b>788,163.1</b>	<b>743,886.4</b>	<b>668,968.3</b>
<b>Liabilities</b>			
Due to banks and financial institutions .....	39,543.2	40,266.5	30,576.3
Repurchase agreements .....	52,258.1	34,769.7	37,674.0
Commercial paper .....	18,020.9	18,144.1	24,124.1
Derivative financial instruments .....	22,602.1	15,219.5	14,941.3
Customer accounts and other deposits .....	476,759.0	465,237.1	395,843.7
Term borrowings .....	51,124.6	42,268.2	42,145.7
Subordinated notes .....	361.7	402.0	420.4
Other liabilities .....	23,413.0	25,606.4	21,033.3
<b>Total liabilities</b> .....	<b>684,082.6</b>	<b>641,913.4</b>	<b>566,758.9</b>
<b>Equity</b>			
Share capital .....	10,920.0	10,897.5	10,897.5
Share premium .....	53,417.1	53,188.0	53,026.6
Treasury shares .....	(20.8)	(25.5)	(42.4)
Statutory and special reserves .....	9,483.2	9,483.2	7,081.1
Other reserves .....	943.5	(37.5)	962.7
Tier 1 capital notes .....	10,754.8	10,754.8	10,754.8
Share option scheme .....	249.8	266.8	256.3
Convertible notes – equity component .....	—	—	108.3
Retained earnings .....	17,909.4	17,083.9	18,677.6
<b>Total equity attributable to shareholders of the Group</b> .....	<b>103,657.0</b>	<b>101,611.3</b>	<b>101,722.4</b>
Non-controlling interest .....	423.5	361.7	487.0
<b>Total equity</b> .....	<b>104,080.5</b>	<b>101,973.0</b>	<b>102,209.4</b>
<b>Total liabilities and equity</b> .....	<b>788,163.1</b>	<b>743,886.4</b>	<b>668,968.3</b>

### Consolidated statement of profit or loss

	Nine months ended 30 September 2019	Nine months ended 30 September 2018	Year ended 31 December 2018	Year ended 31 December 2017
	(AED millions)			
Interest income .....	18,509.9	15,684.9	21,836.4	16,331.8

	Nine months ended 30 September 2019	Nine months ended 30 September 2018	Year ended 31 December 2018	Year ended 31 December 2017
	<i>(AED millions)</i>			
Interest expense .....	(8,766.0)	(5,930.1)	(8,810.4)	(4,935.6)
<b>Net interest income</b> .....	<b>9,743.9</b>	<b>9,754.9</b>	<b>13,026.0</b>	<b>11,396.2</b>
Fee and commission income .....	3,529.3	3,681.0	4,880.0	4,026.1
Fee and commission expense .....	(1,142.7)	(1,083.1)	(1,487.6)	(1,128.2)
<b>Net fee and commission income</b> .....	<b>2,386.6</b>	<b>2,597.9</b>	<b>3,392.4</b>	<b>2,897.9</b>
Net foreign exchange gain .....	1,976.3	1,335.1	2,042.5	928.2
Net gain on investment and derivatives.....	934.5	731.4	826.2	686.1
Other operating income.....	126.4	216.8	158.7	472.1
<b>Operating income</b> .....	<b>15,167.7</b>	<b>14,636.0</b>	<b>19,445.7</b>	<b>16,380.5</b>
General, administration and other operating expenses .....	(4,083.7)	(3,973.1)	(5,328.6)	(4,901.5)
<b>Profit before net impairment charge and taxation</b> .....	<b>11,084.1</b>	<b>10,662.9</b>	<b>14,117.2</b>	<b>11,479.0</b>
Net impairment charge.....	(1,344.0)	(1,297.6)	(1,725.8)	(2,086.7)
<b>Profit before taxation</b> .....	<b>9,740.1</b>	<b>9,365.3</b>	<b>12,391.4</b>	<b>9,392.2</b>
Overseas income tax expense.....	(232.4)	(251.5)	(325.0)	(225.0)
<b>Profit for the period</b> .....	<b>9,507.7</b>	<b>9,113.7</b>	<b>12,066.4</b>	<b>9,167.3</b>

### Related Party Transactions

Certain related parties (principally the major shareholders, associated companies, directors and executive management of the Bank and companies of which they are principal owners) are customers of the Group in the ordinary course of business. The transactions with these parties were made on substantially the same terms, including interest and commission rates and the requirements for collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve an amount of risk which was more than the amount of risk relating to such comparable transactions. All loans and advances to related parties are performing advances and are free of any provision for impaired loans and advances.

As at 30 September 2019, the Group had financial liabilities to related parties totalling AED 19.2 billion and financial assets to related parties totalling AED 16.6 billion. The Group also had contingent liabilities with related parties in the amount of AED 11.2 billion as at 30 September 2019. See Note 30 (*Related parties*) to the Interim Financial Statements.

## RISK MANAGEMENT

### Overview

In common with other financial institutions, the Group faces a range of risks in its business and operations including: (a) credit risk; (b) market risk (including interest rate risk in the trading book, currency risk, equity risk in the trading book); (c) liquidity risk; (d) interest rate risk in the banking book; (e) operational risk (including risk of fraud); and (f) legal and compliance risk.

Efficient and timely management of the risks involved in the Group's activities is critical to its financial soundness and profitability. Risk management involves identifying, measuring, monitoring, controlling and reporting these risks on a regular basis. The objective of risk management is to protect the Group's capital and achieve a return on capital that is commensurate with the risks assumed.

### Risk Management Structure

The overall responsibility for risk management lies with the Board. The principal role of the Board is to oversee implementation of the Group's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory guidelines. Several Board level committees and management level committees form part of the overall risk management structure within the Group. The Board level committees include: (a) the Board Management Committee (the "**BMC**"), which is responsible for overseeing of the Group's overall business strategy and ensuring that the business policies and practices are in line with the overall strategy and in alignment with sound corporate governance and related regulatory requirements and guidelines; (b) the Board Risk and Compliance Committee (the "**BRCC**"), which is responsible for maintaining oversight over current and potential risk exposures across the Group and direction on risk strategy, frameworks, risk appetite, tolerance and culture; (c) the Board Audit Committee (the "**BAC**"), which has overall responsibility for assessing the internal audit findings, directing the implementation of audit recommendations and overseeing the internal audit activities being undertaken; and (d) the Board Remuneration and Nomination Committee (the "**REMCO**"), which is responsible for overseeing the appointment of the Board and executive management and ensuring that they discharge their responsibilities in the interests of the shareholders and the Group as well as overseeing the overall compensation and reward mechanism of the Group.

The Group Executive Committee (the "**EXCO**") is the Group's most senior management level committee and it operates under the delegated authority from the Board. The EXCO has established management committees to help execute the agreed objectives and to assist in running, controlling and monitoring the business of the Group efficiently and effectively. Management committees include: (i) the Group Risk Committee for overseeing the Group-wide risk strategy and exposures to enable integrated and effective risk management; (ii) the Group Compliance Committee for assisting the BRCC in fulfilling its objective of overseeing the Group's regulatory responsibilities and compliance with applicable laws and regulations issued by the various regulatory authorities; (iii) the Group Asset and Liability Committee, which has principal responsibility for the Group's asset and liability management process; (iv) the Group Corporate and Investment Banking Credit Committee, which assists in the development and implementation of the Group's corporate and investment banking business credit and investments strategy and related policies and procedures; (v) the Group Personal Banking Credit Committee to ensure a holistic overview of business strategies across the personal banking business of the Group; (vi) the Human Resources ("**HR**") Steering Committee for assisting the EXCO and the REMCO to implement the strategic and operational HR initiatives; (vii) the Group Digital Committee, which is responsible for directing and overseeing implementation of the Bank's digital transformation strategy; (viii) the Group Integration Steering Committee, which is responsible for managing the post-Merger integration process; (ix) the IT Operations Steering Committee for providing direction on all matters relating to the post-Merger integration process for IT and operations (systems and processes); (x) the Group Operational Risk Committee for assisting the Group Risk Committee in fulfilling the objective of overseeing the Group's operational risk management, business continuity and information security responsibilities; and (xi) the Information Security Committee for assisting the BRCC and Group Risk Committee in overseeing, reviewing and taking decisions on the implementation of the Group's security controls to ensure that the information assets of the Group are adequately protected. The Group's Chief Risk Officer ("**GCRO**") is responsible for risk management for the Group's centralised risk management function.

The Group has also established an independent risk management unit, responsible for continuous monitoring identification, measurement, control, mitigation and reporting of risks arising out of the



Group's activities. The risk management unit also monitors compliance with regulatory policies and procedures (including the Group's anti-money laundering procedures). The GCRO is responsible for day-to-day risk management for the Group. The risk management unit has separate sub-units responsible for management of enterprise risk, credit risk, market and liquidity risk, operational and fraud risk, legal and compliance risk and information security. Each of these sub-units reports to the GCRO.

The Group's treasury, under the strategic direction of the Group Asset and Liability Committee, is responsible for managing the Group's assets and liabilities and its overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Group. Risk management processes throughout the Group are audited on an annual basis by internal auditors who examine both the adequacy of the processes and compliance with regulatory requirements. The results of each internal audit are reported directly to the BAC.

### **Risk Monitoring, Measurement, Control and Reporting**

The Group has established an enterprise risk management policy ("**ERMP**") framework to support the Group's risk management objectives.

The aim of the Group's ERMP framework is to support the Group in being a world-class organisation maximising its risk adjusted returns for all stakeholders by establishing a risk management framework across the Group. The core objective of ERMP framework is to provide a reasonable degree of assurance to the Board that the risks threatening the Group's achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management system. The ERMP framework consists of specific policy documents covering all material risks across the Group that include enterprise risk management policy, risk appetite policy, corporate and investment banking credit policy, PBG credit policy, market risk master policy and its associated operating policies, Group liquidity risk policy, Group interest rate risk policy, operational risk policy, fraud risk policy, anti-money laundering and compliance risk policy, information security risk policy, business continuity management policy, internal capital adequacy assessment process policy, new products approval policy and model governance policy. In addition to these risk management policies, the Group has also put in place detailed operational policies, procedures and programs wherever needed. Other relevant risks such as reputation risk and strategy risk are covered under the enterprise risk management policy.

As a part of the ERMP framework, the Group has established a formal risk appetite structure in the form of a top-down approach that incorporates requirements of various stakeholders, including shareholders, holders of its debt securities and regulators through a dialogue process between risk taking functions after a careful consideration of the risk-return trade-off.

Risk monitoring and control is primarily based on limits established by the Group's executive management. These limits reflect the Group's business strategy and the market environment in which it operates as well as the risk appetite of the Group. Information from all parts of the Group is collected, examined and processed in order to identify, analyse and control risks. This information is presented to the BRCC and the Group Risk Committee on a quarterly basis. The information covers credit, market, liquidity and operational risks and is designed to enable the Board and executive management to receive all necessary information so as to independently assess the possible impact of these risks on the Group's businesses. The Group uses a range of measures to mitigate and control risks including the use of credit risk mitigation techniques (collaterals, guarantees, netting, etc.) to reduce exposure to credit risk and the use of derivative instruments to hedge exposure to certain interest and currency exchange rate risks. The Group is working on diversifying its lending activities in order to minimise risk concentrations across specific customer groups, industries or businesses and is considering securitisation and other structured solutions as a way of mitigating credit risk. The risk profile of all major transactions is assessed and authorised by appropriate management representatives before the transactions are concluded and the effectiveness of all risk mitigation measures is closely monitored by the risk management unit.

### **Credit Risk**

Credit risk is the risk of a customer or counterparty to a financial asset failing to meet its obligations in accordance with the agreed terms and, as a result, causing the Group to incur a financial loss. The Group is exposed to credit risk through its lending, trading, hedging and investing activities as well as through activities in which it acts as an intermediary on behalf of customers/other third parties or issues guarantees. The Group is also exposed to credit concentration risk. Various forms of credit risk

concentrations can be distinguished in this context including large exposures to individual clients or groups of connected clients, large exposures to clients of poor credit quality, large exposures to clients in certain countries and large exposures to clients belonging to specific industries, amongst others. Indirect credit risk concentrations can also arise as a result of certain credit risk mitigation techniques.

The Group's primary exposure to credit risk arises through its loans and advances to customers, as well as through its interbank lending operations. The amount of credit exposure in this regard is a function of assets being carried on the consolidated balance sheet. In addition, the Group is exposed to off balance sheet credit risk through the contingent liabilities it assumes. The Group is also exposed to credit risk on various other financial assets, including derivative instruments and debt investments.

The Group has established an independent credit risk team within the risk management unit to track the magnitude of credit risk. The middle office reports this risk to executive management on a regular basis.

The table below sets out the Group's maximum exposure to credit risk for the different components of the balance sheet, including derivatives as at 30 September 2019. This exposure does not take into account netting and collateral agreements that serve as credit risk mitigants. Where financial instruments are recorded at fair value, the amounts shown in the table represent the then current credit risk exposure but not the maximum credit risk exposure that could arise in the future as a result of changes in values.

	<b>As at 30 September 2019</b>
	<i>(AED millions)</i>
Balances with central banks .....	152,846.6
Due from banks and financial institutions.....	21,191.2
Reverse repurchase agreements .....	25,609.1
Loans and advances (gross) .....	392,714.4
Non-trading investments <sup>(1)</sup> .....	119,306.8
Other assets.....	12,153.8
Unfunded exposure .....	236,558.2
	<b>960,380.1</b>

<sup>(1)</sup> Comprises amortised cost and FVOCI debt.

The Group controls credit risk by monitoring credit limits and exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties, diversification of lending activities, compliance with internal lending limits to avoid undue concentrations of risks and by obtaining security as appropriate.

The Group's credit policy is reviewed and approved by the Board on an ongoing basis. The Group's credit policy allows for a certain degree of flexibility if circumstances warrant deviations from standard practice. All such exceptions are clearly documented and ratified by the Board.

The Group's credit risk limits are set in line with its credit criteria and reviewed on an annual basis. Credit exposure to individual customers or groups of customers is controlled through a tiered hierarchy of delegated approval authorities and is based on several factors including, but not limited to, country risk rating, industry risk rating, counterparty risk rating and assessment of facility risk.

Significant counterparty credit exposures, industry exposures and sector exposures are reviewed by executive management on a regular basis.

The table below sets out the Group's concentration of its gross loans and advances portfolio by counterparty and industry sector, in each case as at 30 September 2019.

	<b>As at 30 September 2019</b>
	<i>(AED millions)</i>
<b>Counterparty</b>	
Government sector.....	33,340.6
Public sector .....	66,828.5
Banking sector .....	29,908.8
Corporate/private sector.....	190,214.4
Personal/retail sector.....	72,422.2

	<b>As at 30 September 2019</b>
	<i>(AED millions)</i>
<b>Gross loans and advances</b> .....	<b>392,714.4</b>

	<b>As at 30 September 2019</b>
	<i>(AED millions)</i>
<b>Industry</b>	
Agriculture .....	671.1
Energy .....	35,725.9
Manufacturing .....	23,252.6
Construction .....	10,147.9
Real estate .....	82,081.9
Trading .....	25,577.3
Transport and communication .....	25,954.9
Banks .....	29,908.8
Other financial institutions .....	31,920.8
Services .....	21,571.1
Government .....	33,340.6
Personal – Loans and Credit Cards .....	53,779.1
Personal – Retail Mortgage .....	18,643.0
Others .....	139.4
<b>Gross loans and advances</b> .....	<b>392,714.4</b>

The table below sets out the Group's credit concentration in respect of its non-trading investments by counterparty and by external credit ratings, in each case as at 30 September 2019.

	<b>As at 30 September 2019</b>
	<i>(AED millions)</i>
<b>Counterparty type</b>	
Government sector .....	56,233.1
Supranational .....	2,031.3
Public sector .....	23,010.6
Banking sector .....	31,496.8
Corporate/private sector .....	7,069.9
<i>Less: allowance for impairment (expected credit loss) on amortised cost securities</i> .....	<i>(3.7)</i>
<b>Total non-trading investments</b> .....	<b>119,838.1</b>

	<b>As at 30 September 2019</b>
	<i>(AED millions)</i>
<b>External credit rating</b>	
AAA .....	15,303.8
AA to A .....	71,376.9
BBB to B .....	28,425.1
CCC and Below .....	—
Unrated .....	4,735.9
<i>Less: allowance for impairment (expected credit loss) on amortised cost securities</i> .....	<i>(3.7)</i>
<b>Total non-trading investments</b> .....	<b>119,838.1</b>

The Group operates a system of approval limits for its corporate lending, which is reviewed on a regular basis.

In line with the Group's credit policy, various types of credit risk mitigants – such as collaterals, guarantees, netting agreements and credit derivatives – are being used to mitigate risks. The mitigants are usually in the form of cash collateral or securities, legal charges over customer's assets, third party guarantees or assignments over receivables. As per the Group's internal policies, all of the mitigants are valued and monitored at regular intervals. Responsibility for day-to-day management of existing credit exposure is delegated to credit officers who comply with the regular credit review requirements set out in

the Group's credit manual. Credits are assessed using an internal credit risk evaluation system based on detailed qualitative and quantitative criteria.

In assessing its credit exposure, the Group's corporate customers are classified into 11 rating categories ranging from 1 (highest rating) to 11 (default rating). For regulatory reporting purposes, the Group reports its loans to the UAE Central Bank as per five grade scale where 1 is performing, 2 is watch list, 3 is sub-standard, 4 is doubtful and 5 is loss. In accordance with Circular 28/2010 issued by the UAE Central Bank on 11 November 2010, Grades 1 and 2 are considered as performing whereas Grades 3, 4 and 5 are considered as non-performing.

The tables below set out the Group's categorisation by credit quality of its exposure to the following asset classes as at 30 September 2019.

<b>As at 30 September 2019</b>					
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Purchased or originally credit impaired<sup>(1)</sup></b>	<b>Total</b>
	<i>(AED millions)</i>				
Balances with central banks .....	149,394.6	3,452.0	—	—	152,846.6
Due from banks and financial institutions .....	20,580.4	610.9	—	—	21,191.2
Reverse repurchase agreements .....	25,609.1	—	—	—	25,609.1
Loans and advances (gross) .....	354,686.4	22,954.1	10,293.2	4,780.7	392,714.4
Non-trading investments <sup>(2)</sup> .....	119,284.9	21.9	—	—	119,306.8
Other assets .....	12,091.3	59.7	2.8	—	12,153.8
Unfunded exposure .....	228,914.0	7,237.0	407.2	—	236,558.2
	<b>910,560.7</b>	<b>34,335.5</b>	<b>10,703.2</b>	<b>4,780.7</b>	<b>960,380.1</b>

<sup>(1)</sup> The Group, from an internal credit quality point of view, considers AED 4,531.0 million as par to non-performing loans.

<sup>(2)</sup> Comprises amortised cost and FVOCI debt.

### **Impairment**

The Group recognises loss allowances for expected credit loss ("ECL") on the following financial instruments that are not measured at fair value through profit or loss:

- balances with central banks;
- due from banks and financial institutions;
- reverse repurchase agreements;
- financial assets that are debt instruments;
- loans and advances;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments. The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

### *Measurement of ECL*

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – where there has not been a significant increase in credit risk ("**SICR**") since initial recognition of a financial instrument, an amount equal to 12-month expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used;
- Stage 2 – when a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument; and
- Stage 3 – financial instruments that are considered to be impaired are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default;
- loss given default; and
- exposure at default.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

The Group ceases to accrue income on any loan wherein a reasonable doubt, with respect to collection of unpaid interest or fees, exists or where a loan is classified as a non-performing asset. As at 30 September 2019, interest suspended amounted to AED 2,785.0 million (equal to 0.7 per cent. of total gross loans as at 30 September 2019).

As at 30 September 2019, total provisions amounted to AED 13.1 billion representing 109.1 per cent. of all NPLs. The NPL ratio was 3.1 per cent. as at 30 September 2019.

It is the Group's policy to write-off impaired assets only after all reasonable restructuring and collection efforts have been undertaken and where the possibility of any further recovery is considered remote. For the nine months ended 30 September 2019, the Group's write-off of impaired financial assets amounted to AED 191.4 million.

### *Counterparty credit risk for derivative transactions*

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group. The positive market value is also referred to as the "replacement cost" since it is an estimate of what it would cost to replace transactions at prevailing market rates if a counterparty defaults. Derivatives are used by the Group to help manage its balance sheet risks in an efficient manner and are also offered to the Group's clients with back-to-back transactions executed with other financial institutions. The majority of the Group's derivative contracts are entered into with other financial institutions with investment grade credit ratings from the main credit rating agencies.

### **Market Risk**

Market risk is defined as the risk of losses in the Group's on or off-balance sheet positions arising from movements in interest rates, credit spreads, foreign exchange rates and the prices of its debt, equity and commodity investments.

The Group has established an independent market risk management team which, in addition to its oversight role, tracks the magnitude of market risk on a daily basis, models and validates market data and

develops quantitative risk management techniques. The Group has established policies and guidelines for managing trading activities and investments that are subject to market risk. These policies and guidelines are reviewed and approved by the Group Risk Committee and further ratified by Board level committees on an annual basis. These guidelines stipulate inter-alia the risk appetite for market risk through a comprehensive limit structure covering exposure, sensitivities, concentration and VaR and lay down the investment criteria for each asset class.

Positions in the Group's trading and investment book portfolio are created subject to compliance with the investment policies and guidelines. The Group has established an independent market risk team within the risk management unit to track the magnitude of market risk on a daily basis, in addition to its role of oversight, model and market data validation and development of quantitative techniques for risk management. The middle office reports this risk to executive management on a daily basis.

The Group's market risk unit also carries out regular scenario analysis and stress testing exercises to ascertain the level of risk in the event of unforeseen movements in the Group's key risk factors.

#### ***Interest rate risk***

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk through hedging and by reviewing the re-pricing of assets and liabilities through risk management strategies. The asset and liability management risk team monitors the gaps and reports both interest rate risk and liquidity risk to the Group Asset and Liability Committee on a monthly basis. The Group's sensitivity to interest rate changes is reduced by the fact that a very significant part of its loans and advances can be re-priced on either a monthly or quarterly basis.

#### ***Currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's functional currency is the UAE dirham. As the UAE dirham has been pegged to the U.S. dollar since 1980, positions in U.S. dollars have not generally been considered as a significant currency risk, although this assessment has been re-evaluated in recent years given increased market speculation concerning the possible abolition of the currency peg in a number of GCC countries in response to the volatile oil price environment. The Group's foreign exchange positions are monitored on a daily basis to ensure that they are maintained within established limits set by the Group Risk Committee. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

#### ***Equity price risk***

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group invests in international equities and hedge funds and also acts as a broker for trading in local and international equities. The Group manages its equity price risk through limits for each product and limits by country, currency, sector and dealer where appropriate in order to ensure diversification of its equity investments in terms of both geographical distribution and industry concentration. All outstanding own-account open positions are monitored daily and appropriate limits are in place.

#### **Liquidity Risk**

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or deterioration in the Group's credit quality which may adversely impact certain sources of funding. Liquidity risk management seeks to ensure that, even under adverse conditions, the Group has access to the funds necessary to cover customer needs, maturing liabilities and the capital requirements of its operations. In accordance with Basel III guidelines, the Group monitors its LCR and maintains a portfolio of HQLAs as part of its LCR monitoring and reporting obligations to the UAE Central Bank. As at 30 September 2019, the Group held a portfolio of net HQLAs valued at AED 223.4 billion and had a LCR of 145.9 per cent.

Liquidity risk arises in the general funding of the Group's financing, trading and investment activities and in the management of liquidity positions. This risk involves the risk of unexpected increases in the cost of

funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner on reasonable terms and the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain.

The Group seeks to maintain liquid assets at prudent levels to ensure that cash can be made available quickly to honour its obligations, even under adverse conditions. To further address liquidity risk, the Group's management has established liquidity monitoring procedures and is diversifying the Group's funding sources in terms of origin and tenor. In addition, the Group maintains a statutory deposit with the UAE Central Bank and has a range of credit lines from banks and financial institutions.

The following table sets out the percentage of cash and balances with Central Banks, repurchase agreements and due from financial institutions compared to total assets as at 30 September 2019.

	<b>As at 30 September 2019</b>
	<i>(per cent.)</i>
Cash and balances with central banks, reverse repurchase agreements and Due from banks and financial institutions.....	25.5
Loans and advances .....	47.9
Investments at fair value through profit or loss, Derivative financial instruments, Non-trading investments and Investment properties.....	21.1
Property and equipment, Intangibles and Other assets .....	5.4
<b>Total assets</b> .....	<b>100.0</b>

The day-to-day management of liquidity within the framework of the Group's liquidity risk policy is the responsibility of the asset and liability management desk with global markets which is overseen in this regard by the Group Asset and Liability Committee. The Group uses a maturity ladder (time bucket) approach for managing its liquidity.

The Group's liabilities, in particular its customer deposits, are principally short-term in nature whereas its assets, in particular its loans and advances, are generally of a longer term. The Group believes that this apparent maturity gap is mitigated by the fact that a large part of its customer deposits, although contractually of a short-term nature, as is customary practice in the UAE, historically have been maintained for longer periods. The Group believes that this reflects the strength of its relationship with its principal depositors. Other mitigants include the Group's liquid asset balances, including a part of its investment portfolio and the fact that a number of its loans repay on an instalment basis. Notwithstanding these mitigants, there remains a risk that the Group could be exposed to liquidity risks should there be a significant downturn in market conditions allied with a significant removal of deposits from the Group.

With respect to liquidity risk related ratios, the UAE Central Bank made it mandatory for all UAE based banks to comply with the Eligible Liquid Assets Ratio ("**ELAR**") and an Advances to Stable Resources Ratio ("**ASRR**") as of 1 January 2016, while giving an option for banks to apply for compliance with the Basel III LCR and NSFR in accordance with the timelines set by the Bank for International Settlements. All the aforementioned liquidity ratios are monitored and reviewed by the Group Asset and Liability Committee.

## **Derivatives**

In the ordinary course of its business, the Group enters into a range of transactions that involve derivative instruments. In these transactions, the Group assists its customers and counterparties (typically other financial institutions) in altering their risk profile in a particular area by structuring transactions to meet the particular needs of the customer or counterparty. The positions accumulated from such activity are typically passed on to others in the market but may also be managed as open positions with a view to a limited profit. The Group manages the risks involved in this activity through appropriate limits and stop loss parameters established and monitored by the risk management division.

The Group also enters into derivative transactions to hedge its currency, interest rate and cash flow risks as part of its asset and liability management activities. This hedging may be in respect of specific financial instruments, forecasted transactions or strategic hedging against overall balance sheet exposures.

The total derivatives book by notional value as at 30 September 2019 was AED 2,337 billion (with a net mark-to-market of negative AED 3.6 billion).

### **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes/people/systems or from external events, including fraud. The Group has set up an independent operational risk team within the risk management unit for development and automation of an operational risk framework, for monitoring of operational losses on a regular basis and for necessary reporting to executive management. The Group has a dedicated team for the purposes of investigating suspected incidents of fraud.

Detailed operational manuals, internal control mechanisms (including segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes), periodic reviews and internal and external audits are tools employed for sound assessment, monitoring and management of operational risk in the Group's business. The Group is in the process of automating the process related to operational risk management through system implementation. The Group has in place an enterprise fraud risk monitoring system to monitor suspicious transactions.

### **Legal Risk**

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

The Group is compliant with FATCA. In line with the inter-governmental agreement finalised by the UAE federal government with the United States Government, the Group has completed its FATCA registration and obtained its Global Institution Identification Number for the Bank and all of its subsidiaries and international branches.



## MANAGEMENT

### Board of Directors

The Group operates under the direction of the Board of Directors (the "**Board**"), which is the principal decision-making forum with overall responsibility for the Group's strategy and for monitoring the performance of the Group's businesses and executive management. As at the date of this Base Prospectus, the Board comprises nine non-executive members. Each member of the Board is elected at a shareholders' general assembly meeting for a period of three years. All elected directors seeking to serve an additional term are required to seek re-election by the shareholders every three years.

The primary mandate of the Board is to align the Group's strategic objectives, risk appetite and overall corporate governance framework with the best interests of the Group and thereby maximise value for shareholders. This mandate is coupled with responsibility for monitoring and maintaining the Group's financial and economic stability and safeguarding the rights and benefits of all of the Group's stakeholders. Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting. The Board and the Group's executive management have delegated certain powers to committees, as described below.

The roles of the Chairman of the Board and the Group's Chief Executive Officer ("**GCEO**") are separate and independent of one another and there is a clear segregation of their respective duties and responsibilities. The Chairman's main responsibility is to lead the Board and ensure the effective engagement and contribution of all directors, so that the Board may fully discharge its legal and regulatory responsibilities.

The Board appoints the GCEO and specifies his powers and authority. The day-to-day management of the Group's business has been delegated by the Board to the GCEO, who is assisted by the other members of executive management. The GCEO, assisted by the other members of executive management, is responsible for controlling and monitoring the Group's business on a day-to-day basis, recommending strategy to the Board, leading executive management and implementing the Board's strategic and operational decisions.

Any candidate for appointment as a director must be considered and approved by the Board's Remuneration and Nomination Committee, the UAE Central Bank and the Group's shareholders at its General Assembly.

The table below shows the names of the members of the Board as at the date of this Base Prospectus.

<b>Name</b>	<b>Position</b>
H.H. Sheikh Tahnoon Bin Zayed Al Nahyan .....	Chairman
H.E. Nasser Ahmed Khalifa Ahmed Alsowaidi .....	Vice-Chairman
H.E. Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan .....	Board Member
H.E. Khaldoon Khalifa Al Mubarak.....	Board Member
H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri.....	Board Member
H.E. Mohammed Thani Murshed Ghanem Al Rumaithi.....	Board Member
H.E. Khalifa Sultan Ahmed Sultan Al Suwaidi.....	Board Member
H.E. Jassim Mohammed Al Seddiqi.....	Board Member
H.E. Mohammed Saif Al Suwaidi .....	Board Member

Detailed below is brief biographical information about each member of the Board as at the date of this Base Prospectus.

#### ***H.H. Sheikh Tahnoon Bin Zayed Al Nahyan – Chairman***

H.H. Sheikh Tahnoon Bin Zayed Al Nahyan is the chairman of the Group and the former Chairman of FGB. He also serves as an advisor to the National Security of the UAE and chairman of Royal Group.

#### ***H.E. Nasser Ahmed Khalifa Ahmed Alsowaidi – Vice-Chairman***

H.E. Nasser Ahmed Khalifa Ahmed Alsowaidi is the Vice-Chairman of the Group and the former chairman of NBAD. He is the chairman of ETECH Project Management. Over the last 26 years, he has held positions across various economic and financial Government bodies in the UAE, including the Abu

Dhabi Executive Council, the Abu Dhabi Investment Authority ("**ADIA**") and the Abu Dhabi National Oil Company ("**ADNOC**"). He holds a degree in economics from the California State Polytechnic University, USA.

***H.E. Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan – Board Member***

H.E. Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan is a non-executive director of the Board and a former NBAD board member. With more than 15 years' experience as a business professional, H.E. Sheikh Mohammed is the chairman of the Abu Dhabi National Insurance Company (which is a leading and prominent insurance provider in the region) as well as the chairman of Abu Dhabi National Insurance Company's risk management committee. He holds a degree in international economics and history from the American University of Paris, France.

***H.E. Khaldoon Khalifa Al Mubarak – Board Member***

H.E. Khaldoon Khalifa Al Mubarak is a non-executive director of the Board, having previously served as a non-executive director on FGB's board. In 2007 he was made a Commander of the Star of the Order of the Italian Solidarity for his contribution to the international reputation of Italy and its economic relationship with the UAE. He is also co-chair of the Abu Dhabi-Singapore Joint Forum, established to strengthen economic and political ties between Abu Dhabi and Singapore. He also serves as the managing director and group chief executive officer of MIC. In addition, he is the chairman of the Executive Affairs Authority of the Government, which provides strategic policy advice to the chairman of the Abu Dhabi Executive Council, of which he is also a board member. He is also the chairman of the Emirates Nuclear Energy Corporation and Emirates Global Aluminium. He has a degree in economics and finance from Tufts University in Boston, United States.

***H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri – Board Member***

H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri is a non-executive director of the Board, having previously served as a non-executive director on NBAD's board. He is also the chairman of Bin Srou Engineering. He is also a board member of the National Consultative Council ("**NCC**"), a board member of Emirates Communication (Etisalat), vice chairman of Abu Dhabi National Hotels Company and vice chairman of Abu Dhabi Aviation. He has previously served as Undersecretary of the Department of Social Services and Commerce Building from 1996 until 2009. He holds a bachelor's degree in civil engineering science.

***H.E. Mohammed Thani Murshed Ghanem Al Rumaithi – Board Member***

H.E. Mohammed Thani Murshed Ghanem Al Rumaithi is the head of the Commercial Arbitration Committee at the Abu Dhabi Chamber of Commerce. He is the Second Vice President of the Federation of Chambers of the GCC. In addition, he is the chairman of the Federation of the UAE Chamber of Commerce and Industry, chairman of the Abu Dhabi Chamber of Commerce and Industry, chairman of National Marina Dredging Co., chairman of Arabtec Holding and chairman of Thani Murshed Unilever. He is also a board member of Al Etihad Credit Bureau, board member of the Environment Agency of Abu Dhabi and board member of the Constitution of the GCC Commercial Arbitration Centre.

***H.E. Khalifa Sultan Ahmed Sultan Al Suwaidi – Board Member***

H.E. Khalifa Sultan Ahmed Sultan Al Suwaidi is a non-executive director of the Board, having previously served as a non-executive director on NBAD's board. He is an executive director of the Direct Investment Department at ADIC PJSC. Prior to this, he was the deputy director of the External Funds (Americas) Department at ADIA. He is also a board member of Etihad Aviation Group and UAE Banks Federation. He holds a degree in business administration (finance) and M.Sc. in finance from Seattle University, USA and is a Chartered Financial Analyst.

***H.E. Jassim Mohammed Al Seddiqi – Board Member***

H.E. Jassim Mohammed Al Seddiqi is a non-executive director of the Board, having previously served as a non-executive director on FGB's board. He also serves as the chief executive officer of Abu Dhabi Financial Group. He is also the chairman of Gulf Finance House and Eshraq Investments PJSC and a board member of Abu Dhabi Capital Group and ADNOC Distribution. He has previously served as the chief executive officer of Abu Dhabi Capital Group and a lecturer at the Abu Dhabi based Petroleum

Institute. He holds a bachelor's degree in electrical engineering from the University of Wisconsin-Madison and a master's degree in electrical engineering from Cornell University, United States.

***H.E. Mohammed Saif Al Suwaidi – Board Member***

H.E. Mohammed Saif Al Suwaidi is a non-executive director of the Board, having previously served as a non-executive director on FGB's board. He is the director general of the Abu Dhabi Fund for Development. He also serves as chairman of Al Ain Farms for Livestock Production and as a board member of the Abu Dhabi Centre of Food Security, Al Jazira Sports and Cultural Club, UAE Red Crescent and Aghia. He has previously served as the director of operations department at the Abu Dhabi Fund for Development for 11 years where he was in charge of all the projects financed by the fund. He holds a bachelor's degree in business administration from California Baptist University, United States.

The business address of each member of the Board is First Abu Dhabi Bank PJSC, FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, United Arab Emirates.

Certain members of the Board, their families and companies of which they, or members of their families, are principal owners, or of which they are employees, are customers of the Group in the ordinary course of business. The transactions with these parties are made at arm's length and on substantially the same terms, including interest rates, as those prevailing at the same time for comparable transactions with unrelated parties. See further "*Selected Financial Information – Related Party Transactions*" and Note 30 (*Related parties*) to the Interim Financial Statements.

Except as disclosed in the next paragraph, no member of the Board named in the table above has any actual or potential conflict of interest between his duties to the Group and his private interests and/or other duties.

Each of the directors of the Group named in the table above has outside interests in entities other than the Group, including employment and/or directorships with third parties (as set out in their respective biographies). Given the wide scope of the Group's operations, such entities have banking and/or other commercial relationships with the Group. Some Board members also have personal banking relationships with the Group. As the directors are involved in the Group's decision-making process and have knowledge of the Group's products and services, including the commercial terms thereof, a potential conflict of interest may arise. However, the Group has established robust internal procedures to deal with any such potential conflict, including the relevant director being excluded from voting at board meetings on issues which relate to the relevant director's and/or other connected entity's dealings with the Group.

The Group is committed to managing all related party transactions and potential conflicts of interest which may arise and to meet the Group's obligations to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage related party transactions and conflicts of interest.

The Group's code of conduct covers the conduct of members of the Board. The code binds signatories to the highest standards of professionalism and due diligence in the performance of their duties. It also covers conflicts of interest, disclosure and the confidentiality of insider information. Members of the Board are bound by specific regulations relating to insider trading and are required to disclose details of their shareholdings in the Group.

The Group maintains a register for all conflict of interest cases.

**Board Committees**

The Board has established the following four Board-level committees which are described below. The roles and authorities of each Board committee are defined and delegated by the Board and are described in each committee's charter. Each Board committee reviews its charter on a periodic basis and submits any recommendations for amendments or updates to the Board for approval. The Board committees also submit reports to the Board's Chairman each quarter regarding their respective duties.

***Board Remuneration and Nomination Committee***

The REMCO comprises three members of the Board and the GCEO as an executive member. The REMCO has overall responsibility for recommending and overseeing the appointment of members of the

Board and executive management and ensuring that they discharge their responsibilities in the interests of the shareholders and the Group as a whole. The REMCO also oversees (and has ultimate responsibility for approving) compensation packages (including, but not limited to, fixed and variable salaries, long term incentives and other benefits) and ensures that these are appropriate and consistent with the Group's culture, business and risk strategy, performance and control environment as well as with any legal or regulatory requirements.

As at the date of this Base Prospectus, the members of the REMCO are: H.H. Sheikh Tahnoon Bin Zayed Al Nahyan – Chairman, H.E. Nasser Ahmed Khalifa Ahmed Alsowaidi, H.E. Khaldoon Khalifa Al Mubarak and the GCEO.

A quorum of a majority of the members is required to convene a meeting of the REMCO. Only members of the REMCO and the Group's Chief People Officer (as a permanent invitee) are entitled to attend the committee's meetings, although members of management and other specialists may be invited to attend meetings upon request of the committee.

The REMCO is required to hold a minimum of two meetings per year and provides regular reports to the Board. In the nine months ended 30 September 2019, the REMCO had met once.

#### ***Board Management Committee***

The BMC comprises four members of the Board and the GCEO as an executive member. The BMC, on behalf of the Board, is responsible for approving and overseeing the execution of the Group's business plan in line with the Board approved strategy. The BMC oversees the Group's overall management and ensures that the Group's business policies and practices are in line with the Group's business interests and are in alignment with sound corporate governance and compliance standards including provisions of the UAE Central Bank.

As at the date of this Base Prospectus, the members of the BMC are: H.E. Khaldoon Khalifa Al Mubarak – Chairman, H.E. Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan, H.E. Mohammed Saif Al Suwaidi, H.E. Jassim Mohammed Al Seddiqi and the GCEO.

A quorum of a majority of the members is required to convene a meeting of the BMC and only members of the BMC are entitled to attend the committee's meetings, although members of management and other specialists may be invited to attend meetings upon request of the committee.

The BMC is required to hold a minimum of four meetings per year and provides regular reports to the Board. In the nine months ended 30 September 2019, the BMC had met three times.

#### ***Board Risk and Compliance Committee***

The BRCC comprises three members of the Board and the GCEO as an executive member. Under authority delegated by the Board, the BRCC plays a key role in the fulfilment of corporate governance standards and overall risk management by assisting the Board in the formulation of strategy for enterprise-wide risk management, evaluation of overall risks faced by the Group, alignment of risk policies with business strategies and ultimate determination of the level of risks which will be in the best interests of the Group through risk based capital planning. The BRCC, by virtue of powers delegated to it by the Board, also approves changes in risk management policies as and when required.

As at the date of this Base Prospectus, the members of the BRCC are: H.E. Khalifa Sultan Ahmed Sultan Al Suwaidi – Chairman, H.E. Mohammed Thani Murshed Ghanem Al Rumaithi, H.E. Mohammed Saif Al Suwaidi and the GCEO.

A quorum of a majority of the members is required to convene a meeting of the BRCC. Only members of the BRCC and the Group's Chief Risk Officer (as a permanent invitee) are entitled to attend the committee's meetings, although members of management and other specialists may be invited to attend meetings upon request of the committee.

The BRCC is required to hold a minimum of four meetings per year and provides regular reports to the Board. In the nine months ended 30 September 2019, the BRCC had met four times.

### **Board Audit Committee**

The BAC comprises three members of the Board and the GCEO as an executive member. This committee is principally responsible for reviewing the internal audit programme, considering the major findings of each internal audit review, making appropriate investigations and responses ensuring co-ordination between the internal and external auditors keeping under review the effectiveness of internal control systems, and in particular reviewing the external auditor's management letter and management's response thereto.

As at the date of this Base Prospectus, the members of the BAC are: H.E. Jassim Mohammed Al Seddiqi – Chairman, H.E. Mohammed Thani Murshed Ghanem Al Rumaiti, H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri and the GCEO.

A quorum of at least three members (inclusive of the Chairman) is required to convene a meeting of the BAC. Only members of the BAC and the Group's Chief Audit Officer (as a permanent invitee) are entitled to attend the committee's meetings, although members of management and other specialists may be invited to attend meetings upon request of the committee.

The BAC is required to hold a minimum of four meetings per year and provides regular reports to the Board. In the nine months ended 30 September 2019, the BAC had met three times.

### **Executive Management**

The Group has an experienced executive management team which is responsible for day-to-day supervision and control of the Group's business, particularly with respect to ensuring functionality of compliance and risk control, independence of functions, and separation of duties. Business policies, accounting policies and operations procedures and controls are documented and communicated through policies and standard operating procedures manuals which cover all areas and activities of the Group. All significant policies are reviewed and approved by the Board.

<b>Name</b>	<b>Position</b>
Mr. Abdulhamid Saeed.....	Group Chief Executive Officer
Mr. Andre Sayegh .....	Deputy Group Chief Executive Officer and Group Head of CIB
Mr. Zulfikar Ali Sulaiman.....	Group Head of International Banking and Group Chief Operation Officer
Mr. Arif Shaikh .....	Group Chief Risk Officer
Mr. Karim Karoui.....	Group Head of Subsidiaries, Strategy and Transformation
Ms. Hana Al Rostamani .....	Group Head of PBG
Mr. James Burdett .....	Group Chief Financial Officer
Mr. Fadhel A. B. Al Ali.....	Group Chief Customer Experience and Digital Officer
Mr. Shirish Bhide .....	Group Chief Credit Officer
Mr. Peter Baker .....	Group Chief Human Resource Officer
Mr. Nurendra Perera.....	Group Chief Audit Officer

Detailed below is brief biographical information about each member of the Group's executive management team as at the date of this Base Prospectus.

#### ***Mr. Abdulhamid Saeed – Group Chief Executive Officer***

Mr. Saeed is the GCEO and was a former FGB board member and managing director of FGB. He is also the managing director of Al Reem Investments and a board member of MIC. Mr. Saeed also serves on the board of directors of Sky News Arabia and Abu Dhabi Financial Group. He has more than 31 years' experience in the financial institution sector. Before moving to FGB in 1999, Mr. Saeed worked at Citibank in the UAE for eighteen years where he also held various key positions.

Mr. Saeed holds a bachelor's degree in business administration from the University of Arizona, United States.

***Mr. Andre Sayegh – Deputy Group Chief Executive Officer and Group Head of CIB***

Mr. Sayegh is the Group's Deputy Chief Executive Officer and Group Head of CIB, before which he served as chief executive officer at FGB since 2006.

He has over two decades of banking and financial services experience. Prior to his nomination as FGB chief executive officer, Mr. Sayegh had served as the chief operating officer of FGB since 1999 and was responsible for corporate banking, credit, risk and legal, operations and human resources. Before joining FGB, Mr. Sayegh also worked with leading regional and financial institutions. He was with Citibank within corporate banking, consumer banking and private banking in various international locations. He also served with Arab Bank in Lebanon and with a leading investment firm in Canada.

Fluent in Arabic, English, French and Spanish, Mr. Sayegh holds a BBA in finance and an MBA in corporate finance and banking from the American University of Beirut, Lebanon. He has also completed a project at Columbia University, majoring in the evolution of financial institutions.

***Mr. Zulfiqar Ali Sulaiman – Group Head of International Banking and Group Chief Operation Officer***

Mr. Sulaiman is the Group's Head of International Banking and the Group's Chief Operation Officer. Mr. Sulaiman was also appointed as the Group Integration Officer in July 2016, a role created upon the announcement of the merger of FGB and NBAD, with responsibility of managing the overall Integration Program which was achieved by the end of December 2018, before which he served as chief operating officer at FGB with responsibility for managing FGB's support functions including IT, operations, corporate real estate services and administration. He has more than 36 years of banking experience in the Middle East, Africa and South Asia. Prior to joining FGB, he held a number of senior positions including chief financial officer, country compliance and control head at Citibank and head of Citibank in Oman.

He holds a bachelor's degree in commerce, majoring in accounting and finance from Karachi University, Pakistan as well as a certificate in the Master of Business Administration programme in accounting and finance from the Institute of Business Administration, Karachi, Pakistan.

***Mr. Arif Shaikh – Group Chief Risk Officer***

Mr. Shaikh is the Group's Chief Risk Officer, having previously served in the same role for FGB. He has 32 years of experience in enterprise risk management (ERM), governance, legal, audit and strategic business review functions. He has led several audit and risk assignments as head of audit for South Asia at Standard Chartered Bank and ANZ Grindlays Bank in India. Mr. Shaikh has worked across multiple financial institutions across the UAE, India, Hong Kong and Australia.

Mr. Shaikh is a Chartered Accountant and an Associate Member of the Institute of Chartered Accountants in India. He holds a bachelor's degree in law from Government Law College, India.

***Mr. Karim Karoui – Group Head of Subsidiaries, Strategy and Transformation***

Mr. Karoui is the Group's Head of Subsidiaries, Strategy and Transformation, prior to which he served as FGB's chief financial officer. Mr. Karoui has more than 25 years of banking experience and also has extensive experience in company audit and financial management. Before joining FGB, Mr. Karoui worked with leading regional and financial institutions, including Citibank in Tunisia for over eight years. Mr. Karoui is also a board member of the following subsidiaries of the Bank: Aseel, Dubai First and First Gulf Libyan Bank.

He holds a master's degree in accounting from IHEC, Carthage, Tunisia.

***Ms. Hana Al Rostamani – Group Head of PBG***

Ms. Al Rostamani is the Group's Head of PBG, before which she served as head of consumer banking at FGB where she was responsible for the growth of FGB's consumer banking group in the UAE. Previously, she worked with FGB in corporate strategy, corporate communications, branding, branch management, product development, consumer credit policy, card operations management and consumer behaviour metrics.

She holds a master's degree in information management from the George Washington University, United States and has also completed a certificate in bank card management from the Visa International Association and the U.K. Chartered Institute of Bankers.

***Mr. James Burdett – Group Chief Financial Officer***

Mr. Burdett is the Group's Chief Financial Officer having held the same position at NBAD since joining NBAD from ANZ on 30 April 2014. At ANZ, Mr. Burdett also served as chief financial officer for international and institutional banking. Prior to his role at ANZ, Mr. Burdett was chief financial officer at ANZ for the Asia-Pacific, Europe and Americas regions. Mr. Burdett also spent 17 years at HSBC, initially serving as chief financial officer for various regional operations positions before undertaking the role of group head of management information, planning and analysis and a member of the finance management board chaired by the HSBC group chief financial officer. In his role as Group Chief Financial Officer, Mr. Burdett has responsibility for the Group's finance and treasury functions.

Mr. Burdett has worked for a number of international banks in Hong Kong, Australia, England, Singapore, China and Indonesia. Mr. Burdett is a Chartered Accountant and studied accounting and finance at the Auckland Institute of Technology, New Zealand.

***Mr. Fadhel A. B. Al Ali – Group Chief Customer Experience and Digital Officer***

Mr. Al Ali is the Group's Chief Customer Experience and Digital Officer. He joined the Group on 1 July 2017. Mr. Al Ali has an extensive experience in corporate governance and strategic commercial roles across a range of industries, including real estate, hospitality, investment and banking. Prior to joining the Group, he was appointed as chief executive officer of Dubai Holding. He has also worked at Citibank as head of UAE distribution and spent nearly 15 years of his career at Citibank.

He holds a bachelor's degree in industrial and system engineering from the University of Southern California, United States.

***Mr. Shirish Bhide – Group Chief Credit Officer***

Mr. Bhide is the Group's Chief Credit Officer having previously served in the same role at FGB. Mr. Bhide has around 26 years of international banking experience in various leadership roles across the industry. Mr. Bhide worked with Citibank in India, South Africa and Uganda for almost 20 years in various roles before leaving to join The National Commercial Bank in Jeddah, Saudi Arabia. He joined FGB as its chief credit officer in March 2013 and was subsequently appointed as acting head of FGB's wholesale banking and international team in May 2016.

Mr. Bhide holds an MBA from the University of Poona, India and a postgraduate diploma in accounting and finance from the London School of Economics.

***Mr. Peter Baker – Group Chief Human Resource Officer***

Mr. Baker is the Group's Chief Human Resource Officer. He has around 25 years of experience across Asia Pacific, United States, Europe, Middle East and Africa in human resources, sales and marketing and has previously served in those roles at Procter & Gamble and Maersk Group. Prior to joining the Group, Mr. Baker was the chief human resources officer for Damco (a world leader in logistics and supply chain management with a presence in over 80 countries).

Mr. Baker holds a bachelor's degree in business from the University of Technology, Sydney.

***Mr. Nurendra Perera – Group Chief Audit Officer***

Mr. Perera is the Group Chief Audit Officer. He is also a permanent invitee/observer to the Group Executive Management Committee and sits on the BAC.

With over 30 years' banking experience, he joined FGB in 2001 as the Deputy Head of Internal Audit and served as the Head of Group Internal Audit at the FGB from 2007 until the Merger. He has previously worked with National Bank of Umm Al Quwain, Sampath Bank and Commercial Bank plc in the UAE and Sri Lanka.

Mr. Perera holds a master's degree in business administration with a specialisation in finance and is a Certified Internal Auditor and Certified Financial Services Auditor with the following certifications: CIA, CFSA and CRMA from the Institute of Internal Auditors (U.S.), CISA and CRISC from ISACA (U.S.) and CIB (United Kingdom).

The business address of each member of the executive management is First Abu Dhabi Bank PJSC, FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, United Arab Emirates.

No member of the Group's executive management has any actual or potential conflict of interest between his duties to the Group and his private interests and/or other duties.

### **Executive Management Committees**

Brief descriptions of the Group's executive management committees are set out below.

#### ***Group Executive Management Committee***

The Group Executive Management Committee is the Group's most senior management level committee and it operates under a delegated authority from the Board. The Group Executive Management Committee supports the GCEO to determine and implement the Group's strategy as approved by the Board.

As at the date of this Base Prospectus, the Group Executive Management Committee has 11 voting members, with one non-voting member (the Group Chief Audit Officer who is a permanent invitee). The GCEO serves as chairman of the committee. A quorum of six members is required to convene a meeting.

The Group Executive Management Committee is required to meet at least monthly or as otherwise required. In the nine months ended 30 September 2019, the Group Executive Management Committee had met nine times.

#### ***Group Risk Committee***

The Group Risk Committee operates under a delegated authority from the Group Executive Management Committee and also assists the BRCC. The primary objectives of the Group Risk Committee are to define, develop and periodically monitor the Group's risk appetite along with its related methodology, parameters, targets, and tolerances taking into account the Group's strategy and business planning. In addition, the committee is accountable to highlight, discuss and monitor key regulations, both local and international and as they apply to all businesses where the Group operates. The committee will report relevant matters to the Group Executive Management Committee and, as appropriate, the BRCC, advising and informing them as required on the Group's risk appetite and framework and on key compliance and other regulatory risk matters.

As at the date of this Base Prospectus, the Group Risk Committee has eight voting members, with the Group Chief Executive Officer serving as chairman of the committee. A quorum of five members is required to convene a meeting.

The Group Risk Committee is required to meet at least quarterly or as otherwise required. In the nine months ended 30 September 2019, the Group Risk Committee had met three times.

For further information on the Group's risk management processes, see "*Risk Management*".

#### ***Group Compliance Committee***

The Group Compliance Committee is appointed by the Group Executive Management Committee to assist the BRCC in fulfilling its objective of overseeing the Group's regulatory responsibilities as well as ensuring the Group's compliance with the applicable laws and regulations issued by various regulatory authorities in respect of operations across the Group.

As at date of this Base Prospectus, the Group Compliance Committee has six voting members, with the Deputy Group Chief Executive serving as chairman of the committee. A quorum of four members is required to convene a meeting.



The Group Compliance Committee is required to meet at least quarterly or as otherwise required. In the nine months ended 30 September 2019, the Group Compliance Committee had met five times.

#### ***Group Asset and Liability Committee***

The Group Asset and Liability Committee operates under a delegated authority from the Group Executive Management Committee and is the driving force and key decision maker behind the structure and quality of the balance sheet. The committee is directly accountable to the BRCC for ensuring that the risks within the Group's asset and liability position are prudently managed by way of strong Group policy and procedures and an appropriate risk framework.

As at the date of this Base Prospectus, the Group Asset and Liability Committee has 11 voting members, with GCEO serving as chairman of the committee. A quorum of six members is required to convene a meeting.

The Group Asset and Liability Committee is required to meet at least monthly or as otherwise required. In the nine months ended 30 September 2019, the Group Asset and Liability Committee had met nine times.

#### ***Group Corporate and Investment Banking Credit Committee***

The Group Corporate and Investment Banking Credit Committee operates under a delegated authority from the Group Executive Management Committee. It assists in the development and implementation of the Group's CIB business credit strategy and policies and procedures. The principle role of the committee is to oversee the credit and lending strategies and objectives of the Group.

As at the date of this Base Prospectus, the Group Corporate and Investment Banking Credit Committee has four voting members, with GCEO serving as chairman of the committee. A quorum of three members is required to convene a meeting.

The Group Corporate and Investment Banking Credit Committee is required to meet at least monthly or as otherwise required. In the nine months ended 30 September 2019, the Group Corporate and Investment Banking Credit Committee had met five times.

#### ***Group Personal Banking Credit Committee***

The Group Personal Banking Credit Committee operates under a delegated authority from the Group Executive Management Committee and supports the work of the BMC (and the BRCC) in assisting with the development and implementation of credit strategy, for personal banking businesses within Group.

As at the date of this Base Prospectus, the Group Personal Banking Credit Committee has four voting members, with GCEO serving as chairman of the committee. A quorum of three members is required to convene a meeting.

The Group Personal Banking Credit Committee is required to meet at least quarterly or as otherwise required. In the nine months ended 30 September 2019, the Group Personal Banking Credit Committee had met three times.

#### ***Group Human Resources Steering Committee***

The principal role of the Group Human Resources Steering Committee is to assist the Group Executive Management Committee and the REMCO in fulfilling their respective duties with regard to implementing strategic as well as operational human resource initiatives. The committee's role is also to approve human resource initiatives and policies to ensure that the Group's requirements from an employee perspective are considered and changes, as necessary, are approved or are submitted for approval to the relevant governance body. The committee is the formal sponsor of all material human resources initiatives across the Group in line with the Group's employee value proposition.

As at the date of this Base Prospectus, the Group Human Resources Steering Committee has eight members, with the GCEO serving as chairman of the committee. A quorum of five members is required to convene a meeting.

The Group Human Resources Steering Committee is required to meet at least quarterly or as otherwise required. In the nine months ended 30 September 2019, the Group Human Resources Steering Committee had met once.

#### ***Group Digital Committee***

The Group Digital Committee was appointed by the EXCO as a sub-committee of the EXCO in order to direct and oversee implementation of the Bank's digital transformation strategy.

As at date of this Base Prospectus, the Group Digital Committee has seven voting members, with the GCEO serving as chairman of the committee. A quorum of four members is required to convene a meeting.

The Group Digital Committee is required to meet on a quarterly basis or as otherwise required. In the nine months ended 30 September 2019, the Group Digital Committee had met once.

#### ***Group Operational Risk Committee***

The Group Operational Risk Committee is appointed by the Group Executive Management Committee to assist the Group Executive Management Committee in fulfilling its objective of overseeing the Group's operational risk management, business continuity and information security responsibilities. The Group Operational Risk Committee is responsible for managing and reporting the Group's operational risk profile, ratifying the Group's information security policy and procedures and integrating the Group's business continuity management policy and business recovery strategy.

As at date of this Base Prospectus, the Group Operational Risk Committee has nine voting members, with the Group Chief Operation Officer serving as chairman of the committee. A quorum of five members is required to convene a meeting.

The Group Operational Risk Committee is required to meet on a quarterly basis or as otherwise required. In the nine months ended 30 September 2019, the Group Operational Risk Committee had met four times.

#### ***Information Security Committee***

The Information Security Committee is appointed by the Group Executive Management Committee to assist the BRCC and the Group Risk Committee. The main objectives of the Information Security Committee are to oversee, review and take decisions in respect of the implementation of the Group's IT security controls to ensure that information assets of the Group are adequately protected and in order to enhance the Group's capabilities in information security matters (including information security risk management, security governance, policy management, security programme management, security architecture, security awareness, security monitoring, cybersecurity, international security compliance and identity access management) in alignment with the principles of the ERMP.

As at date of this Base Prospectus, the Information Security Committee has five voting members, with the Group Chief Operation Officer serving as chairman of the committee. A quorum of three members is required to convene a meeting.

The Information Security Committee is required to meet on monthly basis or as otherwise required. In the nine months ended 30 September 2019, the Information Security Committee had met four times.

#### ***Group Technology Steering Committee***

The Group Technology Steering Committee is appointed by the EXCO. It assists in fulfilling EXCO's corporate governance and oversight responsibilities of all technology and information systems across the Group and supports the BRCC in its oversight of the Group's IT governance framework. The Group Technology Steering Committee makes recommendations to EXCO regarding significant technology investments in support of the Group's strategy. The Group Technology Steering Committee ensures alignment of business strategies with technology priorities and acts to protect and enhance the shareholders' investment in technology.

As at date of this Base Prospectus, the Group Technology Steering Committee has nine voting members, with the Group Chief Credit Officer serving as chairman of the committee. A quorum of five members is required to convene a meeting.

The Group Technology Security Committee is required to meet on monthly basis or as otherwise required. In the nine months ended 30 September 2019, the Group Technology Security Committee had met eight times.

### **Corporate Governance**

Pursuant to Ministerial Resolution No. 518 of 2009 Concerning Governance Rules and Corporate Discipline Standards, the SCA issued a governance code applicable to all joint stock companies, requiring compliance by April 2010. However, by way of an exemption issued by the Ministry of Economy and notified to UAE banks and other financial institutions through a circular sent out by the Emirates Banks Association dated 8 March 2010, all UAE banks and other financial institutions subject to the UAE Central Bank control and licensing shall be exempted from the SCA's governance code. Consequently, the Group will be required to adhere to the UAE Central Bank's corporate governance guidelines, as may be issued from time to time. In June 2009, the UAE Central Bank issued revised draft corporate governance guidelines for UAE bank directors. In addition, the UAE Central Bank issued in September 2019 new regulations and standards on Corporate Governance (the "**Regulations**") and the Bank is conducting a gap analysis to ensure compliance with these Regulations. There is a three year period of implementation in respect of these Regulations. The Group has established the BRCC to assist the Board in shaping and monitoring corporate governance policies and practices as well as to evaluate its compliance with existing policies in fulfilling their duties by shaping, monitoring and evaluating compliance with the Group's corporate governance policies and practices. See further "*Management – Board Committees*".

## OVERVIEW OF THE UNITED ARAB EMIRATES AND ABU DHABI

### The UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

According to OPEC data, at 31 December 2018, the UAE had approximately 6.5 per cent. of the world's proven crude oil reserves (giving it the sixth largest oil reserves in the world) (*source*: OPEC Annual Statistical Bulletin 2019). Based on IMF data, real GDP growth in the UAE was 3.0 per cent. in 2016, 0.5 per cent. in 2017 and 1.7 per cent. in 2018 (*source*: World Economic Outlook (October 2019)). According to preliminary data produced by the FCSA, the hydrocarbon sector (mining and quarrying) accounted for 25.9 per cent. of the UAE's GDP in 2018 and crude oil revenues accounted for 36.1 per cent. of total public revenues in 2018.

Moody's Investors Service Singapore Pte. Ltd. in its annual credit analysis dated 31 May 2019 affirmed the UAE's credit rating of Aa2 (with a stable outlook). This high investment grade rating is provided on the basis of the assumption that the Government (which, in turn, benefits from the sizeable sovereign assets of ADIA) would provide unconditional financial support. Superior infrastructure, very high per capita income, and vast hydrocarbon reserves also support the UAE's creditworthiness. The UAE is not rated by any other rating agency.

The MSCI Emerging Markets Index classifies the UAE as an "emerging market" economy with 11 UAE companies (including the Bank) included on the benchmark index.

### Abu Dhabi

Abu Dhabi is the richest of the seven Emirates based on nominal GDP (*source*: FCSA) and is also the largest based on population (*source*: FCSA and Statistics Centre). The city of Abu Dhabi is also the capital of the UAE.

The populations of both the UAE and Abu Dhabi have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed.

The table below illustrates this growth using official census data since 1975.

	2005	1995	1985	1980	1975
Abu Dhabi population.....	1,399,484	942,463	566,036	451,848	211,812
Total UAE population.....	4,106,427	2,411,041	1,379,303	1,042,099	557,887

*Sources*: Official census data published by the FCSA.

The table below sets out the populations of UAE and Abu Dhabi in the years indicated.

	2016	2015	2014	2010
Abu Dhabi population.....	2,908,173	2,784,490	2,656,448	2,094,480
Total UAE population.....	9,121,167	N/A	N/A	8,264,070

*Sources*: Abu Dhabi data sourced from mid-year estimates published by the Statistics Centre and UAE data sourced from data published by the FCSA.

In 2016, and based on the Statistics Centre's mid-year estimates, Abu Dhabi had a predominantly young population with 0.9 per cent. being 65 years and over and 16.6 per cent. being under the age of 15.

According to the same data, between 2010 and 2016, Abu Dhabi's average annual population growth rate was 5.6 per cent. The population mix in 2016 is estimated by the Statistics Centre to have comprised 19.0 per cent. UAE nationals and 81.0 per cent. non-nationals.

According to the Statistics Centre and based on mid-year estimates, Abu Dhabi's nominal GDP per capita was approximately U.S.\$90.946 in 2018, which makes it one of the highest in the Gulf region. The hydrocarbon sector (mining and quarrying) dominates Abu Dhabi's economy and, according to preliminary estimates released by the Statistics Centre, was the largest single sector, contributing 40.4 per cent. of nominal GDP in 2018.

According to ADNOC, Abu Dhabi has approximately 94.0 per cent. of the UAE's total oil reserves and, according to the Statistics Centre, produced 3.0 million barrels of oil per day in the year ended 31 December 2018. The non-associated Khuff natural gas reservoirs in Abu Dhabi beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest.

The table below shows Abu Dhabi's crude oil production, exports and the OPEC reference basket price for each of the years indicated.

	2018	2017	2016
Crude oil production (million b/d) .....	3.0	3.0	3.0
Crude oil exports (million b/d).....	2.2	2.4	2.4
OPEC reference basket price (U.S.\$ per barrel).....	69.8	52.4	40.8

Source: Statistics Centre and OPEC.

The table below shows Abu Dhabi's nominal GDP, its percentage growth change, the UAE's nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the UAE's nominal GDP for each of the years indicated.

	2018*	2017	2016
	<i>(AED billions, except for percentage)</i>		
Abu Dhabi nominal GDP (current price) .....	931.0	813.6	760.4
Percentage change in Abu Dhabi nominal GDP.....	14.4	7.0	(2.3)
UAE nominal GDP (current prices).....	1,521.1	1,387.1	1,311.2
Abu Dhabi as a percentage of UAE .....	61.2	58.7	58.0

Sources: Statistics Centre (for Abu Dhabi nominal GDP) and FCSA (for UAE nominal GDP).

\* Preliminary estimates

Since July 2014, when the monthly average OPEC Reference Basket price per barrel was U.S.\$107.89, crude oil prices have fallen sharply, by approximately 75 per cent. to a monthly average price of U.S.\$26.50 per barrel in January 2016. In recent years, crude oil prices have recovered slightly, with the monthly average price being U.S.\$73.27 per barrel in July 2018. The sharp decline in international prices for hydrocarbon products between mid-2014 and the end of 2015 was primarily responsible for the correction in the speed of growth of Abu Dhabi's nominal GDP. During 2015, Abu Dhabi's nominal GDP fell by 18.9 per cent. from 2014. This fall principally reflected substantially lower oil prices in 2015 compared to 2014. Abu Dhabi's nominal GDP during 2016 fell again by a further 2.3 per cent. from 2015 prior to recovering in 2017 and 2018, principally reflecting low oil prices which were offset in part by increased production.

Abu Dhabi's growing non-hydrocarbon sector, which in 2010 accounted for over 50.0 per cent. of Abu Dhabi's GDP, has contributed to Abu Dhabi's increase in GDP in recent years. In 2016, 2017 and (according to preliminary estimates published by the Statistics Centre) 2018, the non-hydrocarbon sector accounted for approximately 68.3 per cent., 65.9 per cent. and 59.6 per cent., respectively, of Abu Dhabi's nominal GDP.

According to the Statistics Centre, outside the hydrocarbon sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2016, 2017 and (according to preliminary estimates published by the Statistics Centre) 2018 have been: construction; financial and insurance sector; public administration and defence and compulsory social security; manufacturing; wholesale, retail trade and repair of motor vehicles and motorcycles; and real estate, which together accounted for 47.2 per cent. of nominal GDP in 2016, 44.6 per cent. in 2017 and (according to preliminary estimates published by the Statistics Centre) 41.2 per cent. in 2018.

The following table shows Abu Dhabi's nominal GDP by economic activity and by percentage contribution, as well as the year-on-year growth rate, for each of the years indicated.

Sector	2018*			2017			2016		
	(AED millions)	(%)	(2018 compared to 2017, % change)	(AED millions)	(%)	(2017 compared to 2016, % change)	(AED millions)	(%)	(2016 compared to 2015, % change)
Agriculture, forestry and fishing .....	6,706	0.7	3.9	6,454	0.8	8.8	5,932	0.8	4.1
Mining and quarrying (includes crude oil and natural gas) .....	375,935	40.4	35.7	277,067	33.3	14.9	241,148	31.7	(11.7)
Manufacturing .....	62,000	6.7	13.8	54,500	6.6	9.3	49,842	6.6	(1.0)
Electricity, gas and water supply; waste management.....	35,560	3.8	1.2	35,154	4.2	15.2	30,524	4.0	2.3
Construction .....	85,841	9.2	1.2	84,845	10.2	(0.5)	85,306	11.2	(3.9)
Wholesale and retail trade; repair of motor vehicles and motorcycles .....	46,172	5.0	(1.9)	47,052	5.7	(1.3)	47,671	6.3	16.2
Transportation and storage.....	26,894	2.9	4.0	25,852	3.1	(6.4)	27,624	3.6	(25.5)
Accommodation and food services ..	10,238	1.1	0.3	10,209	1.2	3.9	9,828	1.3	6.3
Information and communication .....	24,801	2.7	3.9	23,862	2.9	7.2	22,261	2.9	4.5
Financial and insurance .....	77,922	8.4	4.5	74,547	9.0	1.8	73,244	9.6	6.8
Real estate .....	45,292	4.9	(3.7)	47,020	5.7	0.4	46,814	6.2	13.7
Professional, scientific and technical	19,820	2.1	4.7	18,931	2.3	(2.8)	19,467	2.6	2.4
Administrative and support services; Public administration and defence; compulsory social security.....	12,380	1.3	4.6	11,833	1.4	(1.8)	12,047	1.6	11.4
Education .....	65,261	7.0	6.4	61,358	7.4	10.9	55,309	7.3	5.6
Human health and social work .....	14,975	1.6	5.6	14,185	1.7	7.3	13,214	1.7	12.8
Arts, recreation and other services ...	12,435	1.3	(0.5)	12,500	1.5	(0.5)	12,560	1.7	8.2
Activities of households as employers	2,750	0.3	1.2	2,717	0.3	6.0	2,563	0.3	7.6
	6,047	0.6	8.5	5,573	0.7	10.5	5,042	0.7	12.0
<b>Total GDP .....</b>	<b>931,035</b>	<b>100.0</b>	<b>—</b>	<b>831,623</b>	<b>100.0</b>	<b>—</b>	<b>760,396</b>	<b>100.0</b>	<b>—</b>

Source: Statistics Centre.

\* Preliminary estimates

The Government's ratings were affirmed at Aa2 (with a stable outlook) by Moody's in its update report following affirmation dated 26 March 2019. According to Moody's, the Government's credit profile is supported by the Government's strong balance sheet, with estimated assets under management by ADIA far exceeding total liabilities in the wider public sector. However, the rating is constrained by the Government's high reliance on hydrocarbons revenues, as well as limited transparency over the size and composition of the Government's financial assets, and the absence of timely, public fiscal data.

The Government's long-term sovereign credit ratings were affirmed at AA long-term (with a stable outlook) and A-1+ short-term (with a stable outlook) by S&P on 31 May 2019. S&P commented that the ratings are supported by the Emirate's strong fiscal and external positions. S&P further commented that the exceptional strength of the Government's net asset position provides a buffer to counteract the effect of oil price swings on economic growth, government revenues, the external account, and increasing geopolitical uncertainty in the Gulf region. On the other hand, S&P stated that these ratings are constrained by its assessment that the Emirate's political institutions are at a nascent stage of development compared with those of non-regional peers in the same rating category. Additionally, limited monetary policy flexibility (given the UAE dirham's peg to the U.S. dollar), gaps and delays in the provision of macroeconomic, fiscal and external data and the underdeveloped local currency domestic bond market also weigh on S&P's ratings.

The Government's long-term foreign and local currency issuer default ratings were affirmed at AA (with a stable outlook) and short-term foreign currency issuer default ratings at F1+ (with a stable outlook) by Fitch on 6 November 2018. Fitch commented that the Emirate's key credit strengths are its strong fiscal and external metrics and high GDP per capita, balanced by high dependence on hydrocarbons, below AA median governance and business environment scores (although these are improving and are the best in the GCC), high contingent liabilities from state-owned enterprises and the rest of the UAE (although these are manageable in the context of Abu Dhabi's fiscal resources) as well as elevated geopolitical risks compared to AA peers.

## Government

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan, and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan. The Crown Prince is also the chairman of the Abu Dhabi Executive Council, which is the principal executive authority below the Ruler and the Crown Prince. The Abu Dhabi Executive Council currently comprises 18 members appointed by the Ruler of Abu Dhabi through an Emiri Decree issued in September 2017.

Departments, authorities and councils are established by Emiri Decree and are subject to the authority of the Abu Dhabi Executive Council. Departments manage administration within the Emirate and each department manages a specific portfolio. Departments include, for example, the Department of Economy and Planning, the Department of Finance, the Department of Municipal Affairs, the Department of Transport and the Judicial Department. Authorities manage the Emirate's resources and strategies and include the Abu Dhabi Accountability Authority, the Abu Dhabi Food Control Authority, the Abu Dhabi Tourism and Culture Authority, the Abu Dhabi Water and Electricity Authority, the Executive Affairs Authority and the Health Authority. Councils act as controlling bodies for certain government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards and include the Civil Service Council, the Council for Economic Development, the Education Council, the Supreme Petroleum Council and the Urban Planning Council.

The Supreme Petroleum Council was established by Law No. 1 of 1988, and the Chairman of the Supreme Petroleum Council is H.H. Sheikh Khalifa bin Zayed Al Nahyan, Ruler of Abu Dhabi and President of the UAE. In accordance with Law No. 1 of 1988, the Supreme Petroleum Council is the highest authority responsible for petroleum affairs in Abu Dhabi and formulates and oversees Abu Dhabi's policies and objectives in all sectors of the petroleum industry. The Supreme Petroleum Council has 16 board members appointed by an Emiri Decree issued in March 2016.

The Government owns or has material shareholdings in a number of significant companies and institutions, including:

- **ADNOC:** ADNOC was established in 1971 and manages all aspects of Abu Dhabi's oil and gas industry.
- **ADIA:** ADIA was established in 1976 and is a vehicle through which the Government invests its surplus revenues.
- **ADIC PJSC:** ADIC started its operations in 2007. ADIC is another investment arm of the Government and is also responsible for investing the Government's financial resources. In March 2018, the Ruler of Abu Dhabi issued a law restructuring ADIC, as a result of which ADIC was dissolved and ADIC PJSC became the sole legal successor to ADIC. ADIC PJSC is 100 per cent. owned by.
- **Etihad Airways P.J.S.C. ("Etihad"):** Etihad was established in 2003 and is the national airline of the UAE and a key facilitator of the Government's tourism strategy.
- **General Holding Corporation ("Senaat"):** Senaat was established in 1973. Senaat is an industrial holding company, mandated by the Government to create, optimise, promote and champion capital-intensive assets, with holdings in companies operating in metals manufacturing, oil and gas services contracting, food and beverage production and building materials manufacturing sectors.
- **MIC:** MIC was established in 2017 and is the development and investment company leading the Government's economic diversification strategy. MIC owns 100 per cent. of each of Manoura Diversified Global Holding PJSC (previously Mubadala Development Company P.J.S.C.) ("MDG") and International Petroleum Investment Company PJSC ("IPIC"). MDG was established in 2002 as a business development and investment company mandated by the Government to act as a primary catalyst in the implementation of Abu Dhabi's development strategy in a commercial and profitable manner. IPIC was established in 1984 with a mandate to invest in energy and energy-related assets globally.
- **Tourism and Development Investment Company ("TDIC"):** TDIC was established in 2005 and is mandated to implement the strategy of the Abu Dhabi Tourism and Culture Authority through tourism development and is charged with fulfilling Abu Dhabi's ambition to become a leading global tourist destination.

Each of these companies and institutions are wholly-owned by the Government and one or more board members of each of these companies and institutions are represented on the Abu Dhabi Executive Council.

## **Abu Dhabi's Economic Strategy**

The Government's economic development strategy is articulated in the Abu Dhabi Policy Agenda 2007-2008 (the "**Policy Agenda**") and the Abu Dhabi Economic Vision 2030, issued by the Government in January 2009 (the "**2030 Economic Vision**").

The Policy Agenda establishes broad, long-term policy goals to drive economic, social and geopolitical/governance change in Abu Dhabi by establishing four priority areas of focus aimed at ensuring that the high-level guidelines for Abu Dhabi's socio-economic development are met:

- economic development;
- social and human resource development;
- infrastructure development and environmental sustainability; and
- optimisation of the role of the Government in the future of the Emirate.

Drawing on the Policy Agenda, the 2030 Economic Vision sets forth a roadmap for developing the Government's strategy for economic development over the period to 2030. The 2030 Economic Vision identifies two underlying economic policy priorities: (a) the need to build a sustainable economy; and (b) the need to ensure that social and regional development is balanced to bring the benefits of economic growth and well-being to the entire population of the Emirate. For both of these economic policy priorities, a number of specific core economic objectives have been identified, including enhancing competitiveness, productivity and diversification; enlarging the enterprise base by encouraging entrepreneurs, small enterprises and foreign direct investment; and enabling the development of new national champion enterprises to act as economic anchors. In addition to the economic policy priorities and the core economic objectives, seven areas of specific economic focus have been identified, each having additional specific objectives that must be achieved in order for the government's stated economic vision to be realised. These are:

- building an open, efficient, effective and globally integrated business environment;
- adopting a disciplined fiscal policy that is responsive to economic cycles;
- establishing a resilient monetary and financial market environment with manageable levels of inflation;
- driving significant improvements in the labour market;
- developing a sufficient and resilient infrastructure capable of supporting the anticipated economic growth;
- developing a highly skilled and highly productive workforce; and
- enabling financial markets to become the key financiers of economic sectors and projects.

## **International Relations**

The foreign policy of the UAE is based upon a set of guiding principles, laid down by the country's first President, H.H. Sheikh Zayed bin Sultan Al Nahyan.

The UAE participates in a number of multilateral aid-giving institutions, including the International Bank for Reconstruction and Development, the International Development Agency, the IMF and regional bodies like the Arab Bank for Economic Development in Africa, the Arab Gulf Fund for the United Nations, the Abu Dhabi-based Arab Monetary Fund, the Islamic Development Bank and the OPEC Fund for International Development. In addition, the UAE is a member of various other international organisations, including, among others, the Asia-Pacific Economic Co-operation, the GCC, the International Organisation for Industrial Development, the League of Arab States, OPEC, the Organisation of Arab Petroleum Exporting Countries, the Organisation of Islamic Countries, the United Nations, the World Health Organisation and the World Trade Organisation (the "**WTO**"). The UAE has also entered into a number of bilateral agreements with other countries (such as the UAE's bilateral



agreement with the United States for peaceful nuclear cooperation which establishes the legal framework for commerce in civilian nuclear energy between the two countries).

The UAE generally enjoys good relations with the other states in the GCC. However, on 5 June 2017, the Kingdom of Saudi Arabia, the UAE and the Kingdom of Bahrain announced that they would be severing diplomatic relations with the State of Qatar, citing Qatar's alleged support for terrorism and the Qatari violation of a 2014 agreement with the other members of the GCC. The termination of diplomatic relations has included the withdrawal of ambassadors, the imposition of trade and travel bans and the closure of airspace, territorial waters and, in the case of Saudi Arabia only, the closure of its land border with Qatar.

Additionally, the UAE has an ongoing dispute with the Islamic Republic of Iran and continuing discussions with the Kingdom of Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by the Islamic Republic of Iran. The UAE believes that the islands should be returned to the Emirate of Sharjah and the Emirate of Ras al Khaimah (with the Emirate of Sharjah claiming sovereignty over Abu Musa and the Emirate of Ras al Khaimah claiming sovereignty over Greater and Lesser Tunb) and is seeking to resolve the dispute through negotiation.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with the Kingdom of Saudi Arabia on the border between the two countries, which the UAE believes should be substantially amended. In addition, the UAE is involved in discussions with the governments of the Kingdom of Saudi Arabia and the State of Qatar relating to a maritime corridor which the State of Qatar has purported to grant to the Kingdom of Saudi Arabia, from within the State of Qatar's own maritime waters, which crosses part of the route of the gas pipeline constructed by Dolphin Energy Limited. The UAE believes that this grant is in breach of existing agreements between the UAE and the State of Qatar and, in June 2009, the UAE's Ministry of Foreign Affairs stated this position in a letter to the United Nations Secretary General.

The UAE, along with other Arab states, is currently participating in the Saudi Arabian led military intervention in the Republic of Yemen which began in 2015 in response to requests for assistance from the Yemeni government. The UAE is also a member of another Saudi Arabian led military coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State (also known as Daesh, ISIS or ISIL).

## THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

### Summary

According to data published by the UAE Central Bank, as at 30 September 2019 there were a total of 48 commercial banks (21 locally incorporated commercial banks and 27 foreign commercial banks) licensed to operate in the UAE. As a result, the UAE could be, and has historically been, viewed as an over-banked market, even by regional standards and there has traditionally been little impetus for consolidation. However, following the consummation of the Merger on 30 March 2017, it is anticipated that this may act as a catalyst for further consolidation amongst locally incorporated banks.

The UAE's membership of the WTO will likely require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to further expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

According to the preliminary estimates published by the Statistics Centre, the financial and insurance sectors in Abu Dhabi contributed approximately AED 77.9 billion (or 8.4 per cent.) to Abu Dhabi's nominal GDP in 2018. Within the UAE as a whole, financial and insurance activities were estimated to have contributed approximately 8.5 per cent. of real GDP in 2018 (*source: FCSA National Account information for 2010-2018*).

As a banking regulator, the UAE Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the UAE Central Bank.

Historically, the UAE Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirs of each Emirate. However, the introduction by the UAE Central Bank in 2014 of the IMLF allows non-Islamic UAE banks to use certain rated or UAE federal government entity issued assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management. See further "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Liquidity*".

### Characteristics of the Banking System

#### *Historic lack of consolidation*

The UAE may be, and has historically been, seen as being over-banked with 48 different commercial banks (comprising 21 locally incorporated commercial banks and 27 foreign commercial banks) licensed to operate inside the UAE as at 30 September 2019 (excluding the DIFC) (*source: UAE Central Bank*). Traditionally there has been little impetus for consolidation, with the federal structure of the UAE encouraging, to some extent, the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also historically hampered the process of consolidation. As a result, between the October 2007 merger of Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C. which created Emirates NBD P.J.S.C., and the April 2017 merger between FGB and NBAD which created First Abu Dhabi Bank PJSC, there was limited merger activity domestically in the sector. However, the Merger stimulated further movement towards greater consolidation amongst UAE banks. This has been observed in the three-way merger between Abu Dhabi Commercial Bank PJSC, Al Hilal Bank P.J.S.C. and Union National Bank P.J.S.C. which was completed on 1 May 2019. In June 2019, Dubai Islamic Bank PJSC announced that it would acquire Noor Bank PJSC.

While such continued consolidation would reduce the level of concentration in the domestic banking sector, they would also likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development.

Going forward, the advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing banks expanding their operations, which may eventually result in more mergers, with the possibility of creating banks with pan-Gulf franchises.

### ***Domestic focus***

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross-border business, a trend which is likely to continue in the event of further merger activity in the sector.

With a large number of banks, competing for a limited number of wholesale lending opportunities, most banks historically turned to retail banking, a previously untapped market. However, increasing competition in this area has gradually eroded margins and encouraged a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a consequence, information technology costs have been a prominent feature of many UAE banks' expenses.

### ***Limited foreign ownership***

In 1987, the UAE federal government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the UAE Central Bank following an agreement to permit market access to banks of GCC state origin in line with continuing efforts in regional integration.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

In 2013, the Government sought to replicate the success of the DIFC by announcing its intention to establish the Abu Dhabi Global Market in Abu Dhabi (the "**ADGM**"), as an international financial free zone with its own legal framework (closely based on English common law). The ADGM became operational in mid-2015 and, as at the date of this Base Prospectus, it is unclear to what extent this will impact the competitive and regulatory landscape in the domestic banking sector.

Federal Law No. 14 of 2018 (which entered into force with effect from 23 September 2018 ) (the "**HSA Law**") amended the minimum permissible shareholding by UAE nationals in UAE banks to 60 per cent. Further to this, the Bank, as a member of major indices such as the MSCI Emerging Markets and FTSE Emerging Markets, decided to increase its foreign ownership limit from 25 per cent. to 40 per cent. in order to access greater stock liquidity. The Bank received shareholder approval at the general assembly meeting on 25 February 2019 to amend its articles of association to provide for such increased foreign ownership approval. The Bank also obtained other requisite regulatory approvals for such increase and the revised limit was brought into effect on 14 April 2019.

### ***Exposure to the oil sector***

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices. See further "*Risk Factors – Factors that may affect the Bank's ability to fulfil its obligations in respect of the Transaction Documents – Risks relating to the UAE and the Middle East – The UAE's economy is highly dependent upon its oil revenue*". In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements. For example, according to preliminary estimates published by the

Statistics Centre, the mining and industry sector (including crude oil and natural gas) contributed 40.4 per cent. to Abu Dhabi's nominal GDP in 2018 as compared with a contribution of 50.6 per cent. in 2014.

### ***Islamic banking***

*Shari'a* (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank PJSC, Abu Dhabi Islamic Bank PJSC, Emirates Islamic Bank PJSC, Noor Bank, Al Hilal Bank P.J.S.C., Ajman Bank, Sharjah Islamic Bank PJSC, Dubai Islamic Insurance & Reinsurance Company (AMAN), Islamic Arab Insurance Co. (PSC) (Salama), Tamweel and Amlak Finance. The number of Islamic banks continues to increase, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer *Shari'a*-compliant products.

### ***Legal environment***

There are three primary sources of law in the UAE: (a) federal laws and decrees; (b) local laws; and (c) *Shari'a* (Islamic) law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler of a given Emirate or local government will apply his or its own rules, regulations and practices.

### ***Supervision of banks***

The main piece of legislation applicable to the banking system is Union Law No. 10 of 1980 (the "**Union Law**") which established the UAE Central Bank. The UAE Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the UAE, although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the UAE federal government would ultimately stand as *de facto* defender of the currency and the "lender of last resort".

The Union Law grants the UAE Central Bank powers to:

- exercise currency issue, stabilisation and valuation;
- ensure the free convertibility of the currency into foreign currencies;
- direct credit policy for balanced growth of the economy;
- organise and promote an effective banking system with private banks and institutions;
- advise the UAE federal government on financial and monetary issues;
- maintain the UAE federal government's reserves of gold and foreign currencies;
- act as a bank for the UAE federal government and other banks operating in the UAE; and
- act as the UAE federal government's financial agent with the IMF, the World Bank and other international financial organisations.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the UAE Central Bank to issue UAE federal government debt. However, the UAE Central Bank does issue certificates of deposit ("**CDs**") to UAE banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the UAE Central Bank at

any time. In 2007, the UAE Central Bank introduced an auction system which allows U.S. dollar drawings against UAE dirham CD holdings.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in practice, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices. However, see "*Risk Factors – Factors that may affect the Bank's ability to fulfil its obligations in respect of the Transaction Documents – Risks relating to the UAE and the Middle East – Any alteration to, or abolition of, the foreign exchange "peg" of the UAE dirham or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Bank to U.S. dollar foreign exchange movements against the UAE dirham or other such currencies*".

The UAE Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing UAE Central Bank Regulation No. 24/2000 concerning Procedures for Anti-Money Laundering, Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering and UAE Federal Decree Law No. 20 of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations. It has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee, which is responsible for co-ordinating anti-money laundering policy.

The UAE further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the "NATC"). The NATC serves as a UAE inter-agency liaison.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC, while the ADGM Financial Services Regulatory Authority regulates activity in the financial services sector in the ADGM. The UAE Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

### ***Lack of developed capital markets***

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the ADX (both of which were established in 2000), have grown over recent years and have benefitted from the inclusion of the UAE in the MSCI Emerging Markets Index since 2014, they continue to experience bouts of volatility.

Nasdaq Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009, the Dubai Financial Market announced its intention to acquire Nasdaq Dubai, with completion of the acquisition having occurred in July 2010. The Dubai Financial Market and the ADX were upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014 which could lead to an increase in interest and investment from international institutional investors in the UAE.

### ***Government involvement***

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to manifest in practice. The state and its related entities are together the banking sector's largest customers, in terms of both deposits and project financing.

### ***Expatriate workforce***

An unusual feature of the UAE economy is its reliance on overseas labour, with expatriates making up approximately 81 per cent. of the workforce according to estimates published by the Statistics Centre in mid-2016. The banking sector is no exception to this and expatriates are employed in senior management

roles of most of the major banks. This has brought expertise from more developed markets to the sector. However, to ensure increased representation of Emiratis in the UAE financial sector (overall as well as in critical roles) and to support their professional development, the UAE Central Bank has introduced a point based scoring system as part of its Emiratisation policy, which takes into account the employment and progression of Emirati employees in the organisation. The minimum threshold for Emirati employees for each institution is dependent on a number of factors. The Emiratisation Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties which are computed in accordance with a specific formula set out in the Emiratisation Circular.

### ***Accounting standards***

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (IAS)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

### ***Structure of the banking system***

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as "National" banks, of which there were 21 as at 30 September 2019 (*source*: UAE Central Bank), are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by UAE nationals. Licensed foreign commercial banks, of which there were 27 as at 30 September 2019 (*source*: UAE Central Bank), need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the UAE. The Union Law also licenses "financial institutions" (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

## **Recent Trends in Banking**

### ***Profitability***

The UAE continues to strive towards increasing economic diversification away from the oil and gas sector. In 2018, the non-oil and gas sector contributed 74 per cent. of the UAE's nominal GDP (*source*: Federal Competitiveness and Statistics Authority, 2018 Nominal GDP). Nevertheless, with the oil and gas sector contributing 26 per cent. of the UAE's nominal GDP, the price of oil has a direct impact on government fiscal revenues and the level of investment in government projects.

The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly. However, much of this growth focused on the real estate sector and equity financing which, in the context of the 2008 global financial crisis, represented a significant risk to the UAE banking system. Equity prices declined generally in the UAE from 2008 to 2011 in response to the global 2008 financial crisis. Equity prices rebounded between 2012 and 2018, with the ADX's General Index increasing from 2,630.9 at 31 December 2012 to 4,831.2 at 27 December 2018, and the Dubai Financial Market index increasing from 1.662.5 at 31 December 2012 to 2.469.5 at 27 December 2018 (*source*: Bloomberg).

During 2008 to 2010, a number of banks were also affected by the impact of mark to market accounting rules on their international investment portfolios. Additionally, during the same period, the UAE economy was negatively impacted by the global economic downturn and, in particular, by the sharp correction in the price of oil, which affected a number of key economic sectors including trade, tourism, real estate and commerce. This economic slowdown, along with reduced levels of liquidity in the market, constrained lending and resulted in the majority of UAE banks being less profitable in this period than in previous years.

With the improvement in global and regional economic growth, better liquidity conditions and higher foreign direct investment, the banking sector in the UAE has recovered well and continues to generate profits, albeit at a more moderate and sustainable pace. Regulatory developments and increased compliance requirements have also moderated growth in the profitability of the UAE banking sector.

## *Liquidity*

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies based in the UAE. According to preliminary data made available by the UAE Central Bank, resident deposits constituted approximately 89.5 per cent. of total deposits of the UAE banking sector (excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements) as at 30 September 2019. Of these, government and government-related entity deposits constituted approximately 33.2 per cent. of total resident deposits within the UAE banking sector (excluding inter-bank deposits but including commercial prepayments and borrowings under repurchase agreements) as at 30 September 2019. Non-resident sources constituted approximately 11.9 per cent. of total deposits within the UAE banking sector (excluding inter-bank deposits but including commercial prepayments and borrowings under repurchase agreements) as at the same date (*source*: UAE Central Bank Statistical Bulletin September 2019).

In response to the global 2008 financial crisis, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50.0 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The UAE Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the UAE Central Bank.

In addition to these measures, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the UAE federal government deposits made with them into Tier 2 capital.

During 2008, Government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Government (acting through the Department of Finance) subscribed for, in aggregate, a sum of AED 16.0 billion in subordinated Tier 1 capital notes issued by the five largest Abu Dhabi banks: NBAD, Abu Dhabi Commercial Bank PJSC, FGB, Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank PJSC.

In line with Basel III requirements, the UAE Central Bank has issued the Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015) (the "**Liquidity Notice**") which entered into force in the UAE on 1 July 2015 and which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices. These requirements include the following:

### *Responsibilities of the board of directors:*

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having a detailed understanding of liquidity risk management; and
- to ensure the clear articulation of liquidity risk tolerance in line with the relevant UAE bank's objectives, strategy and risk appetite.

*Responsibilities of senior management:*

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the board of directors;
- to review the UAE bank's strategy and to report to the board of directors on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

*Liquidity risk framework:*

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the UAE Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular internal stress testing of the portfolio for a variety of scenarios (both institution specific and market-wide); results being communicated to the board of directors and the UAE Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the UAE Central Bank upon request);
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which were intended to apply until the Basel III LCR and NSFR come into effect. These include the following:

	<b>Ratio</b>	<b>Applicability Period</b>
Interim ratios:	Liquid Asset Ratio (LAR $\geq$ 10%)	1 January 2013 – 30 June 2015
	ELAR (ELAR $\geq$ 10%)	1 July 2015 until LCR implementation
	ASRR (ASRR $<$ 100%)	30 September 1986 until NSFR implementation
Basel III ratios:	LCR (LCR $\geq$ 100%)	1 January 2019 onwards
	NSFR (NSFR $\geq$ 100%)	To be implemented

The UAE Central Bank's former liquid assets ratio ("**LAR**") was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the ELAR. Under the ELAR, UAE banks were required to hold an amount equivalent to at least 10 per cent. of their liabilities in high quality liquid assets (including cash held with the UAE Central Bank, the UAE Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).



The Liquidity Notice also included the option for UAE banks to apply to the UAE Central Bank to move to assessment and reporting of bank liquidity to the UAE Central Bank as against the LCR, in addition to the ELAR, with effect from 1 January 2016. Any UAE banks taking up this option were required to comply only with the ELAR until 1 January 2016, after which date they were required to move to a dual-compliance regime as to liquidity as against the ELAR and the LCR (subject to receipt of UAE Central Bank approval).

The LCR represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with HQLAs at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible HQLAs for this purpose. See "*Risk Factors – Factors that may affect the Bank's ability to fulfil its obligations in respect of the Transaction Documents – Liquidity risks – The Bank's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations*" and "*Risk Management*" for more information.

As part of the UAE Central Bank's gradual implementation of the Basel III Reforms in the UAE, the UAE Central Bank introduced LCR in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. as of 1 January 2019. This graduated approach was designed to ensure that the LCR could be introduced without disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity in the UAE.

The ASRR is an interim ratio designed to apply until the NSFR comes into effect in the UAE. The ASRR recognises both the actual uses as well as the likely uses of funds in terms of the contractual maturity and behavioural profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

NSFR is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE banks contingent liabilities. The NSFR in the UAE mirrors the Basel III standards. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding ("**ASF**") factors to the sources of funds and required stable funding (usage) factors to asset classes and off-balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III standards.

#### *Interim Marginal Lending Facility*

On 15 April 2014, the UAE Central Bank introduced the IMLF which allows non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access UAE Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF allows lenders to use certain assets as collateral to obtain one-day overnight loans from the UAE Central Bank. Eligible assets that can be used as collateral must be tradeable and include bonds, sukuk and securities issued by the UAE federal government or government-related entities in individual Emirates, as well as by UAE banks and corporations. Securities issued by foreign governments, banks, corporates and supranational agencies can also be used as collateral but must carry a minimum 'A' credit rating from one of the three main international rating agencies. Banks accessing the IMLF must borrow a minimum of AED 10 million and will be charged 100 basis points over the official UAE "Repo Rate".

#### *Position of depositors*

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law

guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

### *Prudential regulations*

The UAE Central Bank has supervisory responsibility for banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the UAE Central Bank with more up to date information on credit, market and operational risks within the banking sector.

### *Capital adequacy*

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of UAE Central Bank Circular Number 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions were deducted from regulatory capital.

As part of the introduction of Basel III in the UAE, and pursuant to the February 2017 Regulations and the Accompanying Standards, the Bank is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 14.5 per cent. effective from 1 January 2019. Included within this UAE Central Bank prescribed minimum total capital adequacy ratio, the Bank, as a D-SIB, is required from 1 January 2019 to maintain a D-SIB buffer of 1.50 per cent. which is to be met in its entirety by the Common Equity Tier 1 capital. In addition to the minimum capital adequacy ratio of 14.5 per cent., a counter-cyclical buffer is applicable to the Bank which is determined based on the basis of the geographical distribution of assets and the counter-cyclical capital buffer applicable in such jurisdictions.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on UAE government non-commercial public sector entities are risk-weighted at zero per cent. Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank.

The Basel Committee has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued the Basel III Reforms, constituting guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. The implementation of the Basel III Reforms began on 1 January 2013. However, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time. The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the "**January 2011 Press Release**") included an additional Basel III requirement (the "**Non-Viability Requirement**") as follows:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- a peer group review confirms that the jurisdiction conforms with clause (a); and
- it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph.

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as Tier 1 or Tier 2 instruments for regulatory capital purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

As at the date of this Base Prospectus, the UAE has not implemented a law that would require loss absorbency for bank capital instruments on the occurrence of a non-viability event. While the February 2017 Regulations and the Capital Standards (as defined below) confirm that the Non-Viability Requirement is a pre-requisite for any capital instruments issued by UAE banks to achieve Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (together, "**Regulatory Capital**") classification from the UAE Central Bank, the Non-Viability Requirement must be provided for contractually in the absence of a statutory loss absorption framework in the UAE as at the date of this Base Prospectus.

On 23 February 2017, the UAE Central Bank published the February 2017 Regulations which are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements, whilst implementing the measures contained in the UAE Central Bank's May 2016 published consultation document entitled "Capital Adequacy Regulation". The February 2017 Regulations are supported by the Accompanying Standards which were published by the UAE Central Bank on 17 January 2018 and which elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements and by the Standard re Tier Capital Instruments published by the UAE Central Bank in March 2018 (the together with the Accompanying Standards, the "**Capital Standards**") (which requires that a periodic distribution on an additional tier 1 instrument should be cancelled if the relevant UAE bank does not have sufficient "Distributable Items" on the relevant date for payment of: (a) such periodic distribution; and (b) certain other payment obligations). See also "*Risk Factors – Factors that may affect the Bank's ability to fulfil its obligations in respect of the Transaction Documents – Regulatory risks – The Bank is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Bank's business*".

### ***Reserve requirements***

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements set a mandatory cash reserve of 14 per cent. of all current, call and savings deposits and 1 per cent. of all time deposits, respectively, based on balances calculated on the 15th of each month.

### ***Credit controls***

Banks are required by the UAE Central Bank to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and

adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

The UAE Central Bank circular dated 23 February 2011 (the "**Retail Circular**") on retail banking and Notice No. 31/2013 dated 28 October 2013 (which was published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013) (the "**Mortgage Regulations**"), introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. These regulations may be amended in the future. Additionally, in accordance with the Mortgage Regulations, which specify that the amount of mortgage loans for non-UAE nationals should not exceed 75 per cent. of the property value for a first purchase of a home (with a value of less than or equal to AED 5 million), 65 per cent. of the property value for a first purchase of a home (with a value greater than AED 5 million) and 60 per cent. of the property value (irrespective of the value of the property) for second and subsequent homes. For UAE nationals, the corresponding limits are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

### **Large exposures**

The UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) were previously as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);
- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and
- to board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

The UAE Central Bank published the Central Bank Notice No. 32/2013 on large exposures (the "**Large Exposure Notice**") amending certain of the large exposure limits set out above. The Large Exposure Notice was published in the Official Gazette on 30 December 2013 and entered into force on 30 January 2014. The Large Exposure Notice introduced new limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the UAE Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

	<b>Individual</b>	<b>New Limit Aggregate</b>	<b>Old Limit Individual</b>	<b>Aggregate</b>
UAE federal government and their non-commercial entities .....	Exempt	Exempt	Exempt	Exempt
UAE local government and their non-commercial entities .....	No cap for UAE local government; 25% for each non-commercial entity	100%	Exempt	Exempt
Commercial entities of UAE federal government and UAE local government .....	25%	100%	25%	None
Commercial or other (non-commercial) private sector entities and individuals .....	25% max	None	7%	None
Shareholders who own 5 per cent. or more of the bank's capital and related entities .....	20%	50%	7%	None
Exposure to bank's subsidiaries and affiliates .....	10%	25%	20%	60%
Board members .....	5%	25%	5%	25%

### ***Provisions for loan losses***

For UAE banks, IFRS 9 was introduced for financial reporting periods commencing on 1 January 2018, replacing IAS 39 and introducing an ECL model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. IFRS 9 provision uses a three stage approach in recognising increased credit risk at each stage of risk (i.e., stage 1 for current facilities, stage 2 for significant increase in credit risk and stage 3 for impaired loans).

### ***Establishing a credit bureau in the UAE***

Al Etihad Credit Bureau ("**AECB**") is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the UAE Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations. As at the date of this Base Prospectus, the Bank has entered into a data and credit information supply agreement with AECB.

The implementation of regulations for the sharing of credit report data and the commercial operation of the UAE's first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

### ***Shari'a compliance***

The HSA Law requires financial institutions licensed by the UAE Central Bank to operate their business activities in compliance with the rules, standards and general principles established by the Higher Shari'a Authority and, in certain circumstances, requires such financial institutions to obtain the consent of the Higher *Shari'a* Authority before undertaking certain licensed financial activities.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Trustee and the Principal Paying Agent (as defined in the Conditions). Defined terms used below have the meaning given to them in the Conditions unless stated otherwise.*

### **Master Purchase Agreement, as supplemented by each Supplemental Purchase Agreement**

The Master Purchase Agreement will be entered into on 9 January 2020 between the Trustee (in its capacity as purchaser) and the Bank (in its capacity as Seller) and will be governed by the laws of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of each Tranche and will also be governed by the laws of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE.

Pursuant to each Supplemental Purchase Agreement, the Seller will sell, transfer and assign to the Purchaser, and the Purchaser will purchase from the Seller all of its rights, title, interests, benefits and entitlements in, to and under, (i) (on the issue date of the first Tranche of a Series) the relevant Initial Asset Portfolio and (ii) (on each date on which any additional Certificates are issued) the relevant Additional Assets.

### **Service Agency Agreement**

The Service Agency Agreement will be entered into on 9 January 2020 between the Trustee and the Bank (in its capacity as Service Agent) and will be governed by English law.

Pursuant to the Service Agency Agreement, the Trustee will appoint the Service Agent to service the Wakala Portfolio relating to each Series. In particular, the Service Agent will, in relation to each Series, perform, amongst other things, the following services (the "**Services**") as agent of the Trustee, during the Wakala Ownership Period:

- (a) it will service the Wakala Portfolio in accordance with the wakala services plan (the "**Wakala Services Plan**") (the form of which is set out in the Schedule to the Service Agency Agreement and will include an expected return to be generated by the Wakala Portfolio on a periodic basis (the "**Expected Wakala Portfolio Return**")), which shall be completed at the time of issue of the first Tranche of the relevant Series upon receipt from the Trustee of the relevant Supplemental Purchase Agreement;
- (b) if the Trustee issues an Additional Tranche, it shall as soon as practicable after such issuance amend the Wakala Services Plan for that Series to take into account the issuance of such Additional Tranche;
- (c) it shall ensure that, on the Issue Date of each Tranche of a Series, at least 55 per cent. of the value of the Wakala Portfolio on such Issue Date is derived from Wakala Assets;
- (d) it shall use its best endeavours to procure that, at all times after the Issue Date of the first Tranche of a Series, at least 51 per cent. of the value of the Wakala Portfolio is derived from Wakala Assets (the "**Minimum Tangible Asset Requirement**"). Should the Service Agent, exercising its best endeavours, fail to procure satisfaction of the Minimum Tangible Asset Requirement, it shall immediately take all such steps necessary (including, without limitation, in accordance with the Service Agency Agreement described below and seeking guidance from its Shariah Supervisory Board) to procure the satisfaction of the Minimum Tangible Asset Requirement. If the failure to procure satisfaction of the Minimum Tangible Asset Requirement continues for whatever reason to the extent that less than 33 per cent. of the Wakala Portfolio Value is derived from Wakala Assets at any time, it shall take any such measures as advised by its Shariah Supervisory Board;
- (e) it shall use its best endeavours to service the Wakala Portfolio to ensure that the value of the Wakala Portfolio is, at all times, not less than the aggregate face amount of the Certificates for the relevant Series then outstanding;

(f) it shall utilise all Wakala Portfolio Principal Revenues (after deducting any amounts to be transferred to the Transaction Account and/or repayable to the Service Agent, in each case, in the circumstances described below) to purchase, on behalf of the Trustee, further Eligible Assets from the Bank (or any of its Subsidiaries) and, to the extent that further Eligible Assets are not available, it shall hold or invest the cash sums representing such Wakala Portfolio Principal Revenues in principal protected *Shari'a* compliant investments including investment deposits until further Eligible Assets become available. Such further Eligible Assets (the "**Further Wakala Assets**") so acquired shall form part of the Wakala Portfolio, in respect of which the Service Agent shall represent and warrant on the date of such acquisition as follows:

- (i) it has the power and capacity to purchase, on behalf of the Trustee, the rights, title, interests, benefits and entitlements in, to and under, the Further Wakala Assets in the manner specified by the Service Agency Agreement;
- (ii) each Further Wakala Asset in respect of which Wakala Portfolio Principal Revenues are being utilised is an Eligible Asset;
- (iii) each Further Wakala Asset being purchased, immediately prior to its acquisition, by the Service Agent, on behalf of the Trustee, is owned by the Bank (or any of its Subsidiaries) free and clear of any adverse claim and upon the utilisation of Wakala Portfolio Principal Revenues in respect thereof, the Service Agent will, on behalf of the Trustee, purchase all of the Bank's (or the relevant Subsidiary's) rights, title, interests, benefits and entitlements in, to and under, such Further Wakala Asset, free and clear of any adverse claim;
- (iv) the value of each Further Wakala Asset ascribed by the Service Agent is true, accurate and correct as of such date; and
- (v) each such Further Wakala Asset complies in all material respects with *Shari'a* principles as laid down by the Shariah Supervisory Board of the Bank,

it being acknowledged and agreed by the Service Agent that such acquisition of such Further Wakala Assets is conditional upon it being able to make the representations and warranties in accordance with this paragraph (f);

(g) it shall carry out all major maintenance and structural repair in respect of the Real Estate Assets forming part of the Wakala Portfolio of the relevant Series on account and on behalf of the Trustee and in so doing the Service Agent shall:

- (i) ensure that accurate and current records are kept of all major maintenance and structural repair activities;
- (ii) conduct regular and proper inspection of such Real Estate Assets and ensure that major maintenance and structural repair is carried out with the proper quality of materials and workmanship; and
- (iii) ensure that major maintenance and structural repair is carried out by qualified persons and in accordance with all applicable regulations and law,

in each case, in accordance with good maintenance practice expected from a prudent person carrying on business and operations similar to that of the Service Agent on an arm's length basis and in order to fully maintain the value of the Real Estate Assets;

(h) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers (and without the need for the consent of the Trustee) reasonably necessary to ensure the assumption of, and compliance by, each Lessee with its covenants, undertakings or other obligations under the Asset Contract to which it is a party in accordance with applicable law and the terms of the Asset Contract, in each case in respect of the relevant Wakala Assets;

(i) it shall discharge or procure the discharge of all obligations to be discharged by the Bank (in whatever capacity) in respect of any of the Wakala Assets under all Asset Contracts, it being

acknowledged that the Service Agent may appoint one or more agents to discharge these obligations on its behalf;

- (j) it shall pay on behalf of the Trustee any actual costs, expenses, losses and taxes (other than proprietorship taxes) which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Portfolio;
- (k) it shall promptly pay, on behalf of the Trustee, all proprietorship taxes (if any) charged, levied or claimed in respect of the Real Estate Assets forming part of the Wakala Portfolio of the relevant Series by any relevant taxing authority and promptly, upon request, provide to the Trustee appropriate receipts or certificates from the relevant taxing authority for the full amount of all proprietorship taxes paid by it;
- (l) it shall use all reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues (free and clear of, and without withholding or deduction for, taxes), investigate non-payment of Wakala Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues as and when the same shall become due and shall record such Wakala Portfolio Revenues in the Collection Accounts in accordance with the terms of the Service Agency Agreement;
- (m) it shall use all reasonable endeavours to ensure that the Wakala Portfolio Income Revenues are at least equal to the Expected Wakala Portfolio Return;
- (n) it shall maintain the Collection Accounts in accordance with the terms of the Service Agency Agreement;
- (o) it shall obtain all necessary licences, authorisations and consents in connection with any of the Wakala Assets and its obligations under or in connection with the Service Agency Agreement;
- (p) it shall use all reasonable endeavours to ensure that all Asset Obligors in respect of the relevant Wakala Assets maintain industry standard insurances and fulfil all structural repair and major maintenance obligations in respect of the relevant Wakala Assets (each in accordance with the terms of the relevant Asset Contracts relating to such Wakala Assets);
- (q) in relation to the Real Estate Assets forming part of the Wakala Portfolio of the relevant Series:
  - (i) subject always to paragraph (iii) below, the Service Agent will (on behalf of the Trustee):
    - (A) ensure that such Real Estate Assets are insured, and shall effect such insurances in respect of such Real Estate Assets (the "**Insurances**") including against a Total Loss Event. The Service Agent undertakes to ensure that the insured amount relating to a Total Loss Event, will, at all times, be at least equal to the Full Reinstatement Value;
    - (B) promptly make a claim in respect of each loss relating to such Real Estate Assets in accordance with the terms of the Insurances; and
    - (C) ensure that in the event of a Total Loss Event occurring, unless such Real Estate Assets have been replaced as set out below, all the proceeds of the Insurances against a Total Loss Event are in an amount equal to the Full Reinstatement Value and are credited in the Specified Currency to the Principal Collection Account by no later than the 30th day after the occurrence of the Total Loss Event;
  - (ii) by no later than the 29th day after the occurrence of a Total Loss Event, the Service Agent may procure the identification of available replacement Real Estate Assets to which the Bank (or any of its Subsidiaries) has full legal title free and clear of any adverse claim and the aggregate value of which is not less than the aggregate value of the replaced Real Estate Assets at the relevant time (the "**Replacement Real Estate Assets**"). Immediately following such identification, the Service Agent shall notify the Trustee of the same and the Trustee may, pursuant to and on the terms of a separate



purchase agreement substantially in the form, *mutatis mutandis*, of a Supplemental Purchase Agreement, purchase all of the Bank's (or the relevant Subsidiary's) rights, title, interests, benefits and entitlements in, to and under such Replacement Real Estate Assets from the Bank (or the relevant Subsidiary) at a purchase price to be paid by the Service Agent on behalf of the Trustee using the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of the Bank;

- (iii) wherever the Service Agent procures Insurances in accordance with the terms of the Service Agency Agreement (including the renewal of any Insurances in existence on the Issue Date) it shall use its reasonable endeavours to obtain such Insurances on a *takaful* basis if such *takaful* insurance is available on commercially viable terms; and
- (iv) it shall use its best endeavours to monitor whether the provisions relating to the Service Agent's obligations to transfer any amounts from the Principal Collection Account and/or pay the Total Loss Shortfall Amount, in each case, to the Transaction Account as described below are applicable during the Wakala Ownership Period in relation to the relevant Series; and
- (r) it shall carry out any incidental matters relating to any of the above.

If, following the occurrence of a Total Loss Event, at any time during the Wakala Ownership Period in relation to a Series, at least 51 per cent. of the value of the Wakala Portfolio in respect of such Series is derived from Real Estate Assets (the "**Minimum Total Loss Requirement**") and provided that the Real Estate Assets have not been replaced as described above, the Service Agent fails to comply with its obligations relating to insurance as set out in paragraphs (i)(A) to (C) (inclusive) above, and as a result of such breach the amount (if any) credited to the Principal Collection Account pursuant to paragraph (i)(C) above is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited to the Principal Collection Account being the "**Total Loss Shortfall Amount**"), then the Service Agent will:

- (i) transfer the amounts (if any) credited to the Principal Collection Account in accordance with paragraph (i)(C) above; and
- (ii) (unless it proves beyond any doubt that any shortfall in the insurance proceeds is neither attributable to its negligence nor its failing to comply with the terms of the Service Agency Agreement relating to insurance) irrevocably and unconditionally undertake to pay the Total Loss Shortfall Amount,

in each case, directly to the Transaction Account (in same day, freely transferable, cleared funds) by no later than close of business in London on the 31st day after the Total Loss Event has occurred. Subject to transferring such amounts (if any) credited to the Principal Collection Account in accordance with paragraph (i)(C) above and/or paying such Total Loss Shortfall Amount, in each case, in accordance with this paragraph, there will be no further claim against the Service Agent for failing to comply with its insurance obligations. For the avoidance of doubt, if this paragraph is ever applicable in relation to a Series at any time, then this Clause paragraph shall cease to apply immediately upon the Minimum Total Loss Requirement in respect of the relevant Series no longer being satisfied and shall immediately apply again if and for so long as the Minimum Total Loss Requirement in respect of the relevant Series is satisfied.

If, following payment of amounts standing to the credit of the Reserve Account as described below, a shortfall (a "**Shortfall**") remains on any Wakala Distribution Determination Date, it may either (A) provide *Shari'a* compliant funding itself, or (B) procure *Shari'a* compliant funding from a third party, in each case, to the extent necessary to ensure that the Trustee receives on each Wakala Distribution Determination Date, the Required Amount payable by it in accordance with the Conditions of the relevant Series on the immediately following Periodic Distribution Date, by payment of the same into the Transaction Account and on terms that such funding is repayable (i) from Wakala Portfolio Income Revenues and, if such Wakala Portfolio Income Revenues are insufficient, from Wakala Portfolio Principal Revenues in accordance with the Service Agency Agreement, or (ii) on the relevant Dissolution Date (such funding in relation to a Series, a "**Liquidity Facility**").

The Service Agent shall provide the Services in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets and service the Wakala Portfolio relating to each Series in accordance with *Shari'a* principles as laid down by the Shariah Supervisory Board of the Service Agent.

The Service Agent shall be entitled to receive a fee for acting as service agent which will comprise a fixed fee of U.S.\$100 (the receipt and adequacy of which will be acknowledged by the Service Agent under the Service Agency Agreement) and may also receive incentive payments as described below.

In the Service Agency Agreement, the Trustee and the Service Agent will agree that, in relation to each Series and provided no Dissolution Event or Potential Dissolution Event has occurred and is continuing:

- (a) the Bank may at any time exercise its rights under the Sale Undertaking to substitute any one or more Wakala Assets for new Wakala Assets, as it may select in accordance with, and subject to, the conditions of the Service Agency Agreement and the Sale Undertaking; and
- (b) if, at any time, the Minimum Tangible Asset Requirement in respect of such Series is not satisfied or, upon any Wakala Asset ceasing to be an Eligible Asset, the Service Agent shall use its best endeavours to identify new Wakala Assets in replacement of the relevant substituted Wakala Asset(s) provided that any such substitution shall otherwise be undertaken in accordance with, and subject to, the conditions of the Service Agency Agreement and the Purchase Undertaking.

In relation to each Series, the Service Agent will maintain three ledger accounts (such accounts being the "**Income Collection Account**", the "**Principal Collection Account**" and the "**Reserve Account**") in its books (each of which shall be denominated in the Specified Currency) in which all Wakala Portfolio Revenues will be recorded. All Wakala Portfolio Revenues in relation to each Series will be recorded:

- (a) to the extent that any such amounts comprise Wakala Portfolio Income Revenues, in the Income Collection Account; and
- (b) to the extent that any such amounts comprise Wakala Portfolio Principal Revenues, in the Principal Collection Account.

Amounts standing to the credit of the Income Collection Account relating to each Series will be applied by the Service Agent on each "**Wakala Distribution Determination Date**" (being the Business Day immediately prior to the relevant Periodic Distribution Date under the Certificates of the relevant Series) in the following order of priority:

- (a) *first*, in repayment to the Service Agent of any amounts advanced by it to the Trustee by way of a Liquidity Facility;
- (b) *second*, in payment of any due but unpaid Service Agency Liabilities Amounts for the Wakala Distribution Period ending immediately before the immediately following "**Wakala Distribution Date**" (being the date which corresponds with the relevant Periodic Distribution Date under the Certificates of the relevant Series) and (if applicable) any Service Agency Liabilities Amounts for any previous Wakala Distribution Period that remain unpaid;
- (c) *third*, the Service Agent will pay into the relevant Transaction Account an amount equal to the lesser of the Required Amount payable on the immediately following Periodic Distribution Date and the balance of the Income Collection Account; and
- (d) *fourth*, any amounts still standing to the credit of the Income Collection Account immediately following payment of all of the above amounts shall be debited from the Income Collection Account and credited to the Reserve Account.

To the extent not previously satisfied in accordance with paragraph (a) above, amounts standing to the credit of the Principal Collection Account relating to each Series will be applied by the Service Agent on each Wakala Distribution Determination Date in repayment of any amounts advanced by it to the Trustee by way of a Liquidity Facility provided that any such amounts are not required to be transferred to the Transaction Account in the circumstance described above.

The Service Agent will be entitled to deduct amounts standing to the credit of the Reserve Account at any time and use such amounts for its own account, provided that such amounts shall be repaid by it if so required to fund a Shortfall or upon the occurrence of a Dissolution Event or, if applicable, a Total Loss Event.

The Service Agent will agree in the Service Agency Agreement that all payments by it under the Service Agency Agreement must be made in the Specified Currency and without any withholding or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind and, in such case, the Service Agent will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding or deduction had been made.

The Service Agent will undertake in the Service Agency Agreement that any payment obligations of the Service Agent under the Service Agency Agreement will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Service Agent and shall at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Service Agent, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

### **Purchase Undertaking**

The Purchase Undertaking will be executed as a deed on 9 January 2020 by the Bank in favour of the Trustee and the Delegate, and will be governed by English law.

In relation to each Series, provided that, where Real Estate Assets form part of the relevant Wakala Portfolio relating to such Series, no Total Loss Event has occurred and is continuing (or if a Total Loss Event has occurred: (A) such Real Estate Assets have been replaced in accordance with the Service Agency Agreement; or (B) if such Real Estate Assets have not been replaced in accordance with the Service Agency Agreement: (I) the Wakala Assets comprising the relevant Wakala Portfolio do not solely constitute Real Estate Assets; and (II) the Minimum Total Loss Requirement is not satisfied in respect of such Series), the Bank will irrevocably grant to the Trustee and the Delegate (in each case, on behalf of itself and the Certificateholders) each of the following rights:

- (a) provided that a Dissolution Event has occurred and is continuing, to require the Bank to purchase on the Dissolution Event Redemption Date all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (b) to require the Bank to purchase, on the Scheduled Dissolution Date, all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (c) provided that (i) Certificateholder Put Option is specified as applicable in the applicable Final Terms (and Optional Dissolution Right is specified as not applicable in each applicable Final Terms) and (ii) one or more Certificateholders have exercised the Certificateholder Put Option in accordance with the Conditions, to require the Bank to purchase on the Certificateholder Put Option Date all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Certificateholder Put Option Wakala Assets at the Certificateholder Put Option Exercise Price specified in the relevant Exercise Notice; and
- (d) to require the Bank to assign, transfer and convey to the Trustee on the substitution date all of the Bank's (or any of its Subsidiaries') rights, title, interests, benefits and entitlements in, to and under the new Wakala Assets against the assignment, transfer and/or conveyance to the Bank (or the relevant Subsidiary) of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the substituted Wakala Assets, subject to certain conditions set out in the Purchase Undertaking,

in each case, on an "as is" basis but free and clear of any adverse claim (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied

by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Purchase Undertaking.

The Bank will covenant and undertake in the Purchase Undertaking that if the relevant Exercise Price or Certificateholder Put Option Exercise Price, as the case may be, is not paid in accordance with the Purchase Undertaking for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates to be redeemed on the Certificateholder Put Option Date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price or the Certificateholder Put Option Exercise Price, as the case may be.

The Bank will agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking must be made in the Specified Currency and without any withholding or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind and, in such case, the Bank will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding or deduction had been made.

The Bank will undertake in the Purchase Undertaking that any payment obligations of the Bank under the Purchase Undertaking will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Bank and shall at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Bank, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

### **Sale Undertaking**

The Sale Undertaking will be executed as a deed on 9 January 2020 by the Trustee in favour of the Bank and will be governed by English law.

In relation to each Series, provided that, where Real Estate Assets form part of the relevant Wakala Portfolio relating to such Series, no Total Loss Event has occurred and is continuing (or if a Total Loss Event has occurred: (A) such Real Estate Assets have been replaced in accordance with the Service Agency Agreement; or (B) if such Real Estate Assets have not been replaced in accordance with the Service Agency Agreement: (I) the Wakala Assets comprising the relevant Wakala Portfolio do not solely constitute Real Estate Assets; and (II) (in the case of paragraphs (a), (b), (c) and (e) below) the Minimum Total Loss Requirement is not satisfied in respect of such Series or (in the case of paragraph (d) below only) the Minimum Total Loss Requirement is satisfied in respect of such Series), the Trustee will irrevocably grant to the Bank each of the following rights:

- (a) provided that a Tax Event has occurred, to require the Trustee to sell, assign, transfer and convey to the Bank on the Early Tax Dissolution Date specified in the Exercise Notice all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (b) provided that Optional Dissolution Right is specified as applicable in each applicable Final Terms (and Certificateholder Put Option is specified as not applicable in each applicable Final Terms), to require the Trustee to sell, assign, transfer and convey to the Bank on the Optional Dissolution Date all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the applicable portion of the Wakala Assets at the Optional Dissolution Exercise Price specified in the relevant Exercise Notice;
- (c) following delivery of the cancelled Certificates to the Registrar for cancellation pursuant to Condition 13(b), to require the Trustee to assign, transfer and convey to the Bank on the cancellation date all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the cancellation Wakala Assets subject to certain conditions set out in the Sale Undertaking;
- (d) following payment in full of the Full Reinstatement Value in accordance with the Service Agency Agreement, to require the Trustee to assign, transfer and convey to the Bank on the Total Loss Dissolution Date, all of the Trustee's rights, title, interests, benefits and entitlements in, to

and under, the Wakala Assets (other than the relevant Real Estate Assets in existence immediately prior to the Total Loss Event); and

- (e) to require the Trustee to assign, transfer and convey to the Bank (or any of its Subsidiaries) on the substitution date all of the Trustee's rights, title, interests, benefits and entitlements in, to and under, the substituted Wakala Assets against the assignment, transfer and conveyance to the Trustee of all of the Bank's (or the relevant Subsidiary's) rights, title, interests, benefits and entitlements in, to and under, the new Wakala Assets subject to certain conditions set out in the Sale Undertaking,

in each case, on an "as is" basis but free and clear of any adverse claim (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Sale Undertaking.

### **Master Murabaha Agreement**

The Master Murabaha Agreement will be entered into on 9 January 2020 between the Trustee (in its capacity as Seller), the Bank (in its capacity as Buyer) and the Delegate and will be governed by English law.

Pursuant to the Master Murabaha Agreement, and in connection with each relevant Tranche of Certificates, the Trustee may enter into a Commodity Murabaha Investment with the Buyer using a portion of the issue proceeds (being no more than 45 per cent. of the aggregate face amount of the Certificates of that Tranche) of the relevant Tranche, as specified in the applicable Final Terms. In accordance with the Master Murabaha Agreement, on receipt of a duly completed Notice of Request to Purchase from the Buyer, the Trustee (acting through the Commodity Agent) may purchase the relevant commodities on the relevant Issue Date from a commodity supplier on a spot basis at the relevant Commodity Purchase Price.

Upon completion of the purchase of the commodities by the Trustee and the Trustee gaining title thereto and (actual or constructive) possession thereof, the Trustee may deliver to the Buyer a duly completed Offer Notice by no later than 1.00 p.m. (or such other time as may be agreed in writing by the Buyer and the Trustee) on the relevant Issue Date.

Provided that the Buyer has delivered a duly completed Notice of Request to Purchase in accordance with the terms of the Master Murabaha Agreement, the Buyer will irrevocably and unconditionally undertake to accept the terms of, countersign and deliver to the Trustee any Offer Notice delivered to it in accordance with the Master Murabaha Agreement and (as a result of the Trustee having acted on the request of the Buyer set out in the Notice of Request to Purchase) purchase the relevant Commodities acquired by the Trustee for the relevant Deferred Payment Price, in each case no later than 2.00 p.m. London time (or such other time as may be agreed between the Buyer and the Trustee) on the relevant Issue Date.

As soon as the Buyer has accepted the Trustee's offer by countersigning the relevant Offer Notice, a Murabaha Contract shall be created between the Trustee and the Buyer upon the terms of the Offer Notice and incorporating the terms and conditions set out in the Master Murabaha Agreement, the Trustee shall sell and the Buyer shall buy the relevant Commodities and ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.

The Buyer will agree in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement must be made in the Specified Currency and without any withholding or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind and, in such case, the Buyer will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding or deduction had been made.

The Buyer will undertake in the Master Murabaha Agreement that any payment obligations of the Buyer under the Master Murabaha Agreement will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Buyer and shall at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the

Buyer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

#### **Master Declaration of Trust, as supplemented by each Supplemental Declaration of Trust**

The Master Declaration of Trust will be entered into on 9 January 2020 between the Trustee, the Bank and the Delegate and will be governed by English law. A Supplemental Declaration of Trust between the same parties will be entered into on the Issue Date of each Tranche of Certificates and will also be governed by English law.

The Trust Assets in respect of each Series of Certificates comprise (i) all of the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the Transaction Documents; (ii) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Portfolio; (iii) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Transaction Documents (excluding any representations given by the Bank to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to clause 17.1 of the Master Declaration of Trust); (iv) all amounts standing to the credit of the relevant Transaction Account from time to time; and (v) all proceeds of the foregoing.

If and to the extent the Trustee has exercised its rights under Condition 20 (*Further Issues*) to issue additional Certificates in respect of a Series, on the date of issue of such additional Certificates, the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so issued, declaring that the Additional Assets transferred to the Trustee (in respect of the issuance of the additional Certificates) and the Wakala Assets comprising the Wakala Portfolio immediately prior to the acquisition of the Additional Assets (in respect of the relevant Series as in existence immediately prior to the issue of such additional Certificates) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Master Declaration of Trust.

Pursuant to the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the Trustee will, in relation to each Series of Certificates, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficiaries in respect of that Series only; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust.

The Trustee will irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), trusts, rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust) and discretions vested in the Trustee by the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, that the Delegate may consider to be necessary or desirable in order, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, to exercise all of the rights of the Trustee under any of the Transaction Documents and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust. The appointment of such delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

The Bank will covenant and undertake in the Master Declaration of Trust as follows:

- (a) to comply with all provisions of the Conditions which are expressed to be applicable to it including, without limitation, the negative pledge provisions described in Condition 5 (*Negative Pledge*);
- (b) to comply with the terms of the Transaction Documents to which it is a party; and

- (c) that it shall forthwith notify the Delegate and the Trustee in writing of any Dissolution Event (and the steps, if any, being taken to remedy it) and/or Potential Dissolution Event, in each case promptly upon becoming aware of its occurrence.

The Bank will acknowledge and agree in the Master Declaration of Trust that the Bank Events applicable to it are set out in full in the Conditions, that it is fully aware of and understands the terms thereof and that the occurrence thereof shall constitute a Dissolution Event for the purposes of the Conditions.

The Bank will covenant and undertake in the Master Declaration of Trust that if the relevant Exercise Price or Certificateholder Put Option Exercise Price, as the case may be, is not paid in accordance with the Purchase Undertaking for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates to be redeemed on the Certificateholder Put Option Date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price or the Certificateholder Put Option Exercise Price, as the case may be.

The Bank will covenant and undertake in the Master Declaration of Trust that if the outstanding Deferred Payment Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Master Murabaha Agreement for any reason whatsoever, the Buyer shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption of the outstanding Certificates of such Series and, accordingly, the amount payable under any such indemnity claim will equal the outstanding Deferred Payment Price.

In addition, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 11 (*Taxation*), the Bank will covenant and undertake in the Master Declaration of Trust that it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any withholding or deduction for or on account of tax) equals any and all additional amounts required to be paid by it in respect of the Certificates pursuant to Condition 11 (*Taxation*).

A non-interest bearing Transaction Account in London will be established in the name of the Trustee. Moneys received in the Transaction Account will, *inter alia*, comprise payments of Periodic Distribution Amounts and/or Dissolution Amounts immediately prior to each Periodic Distribution Date and/or any Dissolution Date, as the case may be. The Declaration of Trust shall provide that all moneys credited to the Transaction Account from time to time will be applied in the order of priority set out in the Declaration of Trust.

### ***Shari'a Compliance***

Each Transaction Document to which it is a party provides that each of FAB Sukuk Company Limited and First Abu Dhabi Bank PJSC agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of *Shari'a*;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

For these purposes:

**"Asset Contract"** means a Financing Contract, a Real Estate Lease and/or any other contract, agreement, or document evidencing or otherwise related to or associated with a Wakala Asset;

**"Asset Obligor"** means a Lessee or an Other Tangible Asset Obligor, as the context so requires;

**"Certificateholder Put Option Exercise Price"** means, in relation to each Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the relevant Certificates to be redeemed on the Certificateholder Put Option Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificates; plus
- (c) if all of the Certificates of a Series are being redeemed, to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) any Service Agency Liabilities Amounts; plus
- (d) without double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate pursuant to Condition 6(b)(i)); plus
- (e) without double counting, any other amounts payable in relation to the relevant Certificates as specified in the applicable Final Terms; less
- (f) the applicable portion of the aggregate amounts of Deferred Payment Price then outstanding (if any) on the Certificateholder Put Option Date;

**"Eligible Asset"** means:

- (a) a Financing Asset:
  - (i) in respect of which the Lessee under the related Financing Contract: (i) is generating cashflows relating to an activity which does not conflict with the principles of *Shari'a*; and (ii) is not in breach of its payment obligations in respect of that Financing Contract;
  - (ii) which has been originated or is held or owned by the Seller in a manner consistent with its usual credit and origination and/or investment policies as approved by the Shariah Supervisory Board of the Seller;
  - (iii) in respect of which the obligations contained in the related Financing Contract entered into by the Lessee thereof constitute legal, valid, binding and enforceable obligations of the Lessee under the governing law of that Financing Contract and in the jurisdiction in which such Lessee is located;
  - (iv) in respect of which the Seller is entitled to receive all payments due;
  - (v) in respect of which there has not occurred an event of default, any acceleration or analogous event; and
  - (vi) in respect of which the Seller's rights, title, interests, benefits and entitlements therein are capable of being sold, transferred and assigned by the Seller to the Purchaser in accordance with all applicable laws, its own terms and the terms set out in the Master Purchase Agreement;
- (b) a Real Estate Asset:
  - (i) in respect of which the Lessee: (i) is generating cashflows relating to an activity which does not conflict with the principles of *Shari'a*; and (ii) is not in breach of its payment obligations under any document relating to such Real Estate Asset;
  - (ii) in respect of which the obligations contained in the documents entered into by the Lessee thereof constitute legal, valid, binding and enforceable obligations of the Lessee



under the governing law of such documents and in the jurisdiction in which such Lessee is located;

- (iii) in respect of which the Seller is entitled to receive all payments due;
  - (iv) in respect of which there has not occurred an event of default, any acceleration or analogous event; and
  - (v) in respect of which the Seller's rights, title, interests, benefits and entitlements therein are capable of being sold, transferred and assigned by the Seller to the Purchaser in accordance with all applicable laws, its own terms and the terms set out in the Master Purchase Agreement; and/or
- (c) an Other Tangible Asset:
- (i) in respect of which the Other Tangible Asset Obligor is not in breach of its payment obligations thereunder or any related transaction documents;
  - (ii) in respect of which the obligations of the Other Tangible Asset Obligor constitute legal, valid, binding and enforceable obligations of the Other Tangible Asset Obligor under the governing law of the Other Tangible Asset and any related transaction documents and in the jurisdiction in which such Other Tangible Asset Obligor is located;
  - (iii) in respect of which the Seller is entitled to receive all payments due;
  - (iv) in respect of which there has not occurred an event of default, any acceleration or analogous event; and
  - (v) in respect of which the Seller's rights, title, interests, benefits and entitlements therein are capable of being sold, transferred and assigned by the Seller to the Purchaser in accordance with all applicable laws, its own terms and the terms set out in the Master Purchase Agreement;

**"Exercise Price"** means, in relation to each Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the Certificates then outstanding on the relevant Dissolution Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates; plus
- (c) to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) any Service Agency Liabilities Amounts; plus
- (d) without double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate pursuant to Condition 6(b)(i)); plus
- (e) without double counting, any other amounts payable on redemption of the Certificates as specified in the applicable Final Terms; less
- (f) the aggregate amounts of Deferred Payment Price then outstanding (if any) on the relevant Dissolution Date;

**"Financing Asset"** means a Real Estate Financing Asset or a Non-Real Estate Financing Asset, as the case may be;

**"Financing Contract"** means a Real Estate Financing Contract or a Non-Real Estate Financing Contract, as the case may be;

**"Full Reinstatement Value"** means, in relation to each Series where Real Estate Assets form part of the Wakala Portfolio relating to such Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the Certificates of such Series then outstanding; plus
- (b) an amount equal to the Periodic Distribution Amounts relating to such Certificates, which would have accrued (had a Total Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurred and ending on the 31st day after the occurrence of the Total Loss Event; plus
- (c) to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) any Service Agency Liabilities Amounts; plus
- (d) without double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate pursuant to Condition 6(b)(i)); less
- (e) the aggregate amounts of Deferred Payment Price then outstanding, if any;

**"Investment Area"** has the meaning given to it in Abu Dhabi Law No. 19 of 2005 Concerning Real Property;

**"Lessee"** means a Real Estate Financing Lessee, a Non-Real Estate Financing Lessee or a Real Estate Lessee, as the case may be;

**"Non-Real Estate Financing Asset"** means a tangible asset, other than a Real Estate Financing Asset, located in the United Arab Emirates in relation to which the Bank or any person on its behalf has entered into a Non-Real Estate Financing Contract; provided, however, that such tangible asset is in existence on the date on which it enters the relevant Wakala Portfolio;

**"Non-Real Estate Financing Contract"** means (i) an *ijara* contract entered into by the Bank or any person on its behalf (the **"Non-Real Estate Financing Lessor"**) and another person (the **"Non-Real Estate Financing Lessee"**) pursuant to which the Non-Real Estate Financing Lessor leases a tangible asset (other than a real estate asset) to the Non-Real Estate Financing Lessee, and in respect of which lease payments are due from the Non-Real Estate Financing Lessee to the Non-Real Estate Financing Lessor, including any other agreements or documents associated with that contract; or (ii) any arrangement similar in economic effect to that described in item (i);

**"Other Tangible Asset Obligor"** means, in relation to any Other Tangible Asset, the relevant issuer, obligor, guarantor, and/or any other person who has payment obligations thereunder, as the case may be;

**"Real Estate Financing Asset"** means a real estate asset located in an Investment Area in Abu Dhabi in relation to which the Bank or any person on its behalf has entered into a Real Estate Financing Contract; provided, however, that such real estate asset is in existence on the date on which it enters the relevant Wakala Portfolio;

**"Real Estate Financing Contract"** means (i) an *ijara* contract entered into by the Bank or any person on its behalf (the **"Real Estate Financing Lessor"**) and another person (the **"Real Estate Financing Lessee"**) pursuant to which the Real Estate Financing Lessor leases a real estate asset located in an Investment Area in Abu Dhabi to the Real Estate Financing Lessee, and in respect of which payments are due from the Real Estate Financing Lessee to the Real Estate Financing Lessor, including any other agreements or documents associated with that contract; or (ii) any arrangement similar in economic effect to that described in item (i);

**"Real Estate Lease"** means a lease entered into with a third party in relation to a Real Estate Asset;

**"Real Estate Lessee"** means any lessee or other party to a Real Estate Lease who has undertaken to make payments pursuant to the terms of such Real Estate Lease;

**"Service Agency Liabilities Amount"** means, in relation to each Series, the amount of any claims, losses, costs and expenses properly incurred or suffered by the Service Agent or other payments made by the Service Agent on behalf of the Trustee, in each case in providing the Services during a Wakala Distribution Period, but does not include any amount due to the Service Agent (or any third party provider of a Liquidity Facility) under the Service Agency Agreement in respect of any Liquidity Facility;

**"Total Loss Event"** means, in relation to each Series where Real Estate Assets form part of the Wakala Portfolio relating to such Series, the total loss or destruction of, or damage to the whole of such Real Estate Assets or any event or occurrence that renders the whole of such Real Estate Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of such Real Estate Assets) the repair or remedial work in respect thereof is wholly uneconomical;

**"Wakala Distribution Period"** means, in relation to a Series, the period beginning on (and including) the Issue Date of the first Tranche of such Series and ending on (but excluding) the first Wakala Distribution Date and each successive period beginning on (and including) a Wakala Distribution Date and ending on (but excluding) the next succeeding Wakala Distribution Date;

**"Wakala Ownership Period"** means, in relation to each Series, the period commencing on the Issue Date of the first tranche of such Series and ending on the date on which all of the Certificates of that Series are redeemed in full; and

**"Wakala Portfolio Principal Revenues"** means the Wakala Portfolio Revenues in the nature of capital or principal in respect of the relevant Wakala Assets comprising the relevant Wakala Portfolio, expressed, whenever applicable, as an amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the spot rate of exchange determined by the Service Agent).

## TAXATION

*The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those countries or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments of profit, principal and/or other amounts under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

### **United Arab Emirates**

*The following summary of the anticipated tax treatment in the UAE in relation to payments on the Certificates is based on the taxation law and practice in force at the date of this Base Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Certificates and the receipt of any payments with respect to such Certificates under the laws of the jurisdictions in which they may be liable to taxation.*

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Abu Dhabi taxation in respect of payments of profit and principal to any holder of the Certificates. In the event of such imposition of any such withholding, the Trustee has undertaken to gross-up any payments subject to certain limited exceptions.

The Constitution of the UAE specifically reserves to the UAE government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

### **Cayman Islands**

*The following is a discussion of certain Cayman Islands tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.*

There are no income, corporation, capital gains tax or estate duty, inheritance tax or gift tax in effect in the Cayman Islands on the basis of present legislation. The Trustee has obtained an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, that for a period of 20 years from the date of issue no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment (as defined in the Tax Concessions Law (1999 Revision)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. An instrument of transfer in respect of a Certificate may be stampable if executed in or brought to the Cayman Islands. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$854. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

## **The proposed financial transactions tax**

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

## **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Trustee may be classified as a foreign financial institution for these purposes. A number of jurisdictions (including the UAE and the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements ("**IGAs**") with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of the IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payment are published in the U.S. Federal Register and Certificates issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Certificates (as described under "*Terms and Conditions of the Certificates—Further Issues*") that are not distinguishable from previously issued Certificates are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Certificates, including the Certificates offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Certificateholders should consult their own tax advisers regarding how these rules may apply to their investment in Certificates.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 9 January 2020 (the "**Programme Agreement**"), agree with the Trustee and the Bank a basis on which they or any of them may from time to time agree to purchase Certificates. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Certificates, the price at which such Certificates will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Trustee in respect of such purchase. The Programme Agreement will make provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series of Certificates.

### **General**

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has (to the best of its knowledge and belief) complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Certificates or possesses or distributes this Base Prospectus or any Drawdown Prospectus or any Final Terms or Pricing Supplement (as applicable) or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus, any Final Terms or any Pricing Supplement comes are required by the Trustee, the Bank and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Certificates or possess, distribute or publish this Base Prospectus, any Final Terms or any Pricing Supplement or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

With regard to each Series, the relevant Dealer will be required to comply with such other restrictions as the Trustee, the Bank and the relevant Dealer shall agree and as shall be set out in the applicable subscription agreement, Dealer accession letter or a Dealer confirmation, as the case may be, or, in the case of Exempt Certificates or Certificates which are the subject of a Pricing Supplement or Drawdown Prospectus, the applicable Pricing Supplement or Drawdown Prospectus.

Selling restrictions may be supplemented or modified with the agreement of the Trustee and the Bank. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

### **United States of America**

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

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Certificates: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Certificates comprising the relevant Tranche, as certified to the Principal Paying Agent or the Trustee by such Dealer (or, in the case of a sale of a Tranche of Certificates to or through more than one Dealer, by each of such Dealers as to the Certificates of such Tranche purchased by or through it, in which case the Principal Paying Agent, the Trustee or the Bank shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Regulation S or pursuant to an available exemption from, or in a transaction not subject to, registration under the Securities Act, and such Dealer will have sent to each dealer to which it sells Certificates during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the completion of the distribution of the Certificates comprising the relevant Tranche, as described above, any offer or sale of Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Terms used in these paragraphs have the meanings given to them by Regulation S under the Securities Act.

### **Public Offer Selling Restrictions under the Prospectus Regulation**

In relation to each Member State of the EEA, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Member State, except that it may make an offer of such Certificates to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and/or the Bank (if applicable) for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that, no such offer of Certificates referred to above shall require the Trustee, the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Certificates to the public**" in relation to any Certificates in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for Certificates and the expression "**Prospectus Regulation**" for the purposes of this paragraph means Regulation (EU) 2017/1129.

### **United Kingdom**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) in relation to any Certificates which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not or in the case of the Bank, would not, if the Bank was not an authorised person, apply to the Trustee or the Bank; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

## Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates, other than: (i) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

## Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan.

## Malaysia

This Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b) read together with Schedule 8 or Section 257(3), subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

## Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in



accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor;
- (c) securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:
  - (1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
  - (2) where no consideration is or will be given for the transfer; or
  - (3) where the transfer is by operation of law; or
  - (4) as specified in Section 276(7) of the SFA; or
  - (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

#### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

#### **Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

#### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority (the "**CMA**") resolution number 3-123-2017 dated 27 December 2017, as amended by CMA resolution number 1-104-2019 dated 30 September 2019 (the "**KSA Regulations**"), made through an authorised person licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 11 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the KSA Regulations or by way of a limited

offer under Article 10 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates made by it to a Saudi Investor will be made in compliance with Article 9 or Article 10 of the KSA Regulations.

Each offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

### **Kingdom of Bahrain**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### **Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offer or invitation, whether directly or indirectly, to subscribe for the Certificates has been or will be made to any member of the public in the Cayman Islands.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Trustee dated 6 July 2011. The update of the Programme and the issuance of Certificates thereunder was duly authorised by resolutions of the Board of Directors of the Trustee dated 5 December 2019 and 6 January 2020. The Trustee has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates. The entry into the Transaction Documents to which it is a party was authorised by resolutions of the board of directors of the Bank dated 31 January 2017 and 4 December 2019 and a resolution of the shareholders of the Bank on 25 February 2019.

### Listing of Certificates

It is expected that each Tranche of Certificates which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Certificate initially representing the Certificates of such Tranche.

Application has been made: (i) to the FCA for Certificates issued under the Programme to be admitted to the Official List; and (ii) to the London Stock Exchange for such Certificates to be admitted to trading on the Regulated Market. The listing of the Programme in respect of Certificates is expected to be granted on or around 15 January 2020. Prior to the official listing and admission to trading however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Regulated Market will normally be effected for delivery on the third working day after the day of the transaction. However, Exempt Certificates may be issued pursuant to the Programme.

### Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Trustee or the Bank is aware) which may have, or have had during the twelve months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Trustee, the Bank and any of the Bank's Subsidiaries.

### Significant/Material Change

Since 31 December 2018 there has been no material adverse change in the prospects of the Bank or the Bank and its Subsidiaries and, since 30 September 2019, there has not been any significant change in the financial performance or financial position of the Bank or the Bank and its Subsidiaries.

There has been no significant change in the financial performance or financial position of the Trustee and no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

### Auditors

The current auditors of the Bank are KPMG (authorised and regulated under the Register of Practising Accountants at the UAE Ministry of Economy and Planning as required by UAE Federal Law No. 22 of 1995) of 15th Floor, Falcon Tower, Al Nasr Street, Abu Dhabi, United Arab Emirates, P.O. Box 7613, who have reviewed the condensed consolidated interim financial statements of the Bank for the nine months ended 30 September 2019.

The consolidated financial statements of the Bank for the years ended 31 December 2018 and 31 December 2017 have been audited without qualification in accordance with International Standards on Auditing by KPMG, as stated in their reports, incorporated by reference herein.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

## **Documents on Display**

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available, during normal business hours on any day (excluding Saturdays, Sundays and public holidays), for inspection and/or collection from the registered office of the Trustee and from the specified office of the Principal Paying Agent:

- (a) the Memorandum and Articles of Association of the Trustee and the Bank (together with, in the case of the Bank only, direct and accurate English translations thereof);
- (b) each Final Terms, the other Transaction Documents, the Corporate Services Agreement and the forms of the Global Certificate and the Certificates in definitive form (save that such documents relating to a Certificate which is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of Certificates and identity) and any other documents incorporated herein or therein by reference; and
- (c) a copy of this Base Prospectus together with any future supplements to the Base Prospectus.

This Base Prospectus will be available for viewing on the market news section of the London Stock Exchange website (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>). The Master Declaration of Trust, the Agency Agreement and the Memorandum and Articles of Association of the Trustee will be available for viewing on <https://www.bankfab.com/en-ae/about-fab/investor-relations/debt-investor-information/prospectuses>.

## **Clearing Systems**

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

The appropriate common code and the International Securities Identification Number in relation to the Certificates of each Series will be specified in the applicable Final Terms.

## **Passporting**

The Trustee may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 24 and Article 25 of the Prospectus Regulation.

## **Dealers transacting with the Bank and its Subsidiaries**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Bank and its Subsidiaries in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Bank or the Bank's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Bank routinely hedge their credit exposure to the Bank consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with an offering of Certificates issued under the Programme, each Dealer and/or its affiliate(s) may act as an investor for its own account and may take up Certificates in the offering and in

that capacity may retain, purchase or sell for its own account such Certificates and any securities of the Trustee or related investments and may offer or sell such securities or other investments otherwise than in connection with an offering. Accordingly, references herein to the Certificates being offered should be read as including any offering of the Certificates to the Dealers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

### **Cayman Islands Data Protection**

The Cayman Islands Government enacted the Data Protection Law, 2017 of the Cayman Islands (the **DPL**) on 18 May 2017 which was brought into force on 30 September 2019. The DPL introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Trustee Administrator) with certain personal information which constitutes personal data within the meaning of the DPL. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Trustee Administrator, may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPL to the Trustee, please refer to the Privacy Notice (a copy of which may be requested from the Trustee Administrator by email at [dubai@maples.com](mailto:dubai@maples.com)), which provides an outline of investors' data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPL is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPL by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution."

**TRUSTEE**

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United Arab Emirates

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