

20 March 2018

CNY900,000,000 4.80 per cent. Notes due 2021

(the "**Notes**")

issued under the

First Abu Dhabi Bank PJSC

U.S.\$15,000,000,000 Euro Medium Term Note Programme

Issue Price: 100 per cent.

Issue Date: 29 March 2018

This information package includes (i) the Base Prospectus dated 30 August 2017 and the supplemental Base Prospectuses dated 26 October 2017 and 30 January 2018 (including the documents incorporated into the Base Prospectus by reference) (together, the "**Base Prospectus**") and (ii) the Final Terms for the Notes dated 20 March 2018 (the "**Final Terms**", together with the Base Prospectus and the other information set out herein, the "**Information Package**") pertaining to the U.S.\$15,000,000,000 Euro Medium Term Note Programme of First Abu Dhabi Bank PJSC (the "**Issuer**").

The Notes will be issued by the Issuer.

Application will be made by the Issuer for the Notes to be (i) listed on the Taipei Exchange (the "**TPEX**") in the Republic of China (the "**ROC**") and (ii) listed on the Official List of the UK Listing Authority and admitted to trading on the regulated market of the London Stock Exchange plc (the "**LSE**").

The Notes will be traded on the TPEX pursuant to the applicable rules of the TPEX and will be admitted to trading on the regulated market of the LSE. Effective date of (i) listing and trading of the Notes on the TPEX and (ii) listing of the Notes on the Official List of the UK Listing Authority and admission to trading on the regulated market of the LSE is on or about 29 March 2018.

Neither the TPEX, nor the LSE, nor the UK Listing Authority is responsible for the content of the Information Package and/or any supplement or amendment thereto and no representation is made by the TPEX, the LSE or the UK Listing Authority as to the accuracy or completeness of the Information Package and/or any supplement or amendment thereto. The TPEX, the LSE and the UK Listing Authority expressly disclaim any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of the Information Package and/or any supplement or amendment thereto. Neither the admission to the listing and trading of the Notes on the TPEX nor the listing on the Official List of the UK Listing Authority and the admission to trading on the regulated market of the LSE shall be taken as an indication of the merits of the Issuer or the Notes.

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the Republic of China ("**ROC**"). Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Notes may not be offered, sold or delivered within the United States or to, or for the benefit of, U.S. persons (as defined under the Securities Act), except in certain transactions exempt from the registration requirements of the Securities Act.

## ROC SELLING RESTRICTION

For the purposes of the Notes, the following ROC selling restriction shall be deemed inserted in the Base Prospectus:

"Each Dealer has represented and agreed that the Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the Republic of China. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor."

## ROC TAXATION

*The following summary of certain taxation provisions under ROC law is based on current law and practice and that the Notes will be issued, offered, sold and re-sold, directly or indirectly, to professional investors as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC only. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult with their own tax advisers regarding the tax consequences of an investment in the Notes.*

### *Interest on the Notes*

As the Issuer of the Notes is not an ROC statutory tax withholder, there is no ROC withholding tax on the interest or deemed interest to be paid on the Notes.

Payments of any interest or deemed interest under the Notes to an ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC sourced income. However, such holder must include the interest or deemed interest in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax ("**AMT**"), unless the sum of the interest or deemed interest and other non-ROC sourced income received by such holder and the person(s) who is (are) required to jointly file the tax return in a calendar year is below \$1 million New Taiwan Dollars ("**NT\$**"). If the amount of the AMT exceeds the annual income tax calculated pursuant to the ROC Income Basic Tax Act (also known as the AMT Act), the excess becomes such holder's AMT payable.

ROC corporate holders must include any interest or deemed interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 20 per cent. (unless the total taxable income for a fiscal year is under NT\$500,000), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

### *Sale of the Notes*

In general, the sale of corporate bonds or financial bonds is subject to 0.1 per cent. securities transaction tax ("**STT**") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the Notes will be subject to STT at 0.1 per cent. of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from income tax. Accordingly, ROC individual and corporate holders are not subject to income tax on any capital gains generated from the sale of the Notes. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the annual income tax

calculated pursuant to the ROC Income Basic Tax Act (also known as the AMT Act), the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders could be carried over 5 years to offset against capital gains of same category of income for the purposes of calculating their AMT.

Non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC are not subject to income tax on any capital gains generated from the sale of the Notes. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business and a business agent in the ROC, they are not subject to income tax or AMT on any capital gains generated from the sale of the Notes.

#### ROC SETTLEMENT AND TRADING

The Issuer has not entered into any settlement agreement with Taiwan Depository & Clearing Corporation ("TDCC") and has no intention to do so.

In the future, if the Issuer enters into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Notes through the account of TDCC with Euroclear or Clearstream, Luxembourg if it applies to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream to such TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or vice versa for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEX as domestic bonds. For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, Luxembourg, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders actually receive such distributions may vary depending upon the daily operations of the Taiwanese banks with which the holder has the foreign currency deposit account.

#### RISKS ASSOCIATED WITH LIMITED LIQUIDITY OF THE NOTES

Application will be made for the listing of the Notes on the TPEX. No assurances can be given as to whether the Notes will be, or will remain, listed on the TPEX. If the Notes fail to, or cease to, be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Notes.

#### **Lead Manager**

Standard Chartered Bank (Taiwan) Limited

#### **Managers**

Crédit Agricole Corporate and Investment Bank, Taipei Branch

E. SUN Commercial Bank, Ltd.

KGI Securities Co. Ltd.

**BASE PROSPECTUS DATED 30 AUGUST 2017**

## BASE PROSPECTUS



## FIRST ABU DHABI BANK PJSC

(incorporated with limited liability in the Emirate of Abu Dhabi, the United Arab Emirates)

**U.S.\$15,000,000,000**

### **Euro Medium Term Note Programme**

Under this U.S.\$15,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), First Abu Dhabi Bank PJSC ("**FAB**" and the "**Bank**") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Bank and the relevant Dealer(s) (as defined below).

Notes may be issued in bearer or registered form (respectively, "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$15,000,000,000 (or its equivalent in other currencies calculated as provided in the Dealer Agreement described herein), subject to increase as described herein.

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

**An investment in Notes issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the ability of the Bank to fulfil its obligations under the Notes, see "*Risk Factors*".**

Application has been made to the United Kingdom Financial Conduct Authority (the "**FCA**") in its capacity as competent authority under Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") (the "**U.K. Listing Authority**") for Notes issued under the Programme (other than Exempt Notes (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 U.K. Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "**Regulated Market**"). References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes 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 purpose of Directive 2004/39/EC on markets in financial instruments.

Whether or not each credit rating applied for in relation to relevant Tranches of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") will be disclosed in the relevant Final Terms or (in the case of Exempt Notes) the relevant Pricing Supplement, as the case may be.

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 Standard & Poor's Credit Market Services 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 credit 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 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.**

The rating of certain Tranches (as defined herein) of Notes to be issued under the Programme and the credit rating agency issuing such rating may be specified in the relevant Final Terms (or, in the case of Exempt Notes (as defined below), the relevant Pricing Supplement (as defined below)). 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 Notes to be issued on the basis that they will not be admitted to listing, trading on a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system ("**Exempt Notes**") 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 Bank. No base prospectus is required to be produced in accordance with Directive 2003/71/EC for the issue of Exempt Notes and, accordingly, the Exempt Notes issued are not required for, and do not, comply with the Prospectus Directive as so amended. The U.K. Listing Authority has neither reviewed nor approved the information contained in this Base Prospectus in relation to the Exempt Notes.

#### *Arrangers*

Barclays

Citigroup

First Abu Dhabi Bank

#### *Dealers*

Barclays

Citigroup

First Abu Dhabi Bank

Mizuho Securities

NATIXIS

Société Générale Corporate & Investment Banking

UniCredit Bank

BofA Merrill Lynch

Crédit Agricole CIB

HSBC

MUFG

SMBC Nikko

Standard Chartered Bank

Wells Fargo Securities

The date of this Base Prospectus is 30 August 2017

## IMPORTANT NOTICES

**This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, and including any relevant implementing measure in a relevant Member State of the European Economic Area) (the "Prospectus Directive") and for the purpose of giving information with regard to the Bank and the Notes which, according to the particular nature of the Bank and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Bank.**

The Bank accepts responsibility for the information contained in this Base Prospectus and the Final Terms (as defined below) or (in the case of Exempt Notes) the Pricing Supplement (as defined below) for each Tranche (as defined herein) of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

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 Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as supplemented by a document specific to such Tranche called the final terms (the "**Final Terms**") or (in the case of Exempt Notes) a 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*" below. In the case of a Tranche of Notes 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 relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant 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 Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

Each Tranche of Notes may be rated or unrated. Such rating will be specified in the relevant Final Terms or (in the case of Exempt Notes) the relevant Pricing Supplement, as the case may be. 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. Please also refer to "*Risks related to the market generally – Credit ratings may not reflect all risks*" in the Risk Factors section of the Base Prospectus.

No person has been authorised 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 or any information supplied by 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 Bank, any Arranger (as defined herein) or any Dealer.

Neither the Arrangers, the Dealers nor any of their respective affiliates make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note 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 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 distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Bank 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 Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulations S under the Securities Act ("**Regulation S**")).

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Bank, the Arrangers, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. 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 Bank.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.\$15,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes 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 Dealer Agreement.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes 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 Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement or drawdown 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 Notes and the impact the Notes 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 Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes 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, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes 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 Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal and tax advisers to determine whether and to what extent: (1) the Notes are legal investments for it; (2) the Notes can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules. In addition, potential investors should consult their own tax advisers on how the rules relating to the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**") may apply to payments they receive under the Notes.

The requirement to publish a base prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC on the markets in financial instruments in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "**Exempt Notes**" are to Notes issued by FAB for which no base prospectus is required to be published under the Prospectus Directive. Exempt Notes do not form part of this Base Prospectus for the purposes of the Prospectus Directive and the U.K. Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

#### **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 Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

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

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain ("**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 another 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 related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Notes may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the Notes 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 Notes 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 THE STATE OF QATAR**

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

### **IMPORTANT – EEA RETAIL INVESTORS**

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes, from 1 January 2018, are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### **PRESENTATION OF INFORMATION**

#### **Presentation of financial information**

This Base Prospectus incorporates by reference the unaudited condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2017 (the "**Interim Financial Statements**").

This Base Prospectus also incorporates by reference the audited consolidated financial statements of National Bank of Abu Dhabi P.J.S.C. ("**NBAD**") as at and for the financial year ended 31 December 2016 (with comparative data for the year ended 31 December 2015) (the "**NBAD 2016 Financial Statements**") and as at and for the financial year ended 31 December 2015 (with comparative data for the year ended 31 December 2014) (the "**NBAD 2015 Financial Statements**" and, together with the NBAD 2016 Financial Statements, the "**NBAD Financial Statements**").

Additionally, this Base Prospectus incorporates by reference the audited consolidated financial statements of First Gulf Bank P.J.S.C. ("**FGB**") as at and for the financial year ended 31 December 2016 (with comparative data for the year ended 31 December 2015) (the "**FGB 2016 Financial Statements**") and as at and for the financial year ended 31 December 2015 (with comparative data for the year ended 31 December 2014) (the "**FGB 2015 Financial Statements**" and, together with the FGB 2016 Financial Statements, the "**FGB Financial Statements**").

The NBAD Financial Statements and the FGB Financial Statements are collectively referred to as the "**Year-End Financial Statements**" in this Base Prospectus. The Interim Financial Statements and the Year-End Financial Statements are collectively referred to as the "**Financial Statements**" in this Base Prospectus.

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 NBAD 2016 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"), and have been audited without qualification by PricewaterhouseCoopers (Abu Dhabi Branch) in accordance with International Standards on Auditing ("**ISA**") as stated in their audit report incorporated by reference herein. The NBAD 2015 Financial Statements have been prepared in accordance with IFRS issued by the IASB, and have been audited by KPMG in accordance with ISA as stated in their audit report incorporated by reference herein.

The FGB Financial Statements have been prepared in accordance with IFRS issued by the IASB, and have been audited without qualification by Ernst & Young Middle East (Abu Dhabi branch) in accordance with ISA as stated in their audit reports incorporated by reference herein.

This Base Prospectus also includes the unaudited pro forma condensed consolidated financial information as at and for the financial year ended 31 December 2016 (the "**Pro Forma Financial Information**") and the accompanying report on the Pro Forma Financial Information (the "**Report on Pro Forma Financial Information**"). The Report on Pro Forma Financial Information has been issued by KPMG who have given and not withdrawn their written consent to the inclusion in this Base Prospectus of the Report on Pro Forma Financial Information, in the form included in this Base Prospectus.

The Group's financial year ends on 31 December and references in this Base Prospectus to 2016 and 2015 are to the 12 month period ending on 31 December in each year.

The Financial Statements incorporated by reference in this Base Prospectus should be read in conjunction with the respective notes thereto.

Any financial information regarding the Group included in this Base Prospectus labelled as "unaudited" has not been extracted from the Year-End 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**

In addition, this Base Prospectus includes certain non-IFRS financial measures and ratios such as the Group's capital adequacy ratio, non-performing loans ("**NPLs**") as a percentage of gross loans, NPL provision coverage (including collective impairment allowances) and the Group's risk weighted assets.

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.

### **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 the "**Group**" are to the Bank, together with its subsidiaries;
- references to "**Abu Dhabi**" are to the Emirate of Abu Dhabi;
- references to the "**Government**" are to the government of Abu Dhabi;
- references to "**GCC**" are to the Gulf Co-operation Council;
- references to a "**Member State**" are to a Member State of the European Economic Area; 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 "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the People's Republic of China (the "**PRC**") (which, for the purposes of this Base Prospectus, excludes the Hong Kong Special

Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan); 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; all references to "**CHF**" are to Swiss francs, the lawful currency of Switzerland; 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.

### **STABILISATION**

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

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## OVERVIEW OF THE PROGRAMME

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

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

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

**The Bank:** First Abu Dhabi Bank PJSC is a public joint stock company and is the product of the Merger (the "**Merger**") of National Bank of Abu Dhabi P.J.S.C. ("**NBAD**") and First Gulf Bank P.J.S.C. ("**FGB**") which was effected on 30 March 2017 (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 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 United Arab Emirates' Securities and Commodities Authority. Accordingly, the change of name to First Abu Dhabi Bank PJSC became effective from 25 April 2017.

The registered office of the Bank is FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, United Arab Emirates. See "*Description of the Bank*".

**Description:** Euro Medium Term Note Programme.

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

**Arrangers:** Barclays Bank PLC, Citigroup Global Markets Limited and First Abu Dhabi Bank PJSC.

**Dealers:** Barclays Bank PLC, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, First Abu Dhabi Bank

PJSC, HSBC Bank plc, Merrill Lynch International, MUFG Securities EMEA plc, Mizuho International plc, Natixis, SMBC Nikko Capital Markets Limited, Société Générale, Standard Chartered Bank, , UniCredit Bank AG and Wells Fargo Securities International Limited and any other Dealer appointed from time to time by the Bank either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**Fiscal Agent:**

Citibank N.A., London Branch.

**Registrar:**

Citigroup Global Markets Deutschland AG.

**Final Terms, Pricing Supplement or Drawdown Prospectus:**

Notes issued under the Programme may be issued either: (1) pursuant to this Base Prospectus and associated Final Terms or (in the case of Exempt Notes) Pricing Supplement; or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as supplemented by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced to the extent described in the relevant Pricing Supplement or Drawdown Prospectus.

**Listing and Trading:**

Application has been made to the U.K. Listing Authority for Notes issued under the Programme (other than Exempt Notes) to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Regulated Market.

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

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

**Clearing Systems:**

Euroclear and/or Clearstream, Luxembourg (each as defined herein).

**Initial Programme Amount:**

Up to U.S.\$15,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.

The Bank may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.

**Issuance in Series:**

Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the amount and date of the first payment of interest thereon (if any) and the date from which interest starts to accrue), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will comprise, where necessary, the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche), will be identical to the terms of other Tranches of the same Series and will be completed in the relevant Final Terms or in the case of Exempt Notes, the relevant Pricing Supplement.

**Forms of Notes:**

Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**").

In respect of each Tranche of Bearer Notes, the Bank will initially deliver a Temporary Global Note or (if so specified in the relevant Final Terms in respect of Notes to which the TEFRA C Rules apply (as so specified in such Final Terms)) a Permanent Global Note (each as described herein). Such Global Note will be deposited on or around the relevant issue date therefor with Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Interests in each Temporary Global Note will, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership, be exchangeable for interests in a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes (as described herein) in bearer form. Interests in each Permanent Global Note will be exchangeable for Definitive Notes in bearer form. Definitive Notes in bearer form will, if interest-bearing, have Coupons attached and, if appropriate, Talons (each as described herein).

In respect of each Tranche of Registered Notes, the Bank will deliver to each holder Registered Notes which will be recorded in the register which the Bank shall procure to be kept by the Registrar. A Global Registered Note may be registered in the name of a nominee for one or more clearing systems. Registered Notes will not be represented upon issue by a Temporary Global Note and may not be exchanged for Bearer Notes.

**Currencies:**

Notes may be denominated in U.S. dollars, euro, AED or any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in any currency or currencies other than the currency in which such Notes are denominated.

**Status of the Notes:**

Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.



|                             |  |
|-----------------------------|--|
| <b>Issue Price:</b>         | Notes may be issued at any price, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Bank and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.   |
| <b>Maturities:</b>          | <p>Any maturity is subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Where Notes have a maturity of less than one year and either: (a) the issue proceeds are received by the Bank in the United Kingdom; or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Bank in the United Kingdom, such Notes must: (i) have a minimum redemption value of GBP100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of FSMA by the Bank.</p> |
| <b>Redemption:</b>          | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed at par.   |
| <b>Optional Redemption:</b> | Notes may be redeemed before their stated maturity at the option of the Bank (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms or Pricing Supplement, as the case may be.  |
| <b>Tax Redemption:</b>      | Except as described in " <i>Optional Redemption</i> " above, early redemption will only be permitted for tax reasons as described in Condition 10(b) ( <i>Redemption and Purchase – Redemption for tax reasons</i> ).  |
| <b>Interest:</b>            | Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.  |
| <b>Denominations:</b>       | The Notes will be issued in such denominations as may be agreed between the Bank and the relevant Dealer(s) and as specified in the relevant Final Terms or Pricing Supplement, as the case may be, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The minimum denomination of each Note shall be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the date of the issue of the Notes).   |
| <b>Fixed Rate Notes:</b>    | Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms or Pricing  |

Supplement, as the case may be.

**Floating Rate Notes:**

Floating Rate Notes will bear interest determined separately for each Series; as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of Notes of the relevant Series; or
- (ii) on the basis of the reference rate set out in the relevant Final Terms or Pricing Supplement, as the case may be.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Bank and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Bank and the relevant Dealer.

The Margin (if any) relating to such Floating Rate Notes will be agreed between the Bank and the relevant Dealer for such Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Unless otherwise stated in the relevant Final Terms or Pricing Supplement, as the case may be, the minimum interest rate for a Floating Rate Note shall be deemed to be zero.

**Negative Pledge:**

The Notes will have the benefit of a negative pledge as described in Condition 6 (*Negative Pledge*), which only applies to Senior Notes.

**Cross-Default:**

The Notes will have the benefit of a cross-default as described in Condition 14(a)(iii) (*Events of Default – Events of Default for Senior Notes – Cross-default of Bank or Principal Subsidiary*), which only applies to Senior Notes.

**Taxation:**

All payments in respect of Notes will be made free and clear of withholding taxes imposed by the United Arab Emirates unless the withholding is required by law. In that event, the Bank will (subject as provided in Condition 13 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

**Governing Law:**

English law.

**Enforcement of Notes in Global Form:**

In the case of Global Notes, individual investors' rights against the Bank will be governed by the Deed of Covenant (as defined herein), a copy of which will be available for inspection at the

specified office of the Fiscal Agent.

**Ratings:**

The ratings of certain Tranches of Notes issued under the Programme and the credit rating agency issuing such rating may be specified in the relevant Final Terms (or, in the case of Exempt Notes, the relevant Pricing Supplement).

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 or endorsed 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 Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Hong Kong, the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan), 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 and the State of Qatar and such other restrictions as may be required in connection with the offering and sale of the Notes, see "*Subscription and Sale*" below.

Category 2 selling restrictions will apply for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

The Notes will be issued in compliance with United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any substantially identical successor U.S. Treasury regulation section including, without limitation, substantially identical regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**") unless (i) the relevant Final Terms or Pricing Supplement, as the case may be, states that Notes are issued in compliance with United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any substantially identical successor U.S. Treasury regulation section including, without limitation, substantially identical regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity Responsibility Act of 1982 ("**TEFRA**"), which

circumstances will be referred to in the relevant Final Terms or Pricing Supplement, as the case may be, as a transaction to which TEFRA is not applicable.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and have been filed with the U.K. Listing Authority, shall be incorporated in, and form part of, this Base Prospectus:

1. the unaudited condensed consolidated interim financial statements of the Bank as at and for the six months ended 30 June 2017 and its review report;
2. the auditors' report and audited consolidated financial statements of National Bank of Abu Dhabi P.J.S.C. ("**NBAD**") as at and for the financial year ended 31 December 2016;
3. the auditors' report and audited consolidated financial statements of NBAD as at and for the financial year ended 31 December 2015;
4. the auditors' report and audited consolidated financial statements of First Gulf Bank P.J.S.C. ("**FGB**") for the year ended 31 December 2016;
5. the auditors' report and audited consolidated financial statements of FGB for the year ended 31 December 2015;
6. the Terms and Conditions of the Notes contained on pages 27 to 59 (inclusive) in the base prospectus dated 24 October 2013 prepared by FGB in connection with the Programme;
7. the Terms and Conditions of the Notes contained on pages 28 to 61 (inclusive) in the base prospectus dated 22 October 2014 prepared by FGB in connection with the Programme; and
8. the Terms and Conditions of the Notes contained on pages 27 to 60 (inclusive) in the base prospectus dated 16 April 2015 prepared by FGB in connection with the Programme.

Copies of the documents incorporated by reference in this Base Prospectus can be obtained from the specified offices of the Fiscal Agent, for the time being in London. In addition, copies of such documents will be available on the website of the Bank ([www.nbad.com](http://www.nbad.com)) and on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

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 Bank and approved by the U.K. Listing Authority in accordance with Article 16 of the Prospectus Directive and relevant implementing measures in the United Kingdom. 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.

## **RISK FACTORS**

*The Bank believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below.*

*The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes issued under the Programme, but the inability of the Bank to pay interest, principal or other amounts on or in connection with any Notes or to pay any amount in respect of the principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Bank based on information currently available to it or which it 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.*

### **Factors that may affect the Bank's ability to fulfil its obligations in respect of Notes issued under the Programme**

***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, global debt and equity markets have been adversely impacted by 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.\$107.9 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 (according to the OPEC website, the average price of the OPEC Reference Basket was approximately U.S.\$51.67 per barrel for the year ended 31 December 2016), 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 in 2016 and expected to continue through 2017. 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. In the UAE, the IMF expects the federal budget deficit for 2016 to widen to approximately 7.2 per cent. of GDP when figures are ultimately released.

Additionally, in the UAE, the significant fiscal reforms implemented by the federal government in response to the low oil price environment since 2015 has had, and continues to have, a transformative affect 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. These 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 federal government plans to introduce a value added tax regime, 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.

Further, the performance of international debt and equity markets and investor sentiment generally across the EU and the United States has been affected by political events during 2016, notably the United Kingdom's "Brexit" vote and the result of the Presidential election in the United States with the broader impact on the general political and macro-economic conditions in the United Kingdom, the EU, the United States and globally remaining unclear as at the date of this Base Prospectus until the precise terms of the United Kingdom's exit from the EU and the impact of the fiscal-stimulus policies of the Trump administration, respectively, become clearer.

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. While the Bank's direct exposure to the crude oil, gas, mining and quarrying sectors is not significant (being equal to approximately 5.9 per cent. of its on balance sheet loans and advances to customers as at 30 June 2017), 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.

These challenging 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. The decision of the U.S. federal reserve to raise interest rates in December 2015 for the first time since 2006, and again in December 2016 and March 2017 will likely further exacerbate the reduced liquidity and adversely impact the Bank's net interest margins and borrowing costs.

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 one party to a financial instrument will fail to discharge an obligation on maturity or in a timely manner, causing the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentrations of credit risk may also arise as a result of large exposures to individuals or a group of related counterparties. Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

In common with other banks in the GCC, as a result of adverse economic and political developments in recent years (see "*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*"), 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.

This volatile economic environment, together with the anticipated reduction in Governmental spending 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.

***If the Bank is unable to effectively monitor and control the level of, or 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***

As at 30 June 2017, the Bank had AED 10.5 billion of impaired loans and, for the six month period ended 30 June 2017, carried impairment allowances of AED 11.7 billion to cover potential loan losses. 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 will be written back to the income statement as and when interest or principal (as appropriate) on the debt is received. However, the actual loan losses could be materially different from the loan impairment allowances. The Bank's management believes that the levels of impairment allowances for impaired loans as at 30 June 2017 are sufficient to cover the Bank's potential loan losses as at that date. As at 30 June 2017, provision covered 112.0 per cent. of the Bank's impaired assets.

The Bank regularly reviews and monitors compliance with lending limits to individual financial institutions and country limits (see "*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.

The Bank's loan portfolio and investment securities portfolio (net of provisions) together constituted 67.0 per cent. of its total assets, or AED 419.8 billion, as at 30 June 2017. As at 30 June 2017, the borrowers in respect of 68.0 per cent. of the outstanding gross loans and advances to customers are located in the UAE, 4.0 per cent. are located in other Middle East countries and the remaining 28.0 per cent. are located outside the region. Of the Bank's total gross loans and advances to customers as at 30 June 2017, personal loans and credit cards accounted for 21.3 per cent., real estate accounted for 19.5 per cent., the banks and services sectors accounted for 14.6 per cent. and the transport and communication sectors accounted for 8.8 per cent.



The Bank's investment securities portfolio comprised AED 80.5 billion (or 81.7 per cent.) non-trading debt securities as at 30 June 2017. The Bank's non-trading debt securities portfolio has significant exposure to MENA region issuers which are principally government and public sector entities. As at 30 June 2017, AED 42.6 billion, or 53.0 per cent. of the portfolio comprised exposure primarily to MENA region issuers.

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 "*Overview of the UAE 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 will, when introduced for reporting periods commencing on 1 January 2018, replace IAS 39 and introduce 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. While the expected impact of IFRS 9 on the Bank's calculation of impairment allowances is uncertain, the Bank expects that the UAE Central Bank requirement that banks hold collective provisions of a minimum amount of 1.5 per cent. of credit risk weighted assets will ease the transition to IFRS 9 when formally introduced in the UAE. Upon adoption of IFRS 9 with effect from 1 January 2018, the initial impact will be assessed against the Bank's consolidated statement of changes in equity, following which the impact will be recorded to the Bank's consolidated income statement. As at the date of this Base Prospectus, the Bank has not chosen to adopt IFRS 9 ahead of its mandatory effective date of 1 January 2018 and is continuing to utilise its existing models for assessment and calculation of impairment allowances. However, any mandatory change to such impairment calculation models imposed by IFRS 9 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 of Abu Dhabi-controlled and Government of Abu Dhabi-related entities, and members of the ruling family of Abu Dhabi and other high net worth individuals ("HNWIs") (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 of Abu Dhabi-controlled or Government of Abu Dhabi-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. Challenging economic conditions since mid-2014 have resulted in larger budget deficits across the GCC economies (the IMF expects the UAE federal budget deficit for 2016 to widen to approximately 7.2 per cent. of GDP when figures are ultimately released), coupled with reduced fiscal budgets and public spending which has been particularly pronounced in Abu Dhabi (see "*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 may impair the Bank's ability to fund its business and make timely payments on the Notes**

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.

***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 to bridge this funding gap.

The Bank's Group Assets and Liability Committee sets and monitors liquidity ratios, regularly revises and 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 and Compliance 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 June 2017, the Bank had cash and cash equivalents of AED 109.9 billion.

As a result of the optionality provided by the Liquidity Notice (as defined below) and in preparation for the full implementation of Basel III in the UAE, the Bank manages its liquidity position through the liquidity coverage ratio ("**LCR**") (in addition to its ongoing obligation to report its ELAR, NSFR and ASRR ratios (each as defined herein) to the Central Bank).

The LCR is a metric introduced by the Basel Committee on Banking Supervision as part of the Basel III criteria 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 high quality liquid assets ("**HQLAs**") - which include low-risk, highly marketable asset classes, designed to provide significant sources of liquidity in such a stress scenario - and dividing it by its projected net cash outflows over the immediately following 30-day period. The LCR requires that banks have sufficient HQLAs in their liquidity buffer to cover the difference between expected cash outflows and expected capped cash inflows over a 30-day stressed period. Basel III requires that the minimum value of the ratio is 100 per cent. (i.e., an institution's stock of HQLAs should at least equal total net cash outflows). As at 30 June 2017, the Bank held a portfolio of net HQLAs valued at AED 166.8 billion and had an LCR ratio of 116 per cent.

The Bank's maintenance of its liquidity position through LCR and 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 asset-liability maturity gaps***

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). 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 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. 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 June 2017, the Bank had AED 7.0 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 currently facing the Bank are described in more detail 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***

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 subject to changes in applicable interest rates. As at 30 June 2017, the Bank's borrowings were largely set at floating rates based on interbank reference rates, such as 3-month LIBOR and 3-month EIBOR, plus a specified margin.

The U.S. federal reserve raised interest rates in December 2015 for the first time since 2006. In December 2016 and again in March 2017, further 0.25 per cent. rate hikes were announced by the U.S. federal reserve. As at 30 June 2017, 77.8 per cent. of the Bank's total term borrowings and commercial paper issuance was denominated in U.S. dollars. If the pace of U.S. interest rate movements develops as expected, it may adversely impact the Bank's borrowing costs.

If interbank reference rates rise, the interest payable on the Bank's floating rate borrowings increases. 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 a decrease in the realised and unrealised fair value investment gains, together with fair value losses on such investment securities has had a material adverse impact as a result of global macro-economic volatility. The current instability in the international debt and equity capital markets is likely to continue to 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: (i) realised gains or losses on the sale of any investment securities; (ii) 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 (iii) 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.

***The Bank's risk management and internal controls 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 "*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. These methods may not always predict future risk exposures, which 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). 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, if the Bank continues to grow post-Merger, it 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 representing at least 4 per cent. of their total employees each year. 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 "*Description of the Bank – 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.

## Factors relating to the Merger

### *The Bank may experience difficulties in integrating the distinct businesses carried on by NBAD and FGB*

The merger (the "**Merger**") of NBAD and FGB which was effected on 30 March 2017, involves the integration of two businesses that previously operated independently. The Bank may face significant challenges integrating the two organisations, their policies, technologies and operations in a timely and efficient manner, as well as in addressing differences in the business cultures of the two companies and retaining key former NBAD and FGB personnel. The integration process may prove to be more complex and time-consuming than anticipated, requiring substantial resources and effort and leading to a degree of uncertainty for customers and employees.

The potential difficulties of combining the businesses include:

- the necessity of co-ordinating and consolidating management functions, organisations, systems and facilities;
- the task of integrating the management and personnel of NBAD and FGB, maintaining employee morale and retaining and incentivising key employees;
- accurately evaluating the contractual, financial, regulatory, environmental and other obligations and liabilities associated with each of NBAD's and FGB's legacy investments, including the appropriate implementation of financial oversight and internal controls and the timely preparation of financial statements that are in conformity with the Bank's accounting policies;
- accurately judging market dynamics, demographics, growth potential and competitive environment (including evaluating and managing the risks and uncertainties in entering new markets and acquiring new businesses); and
- maintaining and obtaining the necessary licences and approvals from relevant governmental and regulatory authorities and agencies.

The process of integrating operations may present financial, managerial and operational risks, including an interruption of, or loss of momentum in, the activities of one or more of the Bank's businesses and the loss of key personnel. Any delays or difficulties encountered in connection with the integration of the operations of the businesses could have an adverse effect on the Bank's business, results of operations, financial condition or prospects.

Additionally, the Bank expects to incur a number of non-recurring costs associated with the integration of the businesses of NBAD and FGB, including potential costs associated with the rebranding of the business, fees to financial, accounting and legal advisers and other related costs. If the integration is not successful, the Bank will not realise the anticipated benefits of the integration and may, therefore, fail to offset these integration costs over time.

If the Bank fails to manage the integration of the legacy businesses of NBAD and FGB effectively, the Bank's growth strategy and future profitability could be negatively affected and it may fail to achieve the anticipated benefits of the Merger. In addition, difficulties in integrating the businesses could harm the Bank's reputation, which may result in the loss of customers and key employees which could, in turn, have an adverse effect on the Bank's business, results of operations, financial condition or prospects.

### ***The Bank may not achieve the synergies expected from the Merger***

The Bank may fail to achieve the synergies that it had anticipated would arise from the Merger. The success of the Merger will depend, in part, on the Bank's ability to realise anticipated cost savings, revenue synergies and growth opportunities from integrating the standalone businesses of NBAD and FGB. The Bank expects to benefit from synergies resulting from the consolidation of capabilities, rationalisation of operations and headcount, greater efficiencies from increased scale and market integration, and organic growth. In particular, the Bank's ability to realise anticipated synergies and the timing of this realisation may be affected by a variety of factors, including, but not limited to:

- its broad geographic areas of operations and the resulting potential complexity of integrating NBAD's and FGB's corporate and regional offices;
- the difficulty of implementing its cost savings plans;
- the challenges associated with the combination of NBAD's and FGB's businesses and operations, and, in particular, the ability to integrate new operations with existing operations in a timely and effective manner and to manage an increasingly larger business; and
- unforeseeable events, including major changes in the markets in which NBAD and FGB operate.

There is a risk that the cost savings projected from integrating the NBAD and FGB businesses will not be realised due to unforeseen inaccuracies in the pre-Merger computation of such savings. Additionally, there is a risk that these cost savings are not realised in the time, manner or amounts currently expected, if at all, as a result of various external and internal factors.

Although the Bank believes that the elimination of costs, as well as the realisation of other efficiencies related to the integration of the NBAD and FGB businesses, will offset the incurred implementation and integration costs over time, the net benefit may not be achieved within the expected timetable. In addition, some of these costs could be higher than the Bank anticipates which could reduce the net benefits of the Merger and impact the Bank's business, results of operations, financial condition or prospects.

### **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***

The Bank is subject to a number of prudential and regulatory requirements designed to maintain the safety and soundness of banks, ensure their compliance with economic, social and other objectives and limit their exposure to risk. These regulations include UAE federal laws and regulations (particularly those of the UAE federal government and the 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 the following restrictions:

- certain 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 Central Bank);
- concentration limits on total credit and other risk exposures to retail customers, banks, investments and country exposure (including, but not limited to, regulations promulgated by the Central Bank in Central Bank Notice No. 32/2013 on large exposures (the "Large



**Exposure Notice**"), which was published in the Official Gazette on 30 December 2013 and entered into force on 30 January 2014);

- a minimum total capital adequacy ratio of 12.5 per cent., effective from 1 February 2017, increasing to a minimum total capital adequacy ratio of 13.5 per cent., effective from 1 January 2018 and a minimum total capital adequacy ratio of 14.5 per cent., effective from 1 January 2019. Within this minimum capital adequacy ratio, the UAE Central Bank has established additional capital requirements for systemically important banks (such as the Bank, which has been designated as a domestically systemic important bank ("**D-SIB**") with an additional Common Equity Tier 1 D-SIB buffer of 0.75 per cent. required from 1 February 2017, increasing on a sliding scale to 1.125 per cent., effective from 1 January 2018 and 1.5 per cent., effective from 1 January 2019). Additionally, and comprised within the minimum total capital adequacy ratio mandated by the UAE Central Bank, UAE banks are also subject to a capital conservation buffer of 1.25 per cent., (effective from 1 February 2017), 1.875 per cent. (effective from 1 January 2018) and 2.5 per cent. (effective from 1 January 2019), as applicable, pursuant to the February 2017 Regulations. As at 30 June 2017, the Bank had a total capital adequacy ratio of 17.84 per cent., comfortably above the minimum UAE Central Bank requirements (including the additional D-SIB buffer);
- certain limitations around the fees and interest rates which UAE banks can charge to retail customers and maximum loan to income and loan to value ratios for retail products such as residential mortgage loans (prescribed by the 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 UAE official gazette (the "**Official Gazette**") on 28 November 2013 and entered into force on 28 December 2013) (the "**Mortgage Regulations**"));
- total loans and advances to customers and interbank placements over the Bank's stable resources (comprising deposits and borrowed funds with maturities of greater than six months and net shareholders' equity) cannot exceed 100 per cent.;
- increase employment and progression of UAE nationals within the Bank, in accordance with the Emiratisation Circular and the UAE federal government's Emiratisation policy promulgated through Central Bank regulations (that companies operating in the UAE recruit UAE nationals representing at least 4 per cent. of their total employees each year) (see "*Description of the Bank - Emiratisation*");
- in accordance with Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the "**Liquidity Notice**"), compliance with certain qualitative and quantitative liquidity requirements; and
- 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 and notified in the second month following circulation pursuant to the Central Bank Circular of December 2000.

In addition, in May 2016, the Central Bank published a draft consultation document entitled "Capital Adequacy Regulation" (the "**Consultation Document**"), detailing the Basel III ("**Basel III**") requirements expected to be followed by banks operating in the UAE, once applicable legislation has been implemented domestically. In particular, the Consultation Document outlines the general quantitative requirements expected to be followed by UAE banks, with regards to Common Equity Tier I capital, Additional Tier I capital and Tier II capital (together, "**Regulatory Capital**"). It also outlines, amongst other things, the Regulatory Capital ratios that UAE banks will be expected to follow and adhere to, the individual UAE bank minimum capital conservation standards and the

required disclosure standards expected to be made available by UAE banks with respect to Regulatory Capital.

On 23 February 2017, the UAE Central Bank published the "Regulations re Capital Adequacy" (the "**February 2017 Regulations**") in the Official Gazette issue 612, which are effective from 1 February 2017. The February 2017 Regulations 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 Consultation Document. The February 2017 Regulations are supported by accompanying standards (the "**Accompanying Standards**") which are yet to be issued as at the date of this Base Prospectus. The Accompanying Standards will elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements. Banks which are classified as D-SIBs by the UAE Central Bank (such as the Bank) will be required to hold additional capital buffers as notified to it by the UAE Central Bank. In addition, a bank may also be subject to additional capital add-on requirements following a Supervisory Review and Evaluation process of the UAE Central Bank.

As at the date of this Base Prospectus, the UAE has not fully implemented Basel III. In advance of the enactment of the Accompanying Standards to fully implement Basel III in the UAE, it is not possible to accurately predict the precise form in which Basel III will be introduced and whether or not such implementation will be in accordance with the provisions set out in the February 2017 Regulations. Accordingly, the UAE Central Bank's ultimate implementation of Basel III may further increase the regulatory burden on UAE financial institutions such as the Bank which could adversely impact the Bank's business. For example, if further counter-cyclical or systemically important buffers are implemented by the UAE Central Bank as part of the wider introduction of the Basel III Reforms, it is possible that UAE financial institutions, including the Bank, will be required to increase the levels of Regulatory Capital that they hold on their balance sheets. Additionally, financial institutions, such as the Bank, which hold existing Tier I or Tier II capital instruments (as so classified under Basel II principles) may also be adversely affected if the UAE Central Bank's implementation of Basel III does not provide for grandfathering treatment of these pre-existing instruments. As at 30 June 2017, the Bank's total capital adequacy ratio was 17.84 per cent. and included the AED 4.0 billion Tier I capital notes issued by each of NBAD and FGB to the Government's Department of Finance in February and March 2009. If these Tier I capital notes are not grandfathered when Basel III is fully implemented in the UAE, they would cease to qualify towards the Bank's Regulatory Capital which would have a material and adverse effect on the Bank's capital base.

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 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. 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 Central Bank regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

For further detail on the Large Exposure Notice, the Retail Circular, the Mortgage Regulations, the Liquidity Notice, the Consultation Document, the February 2017 Regulations and other Central Bank circulars and regulations see "*The United Arab Emirates Banking Sector and Regulations – Recent trends in Banking*".

## **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 oil and gas industry dominates Abu Dhabi's economy and contributed approximately 50.9 per cent. to nominal GDP in 2014 and, reflecting the lower oil price environment from mid-2014 onwards, 35.1 per cent. in 2015 and (according to preliminary estimates published by the Statistics Centre) 27.5 per cent. in 2016.

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 2016, the UAE had approximately 6.6 per cent. of proven global crude oil reserves which generated 21.3 per cent. of its nominal GDP and 16.9 per cent. of the total value of the UAE's exports (including re-exports) in 2016 (according to preliminary data produced by the FCSA and the Central Bank). 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 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.\$105.87 per barrel for the year ended 31 December 2013. However, between July 2014, when the monthly average OPEC Reference Basket price per barrel was U.S.\$107.9 and January 2016, crude oil prices fell sharply, by approximately 75 per cent. to a monthly average price of U.S.\$26.50. Since this low point, there has been a global correction in prices and, as at 30 June 2017, the average price of the OPEC Reference Basket for the year to that date had recovered to U.S.\$45.63 per barrel. 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 any Notes issued under the Programme.

***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 taxation 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 any Notes issued under the Programme.

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 Middle East and North Africa ("**MENA**") region, including 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 (for example, the multinational conflict in Syria and Iraq 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. 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 any Notes.

***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***

As at the date of this Base Prospectus, approximately 37 per cent. of the issued and outstanding ordinary shares of the Bank were held by the Government of Abu Dhabi (through the wholly-owned Abu Dhabi Investment Council ("ADIC") and Mubadala Development Company PJSC ("Mubadala")). 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 of Abu Dhabi and Government-related entities. For example, during the period between 2008 and 2009, the Government (through its purchase of Tier I notes issued by each of NBAD and FGB) provided a total of AED 4.0 billion in Tier I 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 Noteholders***

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.

***The Notes will not be guaranteed by the Government or by any third party***

As discussed above, the Government, through ADIC and Mubadala, holds approximately 37 per cent. of the Bank's share capital as at the date of this Base Prospectus. 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 any Notes to be issued under the Programme, nor is the Government under any obligation to purchase any of the Bank's liabilities or guarantee any of the Bank's obligations, and Noteholders 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 June 2017, there were a total of 48 banks registered in the UAE (source: the Central Bank). The Bank's main domestic competitors in terms of size of banking franchise and product and customer segments are Emirates NBD, Standard Chartered Bank, HSBC, Mashreqbank, Dubai Islamic Bank and Abu Dhabi Islamic Bank. In the UAE market, as at 30 June 2017, and according to the Interim Financial Statements and the publically available financial statements of the Bank's main domestic competitors for the six months ended 30 June 2017, 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 banks (comprising 22 locally incorporated banks and 26 foreign banks) licensed to operate inside the UAE as at 30 June 2017 (excluding the Dubai International Financial Centre (the "DIFC")) (source: Central Bank), serving a population estimated to be in the region of approximately 9.3 million people at the end of 2016 (source: Statistical Yearbook 2016 edition, United Nations Department of Economic and Social Affairs, Statistics Division). There has traditionally been little impetus for consolidation. However, the Merger is anticipated to stimulate further moves towards greater consolidation amongst UAE banks. While any such attempts at further 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. (see "*The United Arab Emirates Banking Sector and Regulations – Characteristics of the Banking System – 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 Notes.

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 Notes.

***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; and the Kingdom of Bahrain. 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 Central Bank has, as recently as June 2016, 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 any Notes issued under the Programme.

***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 and the UAE does not impose value-added tax ("VAT") on the sale of goods

and services. However, investors should be aware that the GCC states, including the UAE, have agreed to the implementation of a GCC-wide VAT framework, to be introduced at a rate of 5 per cent. VAT on goods and services with effect from 1 January 2018.

The GCC-wide framework agreement for VAT and national legislation in the UAE or the other GCC states implementing this framework agreement have yet to be made available and no details of the regime have been released as at the date of this Base Prospectus.

It is possible that, once VAT is introduced in the UAE, the Bank's costs would 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 any Notes issued under the Programme.

### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

#### *Risks related to the structure of a particular issue of Notes*

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

#### *Notes subject to optional redemption by the Bank*

The Bank may issue Notes which entitle the Bank to redeem such Notes prior to their maturity date at its option and at a price which may be less than the current market price of those Notes. An optional redemption feature of the Notes is likely to limit their market value. During any period when the Bank may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

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

The Bank may elect to redeem the Notes prior to their maturity date in the event that the Bank would be obliged by the Conditions to pay additional amounts in respect of the Notes to cover any withholding or deduction required by applicable law. No assurance can be given that the UAE government will not implement new regulations or new legal interpretations of existing regulations relating to or affecting taxation which could result in the imposition of such a withholding or deduction.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase



in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/floating rate notes (respectively, "**Fixed Rate Notes**" and "**Floating Rate Notes**") may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Bank has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Bank converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Risks related to Notes which are linked to "benchmarks"*

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Inverse Floating Rate Notes and Floating Rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

#### *Notes issued at a substantial discount or premium*

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

#### *The Bank's obligations under Subordinated Notes are subordinated*

The Bank's obligations under Subordinated Notes (as defined in the Conditions) issued by it will be unsecured and subordinated and, upon the occurrence of any winding up proceedings with respect to the Bank, will rank junior in priority of payment of obligations owed to Senior Creditors of the Bank. "**Senior Creditors**" means all creditors of the Bank (including depositors) other than creditors in respect of indebtedness where, by the terms of such indebtedness, the claims of the holders of that indebtedness rank or are expressed to rank *pari passu* with, or junior to, the claims of the holders of the Subordinated Notes. In addition, Condition 5(b) (*Status – Status of the Subordinated Notes*) requires each holder of Subordinated Notes unconditionally and irrevocably to waive 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 its Subordinated Notes.

## **Risks relating to Notes denominated in Renminbi**

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

*Renminbi is not completely freely convertible and there are significant restrictions on the remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of RMB Notes*

Renminbi is not completely freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being developed.

Although, starting 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the IMF, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Bank to source Renminbi to finance its obligations under RMB Notes.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the RMB Notes and the Bank's ability to source Renminbi outside the PRC to service RMB Notes*

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

While the People's Bank of China ("**PBoC**") has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including, but not limited to, Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

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

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the RMB Notes. To the extent the Bank is required to source Renminbi in the offshore market to service the RMB Notes, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, if at all.

***Investment in RMB Notes is subject to exchange rate risks***

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. In August 2015, the PBoC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to the RMB Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the RMB Notes in that foreign currency will decline.

***Investment in the RMB Notes is subject to currency risk***

If the Bank is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the RMB Notes as a result of an RMB Currency Event (as defined in the Conditions), the Bank shall be entitled, on giving notice as soon as practicable to the investors in accordance with the Conditions stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed in relation thereto, to settle any such payment in the Relevant Currency (as specified in the applicable Final Terms) converted using the Spot Rate for the relevant Rate Calculation Date (as defined in the Conditions) of any such interest or principal, as the case may be.

***Investment in RMB Notes is subject to interest rate risks***

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in Renminbi interest rates. If a holder of RMB Notes tries to sell such RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

***Payments in respect of RMB Notes will only be made to investors in the manner specified in such RMB Notes***

All payments to investors in respect of the RMB Notes will be made solely: (i) for so long as the RMB Notes are represented by global certificates held with the common depositary, for Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or in the RMB Settlement Centre(s), if so specified in the applicable Final Terms; (ii) for so long as the RMB Notes are represented by global certificates, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures; or (iii) for so long as the RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or in the RMB Settlement Centre(s), if so specified in the applicable Final Terms, in accordance with prevailing rules and regulations. The Bank cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

## **Risks related to Notes generally**

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

### ***Modification***

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

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

The conditions of the Notes are based on English law 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 law or administrative practice after the date of this Base Prospectus nor whether any such change could adversely affect the ability of the Bank to make payments under the Notes.

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

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

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

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

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

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

The payments under the Notes are dependent upon the Bank making payments to investors in the manner contemplated under the Notes. 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 and/or to claim damages, as appropriate, which may be costly and time-consuming.

Under current Abu Dhabi law, the Abu Dhabi courts 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. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

The Notes, the Agency Agreement (as defined in "*Terms and Conditions of the Notes*") and the Dealer Agreement (as defined in "*Subscription and Sale*") are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the London Court of International Arbitration in London, England (the "**LCIA Rules**") with an arbitral tribunal with its seat in London (or, subject to the exercise of an option to litigate given to certain parties (other than the Bank), the courts of England and Wales are stated to have jurisdiction to settle any disputes). Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that the Bank has, or would at the relevant time have, assets in the United Kingdom against which such arbitral award or judgment could be enforced.

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 awards 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**"). Article 238 provides that Articles 235 to 237 (which deal with enforcement of foreign judgments, orders and instruments and which contain onerous requirements which must be satisfied before enforcement will be considered by the UAE courts) apply only in the absence of multilateral or bilateral conventions such as the New York Convention. Therefore, there remains a risk that when faced with an action for enforcement of a foreign arbitration award under the New York Convention the UAE courts might continue to ignore Article 238 of the Law of Civil Procedure and instead apply Articles 235 to 237. If Article 238 is ignored, there is a risk that a foreign arbitration award will be refused enforcement by the UAE courts.

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

The Notes of each Tranche will be represented on issue by a Global Note that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances

described in the Global Note, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Note. While the Notes of any Tranche are represented by the Global Note, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

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

#### ***Conflicts of interest – Calculation Agent***

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

#### **Risks related to the market generally**

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

##### ***The secondary market generally***

Notes issued under the Programme will (unless they are to be consolidated into a single series with any Notes previously issued) be new securities which may not be widely distributed and for which there is currently no active trading market. Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for the Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Base Prospectus), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Bank. The Bank cannot predict if any of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

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

The Bank will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency.

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

An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (1) the Investor's Currency equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes.

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

### ***Interest rate risks***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

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

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant 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). 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). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**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.

## **FINAL TERMS, PRICING SUPPLEMENTS AND DRAWDOWN PROSPECTUSES**

In this section, the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank, the rights attaching to the Notes and the Bank's ability to make payments due under the Notes.

In relation to the different types of Notes which may be issued under the Programme, the Bank has endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained in the relevant Final Terms or, as applicable, the relevant Pricing Supplement, unless, in accordance with Article 16 of the Prospectus Directive, any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus, in which case such information, together with all of the other necessary information in relation to the relevant Series of Notes (other than Exempt Notes), may be contained in a Drawdown Prospectus or a supplement to the Base Prospectus.

For a Tranche of Notes which is the subject of Final Terms or Pricing Supplement, the Final Terms or Pricing Supplement will, for the purposes of that Tranche only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms will be the Conditions as supplemented by and to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Pricing Supplement or a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Pricing Supplement or Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Pricing Supplement or Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Pricing Supplement or Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be a single document containing the necessary information relating to the Bank and the relevant Notes.



## FORMS OF THE NOTES

*Words and expressions defined in "Terms and Conditions of the Notes" herein shall have the same meanings in this section.*

### **Bearer Notes**

Each Tranche of Bearer Notes will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**") without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**") without interest coupons, in each case as specified in the relevant Final Terms, or Pricing Supplement, as the case may be. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes may, if so specified in the relevant Final Terms, or Pricing Supplement, as the case may be, be tradeable only in a minimum authorised denomination of EUR100,000 and higher multiples of EUR1,000. In such a case, no Definitive Notes will be issued with a denomination above EUR199,000.

The relevant Final Terms, or Pricing Supplement, as the case may be, will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or substantially identical successor United States Treasury Regulation section, including, without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any substantially identical successor United States Treasury Regulation section, including, without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### ***Temporary Global Note exchangeable for Permanent Global Note***

If the relevant Final Terms, or Pricing Supplement, as the case may be, specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless, upon due certification, exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Bank shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership **provided that** in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

***Temporary Global Note exchangeable for Definitive Notes***

If the relevant Final Terms, or Pricing Supplement, as the case may be, specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable in whole, but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms, or Pricing Supplement, as the case may be, specifies the form of Note as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Bank shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms, or Pricing Supplement, as the case may be), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 30 August 2017 (the "**Deed of Covenant**") executed by the Bank). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Bank all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### ***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Final Terms, or Pricing Supplement, as the case may be, specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms, or Pricing Supplement, as the case may be; or
- (ii) at any time, if so specified in the relevant Final Terms, or Pricing Supplement, as the case may be; or
- (iii) if: (a) Euroclear or 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 (*Events of Default*) occurs.

The exchange upon notice option described in paragraphs (i) and (ii) above should not be expressed to be applicable under Form of Notes in the relevant Final Terms, or Pricing Supplement, as the case may be, if the relevant Notes have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Bank shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms, or Pricing Supplement, as the case may be), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Bank all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Registered Notes**

Subject as provided below in relation to Global Registered Notes, in respect of each Tranche of Notes issued in registered form, the Bank will deliver to each holder of such Notes an individual Registered Note and the name of the holder will be recorded in the register which the Bank shall procure to be kept by the Registrar. Registered Notes will be in substantially the forms (subject to amendment and completion) scheduled to a programme manual containing the forms of the Notes in global and definitive form and dated 30 August 2017 (the "**Programme Manual**"). Notes issued in registered form will not be represented upon issue by a Temporary Global Note and Registered Notes will not be exchangeable for Bearer Notes.

Registered Notes held in Euroclear and/or Clearstream, Luxembourg (or any other clearing system) will be represented by a global Registered Note (a "**Global Registered Note**") which will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg (or such other relevant clearing system).

The Global Registered Note will become exchangeable in whole, but not in part, for individual Registered Notes (each an "**Individual Registered Note**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms, or Pricing Supplement, as the case may be; or
- (ii) at any time, if so specified in the relevant Final Terms, or Pricing Supplement, as the case may be, as being at the option of such holder of a Global Registered Note upon such holder's request; or
- (iii) if: (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public 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 (*Events of Default*) occurs.

The exchange upon notice option described in paragraphs (i) and (ii) above should not be expressed to be applicable under Form of Notes in the relevant Final Terms, or Pricing Supplement, as the case may be, if the relevant Notes have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.

Whenever the Global Registered Note is to be exchanged for Individual Registered Notes, such Individual Registered Notes will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Registered Notes (including, without limitation, the names and addresses of the persons in whose names the Individual Registered Notes are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Registered Notes have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Registered Note; or
- (b) any of the Notes evidenced by the Global Registered Note has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note on the due date for payment in accordance with the terms of the Global Registered Note,

then the Global Registered Note (including the obligation to deliver Individual Registered Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such date (in the case of (b) above) and the holder will have no further rights thereunder (but without prejudice to the rights which the holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interests in the Notes will acquire directly against the Bank all those rights to which they would have been entitled if, immediately before the Global Registered Note became void, they had been the registered holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or any other relevant clearing system (as the case may be).

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms, or Pricing Supplement, as the case may be, which supplement those terms and conditions.

## Summary of provisions relating to the Notes in Global Form

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent below:

**Payments:** All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Bank in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Bank shall procure that the payment is noted in a schedule thereto.

**Payment Business Day:** In the case of a Global Note, this shall be, if the currency of payment is euro, any day which is 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.

**Payment Record Date:** Each payment in respect of the Global Registered Note will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

**Exercise of put option:** In order to exercise the option contained in Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), the bearer of the Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

**Partial exercise of call option:** In connection with an exercise of the option contained in Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Bank*) in relation to only some of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Bank in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

**Notices:** Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the relevant Note or Notes is/are deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

## Clearing System Accountholders

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other

relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Bank to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Bank in respect of payments due under the Notes and such obligations of the Bank will be discharged by payment to the bearer of the Global Note.

#### **Legend concerning U.S. persons**

Any Notes (other than Temporary Global Notes) and any Coupons and Talons appertaining thereto where TEFRA D is specified in the relevant Final Terms, or Pricing Supplement, as the case may be, will bear a legend to the following effect:

*"Any United States person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended."*

The sections referred to in such legend provide that a U.S. person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as supplemented by the relevant Final Terms or, as applicable, the relevant Pricing Supplement (as defined below), will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of provisions relating to the Notes in Global Form" above.*

In the case of a Tranche of Notes which will not be admitted to listing, trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system ("**Exempt Notes**") and, accordingly, for which no base prospectus is required to be produced in accordance with Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, and including any relevant implementing measure in a relevant Member State of the European Economic Area) (the "**Prospectus Directive**"), a pricing supplement (a "**Pricing Supplement**") will be issued describing the final terms of such Tranche of Exempt Notes. Each reference in these terms and conditions to "**Final Terms**" shall, in the case of a Tranche of Exempt Notes, be read and construed as a reference to such Pricing Supplement unless the context requires otherwise.

### 1. Introduction

- (a) **Programme:** First Abu Dhabi Bank PJSC (the "**Bank**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$15,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) **Final Terms:** Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**") (other than a Tranche of Exempt Notes which is the subject of a Pricing Supplement). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) **Agency Agreement:** The Notes are the subject of an amended and restated issue and paying agency agreement dated 30 August 2017 as amended or supplemented from time to time (the "**Agency Agreement**") between the Bank, Citibank N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent and the Paying Agents and any reference to an "**Agent**" is to each one of them.
- (d) **The Notes:** All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection during normal business hours at the specified office of the Fiscal Agent, the initial specified office of which is set out in the Agency Agreement.



- (e) **Summaries:** Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**", which expression shall where appropriate, be deemed to include holders of Notes issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"), the holders of related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**" respectively) and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of the Paying Agent, or, if applicable, the Registrar, the initial Specified Offices of which are set out in the Agency Agreement.

## 2. Interpretation

- (a) **Definitions:** In these Conditions, the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

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

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

"**Business Day**" means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and
- (iii) in the case of Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settlement payments in the applicable RMB Settlement Centre(s) (as defined below);

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) "**Modified Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention", "Floating Rate Convention" or "Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided that:**
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

**"Calculation Amount"** has the meaning given in the relevant Final Terms;

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

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

- (1) the actual number of days in such Calculation 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 Calculation 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 "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30; and

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

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Governmental Authority**" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the applicable RMB Settlement Centre(s);

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

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

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

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

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period (other than Adjusted Renminbi Fixed Rate Notes);

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the interest commencement date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Definitions"** means the 2006 ISDA Definitions or such other ISDA Definitions as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.;

**"Issue Date"** has the meaning given in the relevant Final Terms;

**"Margin"** has the meaning given in the relevant Final Terms;

**"Maturity Date"** has the meaning given in the relevant Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Minimum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Optional Redemption Date (Call)"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Date (Put)"** has the meaning given in the relevant Final Terms;

**"Payment Business Day"** means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, 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
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, 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;

**"Permitted Reorganisation"** means:

- (i) 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;
- (ii) 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;
- (iii) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly-owned Subsidiary of the Bank; or
- (iv) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by a modification made by Extraordinary Resolution of the Noteholders pursuant to Condition 18 (*Meetings of Noteholders; Modification and Waiver*);

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

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

- (i) 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
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected by the Bank;

**"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;

**"Put Option Notice"** means a notice, in the form available from the Specified Office of the Paying Agent, or in the case of Registered Notes, the Registrar which must be delivered to the Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate Calculation Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign

exchange) in the applicable RMB Settlement Centre(s), London and the principal financial centre of the country of the Relevant Currency;

"**Rate Calculation Date**" means the day which is two Rate Calculation Business Days before the due date of the relevant payment under the Notes;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"**Record Date**" has the meaning given to such term in Condition 12 (*Payments – Registered Notes*);

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"**Reference Banks**" means the four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Registered Notes**" means Notes issued in registered form;

"**Regular Period**" means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is 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 Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is 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 Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Banking Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in the place of presentation of the relevant Note or, as the case may be, Coupon or, in connection with the transfer of Registered Notes only, the place of the Specified Office of the Registrar;



**"Relevant Currency"** has the meaning given in the relevant Final Terms;

**"Relevant Date"** means, in relation to any payment, whichever is the later of: (i) the date on which the payment in question first becomes due; and (ii) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 20 (*Notices*);

**"Relevant Financial Centre"** has the meaning given in the relevant Final Terms;

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

**"Relevant Time"** has the meaning given in the relevant Final Terms;

**"Renminbi"** or **"RMB"** means the lawful currency for the time being of the People's Republic of China (the **"PRC"**), which, for these purposes, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan;

**"Reserved Matter"** means: (i) any proposal to change any date fixed for payment of principal or interest in respect of the Notes; (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes; (iii) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment (other than, in the case of this limb (iii) only, any change arising from the discontinuation of any interest rate benchmark used to determine the amount of any payment in respect of the Notes); (iv) to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**"RMB Currency Events"** means, with respect to any Notes where the Relevant Currency is Renminbi, any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

**"RMB Illiquidity"** means the general RMB exchange market in the applicable RMB Settlement Centre(s) becomes illiquid as a result of which the Bank cannot obtain sufficient RMB in order to make a payment under the Notes, as determined by the Bank in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in the applicable RMB Settlement Centre(s);

**"RMB Inconvertibility"** means the occurrence of any event that makes it impossible for the Bank to convert any amount due in respect of the Notes into RMB on any payment date in the general RMB exchange market in the applicable RMB Settlement Centre(s), other than where such impossibility is due solely to the failure of the Bank to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Bank, due to an event beyond its control, to comply with such law, rule or regulation);

**"RMB Non-Transferability"** means the occurrence of any event that makes it impossible for the Bank to deliver RMB between accounts inside the applicable RMB Settlement Centre(s) or from an account inside the applicable RMB Settlement Centre(s) to an account outside the applicable RMB Settlement Centre(s) (including where the RMB clearing and settlement system for participating banks in the applicable RMB Settlement Centre(s) is disrupted or suspended), other than where such impossibility is due solely to the failure of the Bank to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Bank, due to an event beyond its control, to comply with such law, rule or regulation);

**"RMB Settlement Centre(s)"** means the financial centre(s) specified as such in the relevant Final Terms in accordance with applicable laws and regulations. If no RMB Settlement Centre is specified in the relevant Final Terms, the RMB Settlement Centre shall be deemed to be Hong Kong;

**"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;

**"Specified Currency"** has the meaning given in the relevant Final Terms;

**"Specified Denomination(s)"** has the meaning given in the relevant Final Terms;

**"Specified Office"** has the meaning given in the Agency Agreement;

**"Specified Period"** has the meaning given in the relevant Final Terms;

**"Spot Rate"** means the spot RMB/Relevant Currency exchange rate for the purchase of the Relevant Currency with Renminbi in the over-the-counter Renminbi exchange market in the applicable RMB Settlement Centre(s) for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (local time at the applicable RMB Settlement Centre(s)) on the Rate Calculation Date, on a deliverable basis by reference to the Relevant Spot Rate Screen Page (Deliverable Basis) (as specified in the relevant Final Terms), or, if no such rate is available, on a non-deliverable basis by reference to the Relevant Spot Rate Screen Page (Non-deliverable Basis) (as specified in the relevant Final Terms). If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in the applicable RMB Settlement Centre(s) or elsewhere and the RMB/Relevant Currency exchange rate in the PRC domestic foreign exchange market;

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

- (i) 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
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

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

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

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) **Interpretation:** In these Conditions:

- (ii) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (iii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iv) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (v) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (vi) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vii) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement;
- (viii) if an expression is stated in Condition 2(a) (*Interpretation – Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

- (ix) any reference to the Agency Agreement and/or the Deed of Covenant shall be construed as a reference to the Agency Agreement and/or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3. **Form, Denomination and Title**

- (a) **Notes in Bearer Form:** Bearer Notes are issued in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue and may be held in holdings equal to the minimum denomination specified in the relevant Final Terms and integral multiples in excess thereof. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination. Title to Bearer Notes and Coupons will pass by delivery. The holder of any Bearer Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. All Definitive Notes will be serially numbered, with coupons, if any, attached.
- (b) **Notes in Registered Form:** Registered Notes are issued in the Specified Denomination and may be held in holdings equal to the minimum denomination specified in the relevant Final Terms and integral multiples in excess thereof. The holder of each Registered Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Registered Note relating thereto (other than the endorsed form of transfer) or any previous loss or theft of such Registered Note) and no Person shall be liable for so treating such holder. Title to Registered Notes will pass by transfer and registration in the register which the Bank shall procure to be kept by the Registrar. All individual Registered Notes will be numbered serially with an identity number which will be recorded in the register.
- (c) The Notes are either senior notes or subordinated notes, as indicated in the relevant Final Terms ("**Senior Notes**" and "**Subordinated Notes**", respectively).

### 4. **Transfers of Registered Notes**

- (a) **Transfers of Registered Notes:** A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (**provided that** such part is, or is an integral multiple of, the minimum denomination specified in the Final Terms) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.
- (b) **Issue of new Registered Notes:** Each new Registered Note to be issued upon the transfer of a Registered Note will, within five Relevant Banking Days of the day on which such Note was presented for transfer, be available for collection by each relevant holder at the Specified Office of the Registrar or, at the option of the holder requesting such transfer, be mailed (by uninsured post at the risk of the holder(s)

entitled thereto) to such address(es) as may be specified by such holder. For these purposes, a form of transfer received by the Registrar or the Fiscal Agent after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or the Fiscal Agent until the day following the due date for such payment.

- (c) ***Charges for transfer or exchange:*** The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Bank, the Fiscal Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Bank, the Fiscal Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.
- (d) ***Closed Periods:*** Holders of Registered Notes may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

## 5. Status

- (a) ***Status of the Senior Notes:*** The Senior Notes and any related coupons constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Bank which will at all times rank *pari passu* among themselves and 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) ***Status of the Subordinated Notes:*** The Subordinated Notes and any related Coupons constitute direct, conditional (as described below) and unsecured obligations of the Bank and rank *pari passu* among themselves.

The payment obligations of the Bank in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) will be subordinated to all unsubordinated payment obligations of the Bank in the manner described below but will rank *pari passu* with all other subordinated payment obligations of the Bank which do not rank or are not expressed by their terms to rank junior to the payment obligations under the Subordinated Notes and in priority to all claims of shareholders of the Bank. The rights of the holders of Subordinated Notes against the Bank are subordinated in right of payment to the claims of all Senior Creditors of the Bank and, accordingly, payments in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) by the Bank are conditional upon the Bank being solvent at the time of such payment and no payment shall be payable by the Bank in respect of the Subordinated Notes, except to the extent that the Bank could make such payment and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank *pari passu* with the Subordinated Notes and still be solvent immediately thereafter. For this purpose, the Bank shall be solvent if: (i) it is able to pay its debts as they fall due; and (ii) its assets exceed its liabilities, and "**Senior Creditors**" shall mean creditors of the Bank (including depositors) other than creditors in respect of indebtedness where, by the terms of such indebtedness, the claims of the holders of that indebtedness rank or are expressed to rank *pari passu* with, or junior to, the claims of the Noteholders.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise

have, under the laws of any jurisdiction, in respect of such Note. No collateral is or will be given for the payment obligations under the Subordinated Notes and any collateral that may have been or may in the future be given in connection with other indebtedness of the Bank shall not secure the payment obligations of the Bank in respect of the Subordinated Notes.

## 6. Negative Pledge

This Condition 6 (*Negative Pledge*) only applies to Senior Notes.

So long as any Note 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 Notes equally and rateably therewith; or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

In this Condition:

"**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; and

"**Permitted Security Interest**" means, for the purposes of this Condition 6 (*Negative Pledge*):

- (i) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;
- (ii) any Security Interest arising by operation of law, **provided that** such Security Interest is discharged within 30 days of arising;
- (iii) 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;
- (iv) 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;

- (v) 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;
- (vi) any Security Interest created in connection with any Non recourse Project Financing;
- (vii) 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 6 (*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;
- (viii) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ix) any renewal of or substitution for any Security Interest permitted by any of subparagraphs (i) to (viii) 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).

## 7. Fixed Rate Note Provisions

- (a) **Application:** This Condition 7 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes (other than where the Specified Currency is Renminbi and the relevant Final Terms specifies a Business Day Convention to be applicable) bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*), as applicable. In the case of a Fixed Rate Note where the Relevant Currency is RMB and the relevant Final Terms specifies a Business Day Convention to be applicable (an "**Adjusted RMB Fixed Rate Note**"), each Interest Payment Date (and, accordingly, the relevant Calculation Period) will be adjusted (if required) in accordance with the relevant Business Day Convention. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (*Fixed Rate Note Provisions*) (after as well as before judgment) until whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

Where the Specified Currency of a Fixed Rate Note is Renminbi and the relevant Final Terms specifies a Business Day Convention to be applicable (each an "**Adjusted Renminbi Fixed Rate Note**"), that Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. For this purpose, "**Interest Payment Date**" means the Interest Payment Date(s) specified as such in the relevant Final Terms as adjusted in accordance with the applicable Business Day Convention. The amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such Interest Payment Date will be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of that Adjusted Renminbi Fixed Rate Note by the applicable Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards. Each such calculation will be made by the Calculation Agent. For this purpose, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified and in respect of the Calculation Periods relating to Adjusted RMB Fixed Rate Notes shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 8. Floating Rate Note Provisions

- (a) **Application:** This Condition 8 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8(b) (*Floating Rate Note Provisions – Accrual of interest*) (as well after as before judgment) until whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).



(c) **Screen Rate Determination:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page (or such replacement page on that service which displays the information) as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page (or such replacement page on that service which displays the information) as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

In the Conditions, "**Reference Rate**" means one of the following benchmark rates (as specified in the applicable Final Terms) in respect of the currency and period specified in the applicable Final Terms:

- (i) Euro interbank offered rate ("**EURIBOR**");

- (ii) London interbank bid rate ("**LIBID**");
  - (iii) London interbank offered rate ("**LIBOR**");
  - (iv) London interbank mean rate ("**LIMEAN**");
  - (v) Shanghai interbank offered rate ("**SHIBOR**");
  - (vi) Hong Kong interbank offered rate ("**HIBOR**");
  - (vii) Singapore interbank offered rate ("**SIBOR**");
  - (viii) Emirates interbank offered rate ("**EIBOR**");
  - (ix) Saudi Arabia interbank offered rate ("**SAIBOR**");
  - (x) Australia Bank Bill Swap ("**BBSW**");
  - (xi) Australian dollar LIBOR ("**AUD LIBOR**")
  - (xii) Japanese Yen LIBOR ("**JPY LIBOR**");
  - (xiii) Prague interbank offered rate ("**PRIBOR**");
  - (xiv) CNH Hong Kong interbank offered rate ("**CNH HIBOR**");
  - (xv) Turkish Lira interbank offered rate ("**TRLIBOR**" or "**TRYLIBOR**");
  - (xvi) Tokyo interbank offered rate ("**TIBOR**");
  - (xvii) British pound sterling LIBOR ("**GBP LIBOR**");
  - (xviii) Swiss franc LIBOR ("**CHF LIBOR**");
  - (xix) Canadian dollar LIBOR ("**CAD LIBOR**");
  - (xx) New Zealand dollar LIBOR ("**NZD LIBOR**");
  - (xxi) Danish krone LIBOR ("**DKK LIBOR**");
  - (xxii) Swedish krona LIBOR ("**SEK LIBOR**");
  - (xxiii) Mumbai interbank offered rate ("**MIBOR**"); and
  - (xxiv) New Zealand bank bill benchmark ("**BKBM**").
- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either: (A) if the relevant Floating Rate Option is based on the **LIBOR** or on the **EURIBOR** for a currency, the first day of that Interest Period; or (B) in any other case, as specified in the relevant Final Terms.
- (e) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise specified in the Final Terms, the Minimum Rate of Interest for Floating Rate Notes shall be zero.
- (f) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) **Calculation of other amounts:** If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (h) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (i) **Notifications etc.:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the

purposes of this Condition 8(i) (*Floating Rate Note Provisions – Notifications etc.*) by the Calculation Agent will (in the absence of manifest error) be binding on the Bank, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

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

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

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

## 9. Zero Coupon Note Provisions

- (a) **Application:** This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note provisions are specified in the relevant Final Terms as being applicable.
- (b) **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
- (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of: (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (B) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **Redemption and Purchase**

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*).
- (b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Bank in whole, but not in part:
  - (i) at any time (if the Floating Rate Note provisions are specified in the relevant Final Terms as being not applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Bank has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or any Emirate therein or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Bank taking reasonable measures available to it,

**provided that** no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Bank would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*), the Bank shall deliver or procure that there is delivered to the Fiscal Agent: (A) a certificate signed by two directors of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred; and (B) an opinion of independent legal advisers of recognised standing to the effect that the Bank 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 as is referred to in this Condition 10(b) (*Redemption and*

*Purchase – Redemption for tax reasons*), the Bank shall be bound to redeem the Notes in accordance with this Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*).

- (c) **Redemption at the option of the Bank:** If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Bank in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Bank's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Bank to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (d) **Partial redemption:** If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Bank*):
- (i) in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Bank*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified; and
- (ii) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange or quotation system on which the relevant Notes may be listed, traded or quoted.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfers of Registered Notes*) which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

- (e) **Redemption at the option of Noteholders:** If the Put Option is specified in the relevant Final Terms as being applicable, the Bank shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), the holder of a Note must, not less than 30 nor more than 60 days' before the relevant Optional Redemption Date (Put), deposit at the Specified Offices of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying

Agent or Registrar specifying the aggregate Outstanding Principal Amount in respect of which such option is exercised. The Paying Agent or Registrar with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing holder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), may be withdrawn; **provided that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar, as the case may be, shall mail notification thereof to the depositing holder at such address as may have been given by such holder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing holder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent or Registrar, as the case may be, in accordance with this Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

The holder of a Note may not exercise such Put Option in respect of any Note which is the subject of an exercise by the Bank of its Call Option.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfers of Registered Notes*) which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

- (f) **No other redemption:** The Bank shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (*Redemption and Purchase – Scheduled redemption*) to 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*) above.
- (g) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(g) (*Redemption and Purchase – Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) **Purchase:** The Bank or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are

purchased therewith. Such Notes may be held, reissued, resold or, at the option of the Bank, surrendered to any Paying Agent or the Registrar for cancellation.

- (i) **Cancellation:** All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons attached to or surrendered with them). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 10(h) (*Redemption and Purchase – Purchase*) above (together with all unmatured coupons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

## 11. **Payments – Bearer Notes**

This Condition 11 (*Payments – Bearer Notes*) is applicable in relation to Bearer Notes.

- (a) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) **Interest:** Payments of interest shall, subject to Condition 11(h) (*Payments – Bearer Notes – Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (*Payments – Bearer Notes – Principal*) above.
- (c) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if: (i) the Bank has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Bearer Notes in the currency in which the payment is due when due; (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions; and (iii) payment is permitted by applicable United States law.
- (d) **Payments subject to fiscal laws:** All payments in respect of the Bearer Notes 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 Condition 13 (*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 13 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Deductions for unmatured Coupons:** If the relevant Final Terms specifies that the Fixed Rate Note provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:



- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment; or
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
  - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided that** where this paragraph (A) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 11(a) (*Payments – Bearer Notes – Principal*) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (f) ***Unmatured Coupons void:*** If the relevant Final Terms specifies that this Condition 11(f) (*Payments – Bearer Notes – Unmatured Coupons void*) is applicable or that the Floating Rate Note provisions are applicable, on the due date for final redemption of any Bearer Note or early redemption in whole of such Bearer Note pursuant to Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*), Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Bank*), Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmaturing Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) ***Payments on business days:*** If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) ***Payments other than in respect of matured Coupons:*** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States

(or in New York City if permitted by Condition 11(c) (*Payments – Bearer Notes – Payments in New York City*) above).

- (i) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Bearer Note shall become void and no Coupon will be delivered in respect of such Talon.
- (k) **RMB Currency Event:** If "RMB Currency Event" is specified as being applicable in the relevant Final Terms and an RMB Currency Event, as determined by the Bank acting in good faith and in a commercially reasonable manner, exists on a date for payment of any amount in respect of any Bearer Note or Coupon, the Bank's obligation to make a payment in RMB under the terms of the Bearer Notes may be replaced by an obligation to pay such amount in the Relevant Currency (as specified in the relevant Final Terms) converted using the Spot Rate for the relevant Rate Calculation Date. Upon the occurrence of an RMB Currency Event, the Bank shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.
- (l) **RMB account:** Notwithstanding the foregoing, all payments in respect of any Bearer Note or Coupon in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in the applicable RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in the applicable RMB Settlement Centre(s)).

## 12. **Payments – Registered Notes**

This Condition 12 (*Payments – Registered Notes*) is applicable in relation to Registered Notes.

- (a) **Redemption Amount:** Payments of the Redemption Amount (together with accrued interest) due in respect of Registered Notes shall be made in the currency in which such amount is due against presentation, and save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Notes at the Specified Office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Note is not a business day (as defined below), then the Noteholder will not be entitled to payment until the next business day, and from such day and thereafter will be entitled to payment by cheque (which may be posted to the address (as recorded in the register held by the Registrar) of the Noteholder thereof (or, in the case of joint Noteholders, the first-named)) on any Relevant Banking Day, or will be entitled to payment by transfer to a designated account on any day which is a Relevant Banking Day, business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of

interest or otherwise shall be due in respect of such postponed payment unless there is subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.

- (b) **Principal and interest:** Payments of principal and interest shall be made by cheque drawn in the currency in which the payment is due to the Noteholder (or in the case of joint Noteholders, the first-named) appearing in the register kept by the Registrar as at the opening of business (as at the local time) on the fifteenth Relevant Banking Day before the due date for payment (the "**Record Date**"), and posted to the address (as recorded in the register held by the Registrar) of the Noteholder (or, in the case of joint Noteholders, the first named) on the Relevant Banking Day unless prior to the relevant Record Date such Noteholder has applied to the Registrar and the Registrar has acknowledged such application, for payment to be made to a designed account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to a designated account, if the due date for any such payment is not a business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located, then the Noteholder will not be entitled to payment thereof until the first day thereafter which is a business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.
- (c) **Payments subject to fiscal laws:** All payments in respect of the Registered Notes 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 Condition 13 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of 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 13 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Registered Noteholders in respect of such payments.
- (d) **RMB Currency Event:** If "RMB Currency Event" is specified as being applicable in the relevant Final Terms and an RMB Currency Event, as determined by the Bank acting in good faith and in a commercially reasonable manner, exists on a date for payment of any amount in respect of any Registered Note, the Bank's obligation to make a payment in RMB under the terms of the Registered Notes may be replaced by an obligation to pay such amount in the Relevant Currency (as specified in the relevant Final Terms) converted using the Spot Rate for the relevant Rate Calculation Date. Upon the occurrence of an RMB Currency Event, the Bank shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.
- (e) **RMB account:** Notwithstanding the foregoing, all payments in respect of any Registered Note in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in the applicable RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to

time (including all applicable laws and regulations with respect to the settlement of Renminbi in the applicable RMB Settlement Centre(s).

- (f) In this Condition 12 (*Payments – Registered Notes*), "**business day**" means:
- (i) any day which is in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in each Additional Financial Centre; or
  - (ii) in the case of surrender of a Registered Note, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place in which the Registered Note is surrendered.

### 13. **Taxation**

- (a) **Gross up:** All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Bank 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 the United Arab Emirates, or any Emirate therein, or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Bank shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the United Arab Emirates or any Emirate therein or any political subdivision or any authority thereof or therein having power to tax other than the mere holding of the Note or Coupon; or
  - (ii) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.
- (b) **Taxing jurisdiction:** If the Bank becomes subject at any time to any taxing jurisdiction other than the United Arab Emirates, or any Emirate therein, references in these Conditions to the United Arab Emirates, or any Emirate therein, shall be construed as references to the United Arab Emirates and/or such other jurisdiction, as the case may be.

### 14. **Events of Default**

- (a) **Events of Default for Senior Notes:** This Condition 14(a) (*Events of Default for Senior Notes*) only applies to Senior Notes.

If any one or more of the following events (each an "**Event of Default**") occurs and is continuing:

- (i) *Non-payment:* the Bank fails to pay any amount of principal in respect of the Notes and the default continues for a period of seven days or fails to pay any amount of interest in respect of the Notes and the default continues for a period of 14 days; or
- (ii) *Breach of other obligations:* the Bank defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Bank by any Noteholder, has been delivered to the Bank or to the Specified Office of the Fiscal Agent; or
- (iii) *Cross-default of Bank or Principal Subsidiary:*
  - (A) any Indebtedness of the Bank or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (B) 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
  - (C) 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 sub-paragraphs (A), (B) and/or (C) above shall not constitute an Event of Default unless the aggregate amount of all such indebtedness, either alone or when aggregated with all other indebtedness in respect of which such an event shall have occurred and be continuing shall be more than U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or
- (iv) *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 of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days following the service by any Noteholder on the Bank or any Principal Subsidiary of notice requiring the same to be paid/remedied; or
- (v) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Bank or any of its Principal Subsidiaries; or
- (vi) *Insolvency etc.:* (i) the Bank or any of its Principal Subsidiaries 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 of its Principal Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Bank or any of its Principal Subsidiaries; (iii) the Bank or any of its Principal Subsidiaries 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 of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business save in connection with a Permitted Reorganisation; or

- (vii) *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 of its Principal Subsidiaries save in connection with a Permitted Reorganisation; or
- (viii) *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 Conditions 14(a)(iv) (*Events of Default – Events of Default for Senior Notes – Unsatisfied judgment*) to 14(a)(vii) (*Events of Default – Events of Default for Senior Notes – Winding up etc.*) above; or
- (ix) *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 Notes,

then any Note may, by written notice addressed by the holder thereof to the Bank and delivered to the Bank or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

- (b) ***Event of Default for Subordinated Notes***: This Condition 14(b) (*Events of Default – Events of Default for Subordinated Notes*) only applies to Subordinated Notes.

- (i) *Non-payment*: if default is made in the payment of any principal or interest due under the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest, any Noteholder may institute proceedings in the United Arab Emirates or any Emirate therein (but not elsewhere) for the dissolution and liquidation of the Bank.

- (ii) If any one or more of the following events shall occur and be continuing:

- (A) *Insolvency etc.*: (i) the Bank becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Bank or the whole or any substantial part of its undertaking, assets and revenues of the Bank is appointed (or application for any such appointment is made); (iii) the Bank 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 ceases or threatens to cease to carry on all or any substantial part of its business save in connection with a Permitted Reorganisation; or

- (B) *Winding up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Bank save in connection with a Permitted Reorganisation; or

- (C) *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 (A) or (B) above,

then any Note may, by written notice addressed by the holder thereof to the Bank and delivered to the Bank or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

- (iii) *Breach of obligations*: To the extent permitted by applicable law and by these Conditions, a Noteholder may at its discretion institute such proceedings against the Bank as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Bank under the Notes or the Coupons, but the institution of such proceedings shall not have the effect that the Bank shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.
- (iv) *Other Remedies*: No remedy against the Bank, other than the institution of the proceedings referred to in Conditions 14(b)(i) (*Events of Default – Events of Default for Subordinated Notes – Non payment*) or 14(b)(iii) (*Events of Default – Events of Default for Subordinated Notes – Breach of obligations*) and the proving or claiming in any dissolution and liquidation of the Bank, shall be available to the Noteholders or the Couponholders whether for the recovering of amounts owing in respect of the Notes or the Coupons or in respect of any breach by the Bank of any other obligation, condition or provision binding on it under the Notes or the Coupons.

## 15. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

## 16. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes 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) (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes), 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 Bank may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## 17. **Agents**

- (a) *Obligations of Agents*: In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents, the Calculation Agent and the Registrar act solely as agents of the Bank and do not assume any obligations towards

or relationship of agency or trust for or with any of the Noteholders or Couponholders, and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

- (b) The initial Paying Agent and Registrar and their initial Specified Offices are listed in the Agency Agreement. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Bank reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar or the Calculation Agent and to appoint a successor fiscal agent, paying agent, calculation agent or registrar; **provided that:**
- (i) the Bank shall at all times maintain a Fiscal Agent;
  - (ii) the Bank shall at all times maintain, in the case of Registered Notes, a Registrar;
  - (iii) if a Calculation Agent is specified in the relevant Final Terms, the Bank shall at all times maintain a Calculation Agent;
  - (iv) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Bank shall maintain a Paying Agent (which may be the Fiscal Agent) and a Registrar (for Registered Notes) each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system; and
  - (v) in the circumstances described in Condition 11(c) (*Payments – Bearer Notes – Payments in New York City*), a paying agent with a Specified office in New York City.

Notice of any change in the Paying Agent, the Registrar, the Calculation Agent or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 20 (*Notices*).

## 18. Meetings of Noteholders; Modification and Waiver

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Bank and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any



such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. 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 Noteholders.

- (b) **Modification:** The Bank and the Fiscal Agent may agree that the Notes, the Coupons or the Agency Agreement may be amended without the consent of the Noteholders or the Couponholders to correct a manifest or proven error or to comply with mandatory provisions of law or agree to modify any provision thereof, but the Bank shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature. In addition, the Bank and the Fiscal Agent may only agree to any modification of the Notes, Coupons or the Agency Agreement which, in the opinion of such parties, is not materially prejudicial to the interests of the Noteholders.

#### 19. **Further Issues**

The Bank may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue (so that, for the avoidance of doubt, references in the conditions of such notes to "Issue Date" shall be to the first issue date of the Notes)), and so as to form a single series with the Notes.

#### 20. **Notices**

- (a) **Bearer Notes:** Notices to holders of Bearer Notes shall be valid 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 daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.
- (b) **Registered Notes:** Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an address overseas) by airmail to them (or the first named of joint holders) at their respective addresses recorded in the register kept by the Registrar, and will be deemed to have been given on the fourth business day after the date of such after mailing.

#### 21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole

Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency (with 0.005 being rounded upwards).

## 22. **Governing Law and Jurisdiction**

### (a) ***Governing law***

The Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes (including the remaining provisions of this Condition 22(a) (*Governing Law and Jurisdiction – Governing law*), the Receipts and the Coupons, 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 Jurisdiction – Option to litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes, the Receipts and/or the Coupons (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**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. 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 Jurisdiction – Agreement to arbitrate*), the Noteholder may, in the alternative, and at its sole discretion, by notice in writing to 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 a Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 22(d) (*Governing Law and Jurisdiction – Effect of exercise of option to litigate*) and, subject as provided below, any arbitration commenced under Condition 22(b) (*Governing Law and Jurisdiction – Agreement to arbitrate*) in respect of that Dispute will be terminated. Each of the Noteholder and the recipient of such notice 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 Noteholder must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

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

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

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

- (i) subject to paragraph (iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Bank submits to the exclusive jurisdiction of such courts;
- (ii) the Bank agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (iii) this Condition 22(d) (*Governing Law and Jurisdiction – Effect of exercise of option to litigate*) is for the benefit of the Noteholders only. As a result, and notwithstanding paragraph (i) above, Noteholders may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

- (e) ***Process agent***: The Bank agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered 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 Bank's behalf, the Bank shall, on the written demand of any Noteholder addressed and delivered to the Bank or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Bank and delivered to the Bank or to the Specified Office of the Fiscal Agent. Nothing in this Condition shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

- (f) ***Consent to enforcement etc.:*** The Bank consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

23. **Rights of Third Parties**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes[, from 1 January 2018] are not intended to be offered, sold or otherwise made available to and[, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

## **FORM OF FINAL TERMS**

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

Final Terms dated [•]

### **First Abu Dhabi Bank PJSC**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under the U.S.\$15,000,000,000**

**Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 August 2017 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, and including any relevant implementing measure in a relevant Member State of the European Economic Area) (the "**Prospectus Directive**"). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [and its supplement(s)].

Full information on the Bank and the Notes is only available on the basis of the combination of these Final Terms 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>) and during normal business hours at the registered offices of the Bank at FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement to it dated [date]] which are incorporated by reference in the Base Prospectus dated 30 August 2017. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU,

and including any relevant implementing measure in a relevant Member State of the European Economic Area) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 30 August 2017 [and the supplemental Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, as amended, save in respect of the Conditions.

Full information on the Bank and the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 30 August 2017 [and the supplemental Prospectuses dated [•]] and [•]]. Copies of the Base Prospectus [and the supplemental Prospectuses] and the Final Terms are available for viewing at the market news section of the London Stock Exchange website ([www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)) and during normal business hours at the normal business hours at the registered offices of the Bank at FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

- |     |  |   |
|-----|--|---|
| 1.  | Issuer:  | First Abu Dhabi Bank PJSC   |
| 2.  | (i) [Series Number:]                             | [•]   |
|     | (ii) [Tranche Number:]                           | [•]   |
|     | (iii) [Date on which the Notes become fungible:] | [•]/[Not Applicable]  |
| 3.  | Specified Currency or Currencies:                | [•]   |
| 4.  | Aggregate Nominal Amount:                        |   |
|     | (i) [Series:]                                    | [•]   |
|     | (ii) [Tranche:]                                  | [•]   |
| 5.  | Issue Price:                                     | [•] per cent. of the Aggregate Nominal Amount<br>[plus accrued interest from [•]]/[Not specified]   |
| 6.  | (i) Specified Denominations:                     | [•]   |
|     | (ii) Calculation Amount:                         | [•]   |
| 7.  | (i) [Issue Date:]                                | [•]   |
|     | (ii) [Interest Commencement Date:]               | [[•]/Issue Date/Not Applicable]   |
| 8.  | Maturity Date:                                   | [•]   |
| 9.  | Interest Basis:                                  | [[•] per cent. Fixed Rate]<br>[[•] +/- [•] per cent. Floating Rate]<br>[Zero Coupon]  |
| 10. | Redemption/Payment Basis:                        | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount. |

11. Change of Interest or Redemption/Payment Basis: [Applicable/Not Applicable]
12. Put/Call Options: [Not Applicable]  
[Investor Put]  
[Issuer Call]
13. (i) Status of the Notes: [Senior/Subordinated]
- (ii) [Date [Board] approval for issuance of Notes obtained: [•]]
- (iii) [Date UAE Central Bank approval for issuance of Subordinated Notes obtained: [•]]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [•] in each year
- (iii) [First Interest Payment Date: [•]]
- (iv) Fixed Coupon Amount[(s)]: [[•] per Calculation Amount]/[Not Applicable]
- (v) Broken Amount(s): [•]/[Not Applicable]
- (vi) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA/ISDA)]  
[Actual/365 (Fixed)]
- (vii) Determination Dates: [[•] in each year]/[Not Applicable]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Specified Period: [•]
- (ii) Specified Interest Payment Dates: [•][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable]

- (iii) [First Interest Payment Date: [•]]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (v) Additional Business Centre(s): [[•]/Not Applicable]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Fiscal Agent]): [[•] shall be the Calculation Agent]
- (viii) Screen Rate Determination:
- Reference Rate: [LIBOR]/[EURIBOR]/[LIBID]/[LIMEAN]/[SHIBOR]/[HIBOR]/[SIBOR]/[EIBOR]/[SAIBOR]/[BBSW]/[AUD LIBOR]/[JPY LIBOR]/[PRIBOR]/[CNH HIBOR]/[TRLIBOR or TRYLIBOR]/[TIBOR]/[GBP LIBOR]/[CHF LIBOR]/[CAD LIBOR]/[NZD LIBOR]/[DKK LIBOR]/[SEK LIBOR]/[MIBOR]/[BKBM]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [•]
  - Relevant Time: [•]
  - Relevant Financial Centre: [•]
- (ix) ISDA Determination:
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
- (x) Margin(s): [•] per cent. per annum
- (xi) Minimum Rate of Interest: [•] per cent. per annum
- (xii) Maximum Rate of Interest: [•] per cent. per annum
- (xiii) Day Count Fraction: [Actual/Actual (ICMA)]  
[Actual/365]



|       |   |  |
|-------|---|--|
|       |   | [Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/360]<br>[30/360]<br>[30E/360]<br>[Eurobond basis]  |
| (xiv) | Linear Interpolation:                                       | [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]              |
| 16.   | <b>Zero Coupon Note Provisions</b>                          | [Applicable/Not Applicable]  |
| (i)   | Accrual Yield:  | [•] per cent. per annum  |
| (ii)  | Reference Price:  | [•]  |
| (iii) | Day Count Fraction in relation to Early Redemption Amounts: | [30/360]<br>[Actual/Actual (ICMA)]<br>[Actual/365]<br>[Actual/Actual (ISDA)]<br>Actual/365 (Fixed)]<br>[Actual/360]<br>[30/360]<br>[30E/360]<br>[Eurobond basis] |

#### PROVISIONS RELATING TO REDEMPTION

|       |  |                             |
|-------|--|-----------------------------|
| 17.   | <b>Call Option</b>   | [Applicable/Not Applicable] |
| (i)   | Optional Redemption Date(s):   | [•]                         |
| (ii)  | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [•] per Calculation Amount  |
| (iii) | If redeemable in part:   |                             |
|       | (a) Minimum Redemption Amount:   | [•] per Calculation Amount  |
|       | (b) Maximum Redemption Amount:   | [•] per Calculation Amount  |
| 18.   | <b>Put Option</b>  | [Applicable/Not Applicable] |
| (i)   | Optional Redemption Date(s):   | [•]                         |
| (ii)  | Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):              | [•] per Calculation Amount  |

19. **Final Redemption Amount of each Note** 100 per cent. of their nominal amount
20. **Early Redemption Amount** [Applicable/Not Applicable]
- Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default: [•] per Calculation Amount

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice.]
- [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
- Registered Notes:
- [Global Registered Notes exchangeable for Individual Registered Notes on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Note.]
22. Additional Financial Centre(s): [•]/[Not Applicable]
23. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No]
24. RMB Settlement Centre(s): [•]/[Not Applicable]
25. RMB Currency Event: [Applicable]/[Not Applicable]
26. Relevant Currency for Condition 11(k)/12(d): [•]/[Not Applicable]
27. Relevant Spot Rate Screen Pages for Condition 11(k)/12(d): (i) Relevant Spot Rate Screen Page (Deliverable Basis): [•]/[Not Applicable]
- (ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): [•]/[Not Applicable]
28. Party responsible for calculating the [[•] (the "**Calculation Agent**")]/[Not Applicable]

Spot Rate for Condition 11(k)/12(d):

29. **THIRD PARTY INFORMATION**

[[•] has been extracted from [•]. 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 [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not applicable]

Signed on behalf of **First Abu Dhabi Bank PJSC**:

By: .....  
Duly Authorised

By: .....  
Duly Authorised

## PART B – OTHER INFORMATION

### 1. LISTING

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

### 2. RATINGS

Ratings: [The Notes to be issued have not been rated]/[The Notes to be issued have been rated:]  
[Fitch: [•]]  
[Moody's: [•]]  
[S&P: [•]]

### 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 Bank is aware, no person involved in the issue of the Notes 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. [REASON[S] FOR THE OFFER]

*[If not for general corporate purposes such as, for example, a "green project"]*

### 5. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

### 6. U.S. SELLING RESTRICTIONS Regulation S Compliance Category 2

### 7. [TEFRA C/TEFRA D/TEFRA not applicable]

### 8. OPERATIONAL INFORMATION

ISIN: [•]

Common Code: [•]

Names and addresses of additional Paying Agent(s) (if any): [•][Not Applicable]

Any clearing system(s) other than [Not Applicable/give name(s) and number(s) and

Euroclear Bank SA/NV and Clearstream [addresses]  
Banking S.A. and the relevant addressees  
and identification number(s):

Delivery: Delivery [against/free of] payment

9. **DISTRIBUTION**

(i) Method of distribution: [Syndicated/Non-syndicated]

(A) If syndicated, names of [Not applicable/[●]]  
Managers:

(B) Stabilisation Manager(s) [Not applicable/[●]]  
(if any):

(ii) Prohibition of Sales to EEA [Applicable]/[Not applicable]  
Retail Investors:

(iii) If non-syndicated, name of [Not applicable/[●]]  
relevant Dealer:

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes[, from 1 January 2018,] are not intended to be offered, sold or otherwise made available to and[, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

### **FORM OF PRICING SUPPLEMENT**

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

Pricing Supplement dated [•]

No base prospectus is required to be produced in accordance with Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, and including any relevant implementing measure in a relevant Member State of the European Economic Area) (the "**Prospectus Directive**") for this issue of Notes described below and, accordingly, the Notes issued as described below are not required to, and do not comply with, the Prospectus Directive as so amended. The U.K. Listing Authority has neither approved nor reviewed the information contained in this Pricing Supplement.

#### **First Abu Dhabi Bank PJSC**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under the U.S.\$15,000,000,000**

**Euro Medium Term Note Programme**

#### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 30 August 2017 [and the supplemental Base Prospectus dated [•]]. This document constitutes the pricing supplement relating to the issue of Notes 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].

In order to get the full information on the Bank and the Notes described herein, this Pricing Supplement must be read in conjunction with 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>) and during normal business hours at the registered offices of the Bank at FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement to it dated [date]] which are incorporated by reference in the Base Prospectus dated 30 August 2017. This document constitutes the final terms of the Notes described herein and must be read in conjunction with the Base Prospectus dated 30 August 2017 [and the supplemental Prospectus dated [•]]. In order to get the full information on the Bank and the Notes described herein, this Pricing Supplement must be read in conjunction with the Base Prospectus dated 30 August 2017 [and the supplemental Prospectuses dated [•] and [•]]. Copies of the Base Prospectus [and the supplemental Prospectuses] and this Pricing Supplement are available for viewing at the market news section of the London Stock Exchange website ([www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)) and during normal business hours at the registered offices of the Bank at FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

- |    |  |   |
|----|--|---|
| 1. | Issuer:  | First Abu Dhabi Bank PJSC   |
| 2. | (i) [Series Number:]                             | [•]   |
|    | (ii) [Tranche Number:]                           | [•]   |
|    | (iii) [Date on which the Notes become fungible:] | [•]/[Not Applicable]  |
| 3. | Specified Currency or Currencies:                | [•]   |
| 4. | Aggregate Nominal Amount:                        |   |
|    | (i) [Series:]                                    | [•]   |
|    | (ii) [Tranche:]                                  | [•]   |
| 5. | Issue Price:                                     | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]/[Not specified]          |
| 6. | (i) Specified Denominations:                     | [•]   |
|    | (ii) Calculation Amount:                         | [•]   |
| 7. | (i) [Issue Date:]                                | [•]   |
|    | (ii) [Interest Commencement Date:]               | [[•]/Issue Date/Not Applicable]   |
| 8. | Maturity Date:                                   | [•]   |
| 9. | Interest Basis:                                  | [[•] per cent. Fixed Rate]<br>[[•] +/- [•] per cent. Floating Rate]<br>[Zero Coupon]<br>[specify other] |

10. Redemption/Payment Basis: [Redemption at par]  
[specify other]
11. Change of Interest or Redemption/Payment Basis: [Applicable/Not Applicable]
12. Put/Call Options: [Not Applicable]  
[Investor Put]  
[Issuer Call]
13. (i) Status of the Notes: [Senior/Subordinated]
- (ii) [Date [Board] approval for issuance of Notes obtained: [•]]
- (iii) [Date UAE Central Bank approval for issuance of Subordinated Notes obtained: [•]]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [•] in each year
- (iii) [First Interest Payment Date: [•]]
- (iv) Fixed Coupon Amount(s): [[•] per Calculation Amount]/[Not Applicable]
- (v) Broken Amount(s): [•]/[Not Applicable]
- (vi) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA/ISDA)]  
[Actual/365 (Fixed)]  
[Actual/360]  
[specify other]
- (vii) Determination Dates: [[•] in each year]/[Not Applicable]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
- (ix) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [Not Applicable]/[give details]
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]



- (i) Specified Period: [•]
- (ii) Specified Interest Payment Dates: [•], subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable]
- (iii) [First Interest Payment Date: [•]]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (v) Additional Business Centre(s): [[•]/Not Applicable]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/[•]]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Fiscal Agent]): [[•] shall be the Calculation Agent]
- (viii) Screen Rate Determination:
- Reference Rate: [LIBOR]/[EURIBOR]/[LIBID]/[LIMEAN]/[SHIBOR]/[HIBOR]/[SIBOR]/[EIBOR]/[SAIBOR]/[BBSW]/[AUD LIBOR]/[JPY LIBOR]/[PRIBOR]/[CNH HIBOR]/[TRLIBOR or TRYLIBOR]/[TIBOR]/ [GBP LIBOR]/[CHF LIBOR]/[CAD LIBOR]/ [NZD LIBOR]/[DKK LIBOR]/[SEK LIBOR]/[MIBOR]/[BKBM]/[specify other Reference Rate]]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [•]
  - Relevant Time: [•]
  - Relevant Financial Centre: [•]
- (ix) ISDA Determination:
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
- (x) Margin(s): [•] per cent. per annum
- (xi) Minimum Rate of Interest: [•] per cent. per annum

- (xii) Maximum Rate of Interest: [•] per cent. per annum
- (xiii) Day Count Fraction: [Actual/Actual (ICMA)]  
[Actual/365]  
[Actual/Actual (ISDA)]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30/360]  
[30E/360]  
[Eurobond Basis]  
[specify other]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [Not Applicable]/[specify]
- (xv) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
16. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/Actual (ICMA)]  
[Actual/365]  
[Actual/Actual (ISDA)]  
Actual/365 (Fixed)  
[Actual/360]  
[30/360]  
[30E/360]  
[Eurobond basis]  
[other] [specify other]
- (iv) Any other formula/basis for determining amounts payable for Zero Coupon Notes which are Exempt Notes: [•]

## PROVISIONS RELATING TO REDEMPTION

17. **Call Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) [[•] per Calculation Amount]/[specify other]

of each Note and method, if any,  
of calculation of such amount(s):

- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
  - (b) Maximum Redemption Amount: [•] per Calculation Amount
18. **Put Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [[•] per Calculation Amount]/[specify other]
19. **Final Redemption Amount of each Note** [[•] per Calculation Amount]/[specify other]
20. **Early Redemption Amount** [Applicable/Not Applicable]
- Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption: [[•] per Calculation Amount]/[specify other]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice.]
- [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
- Registered Notes:
- [Global Registered Notes exchangeable for Individual Registered Notes on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Note]
22. Additional Financial Centre(s): [•]/[Not Applicable]

23. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No]
24. RMB Settlement Centre(s): [•]/[Not Applicable]
25. RMB Currency Event: [Applicable]/[Not Applicable]
26. Relevant Currency for Condition 11(k)/12(d): [•]/[Not Applicable]
27. Relevant Spot Rate Screen Pages for Condition 11(k)/12(d):
- (i) Relevant Spot Rate Screen Page (Deliverable Basis): [•]/[Not Applicable]
  - (ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): [•]/[Not Applicable]
28. Party responsible for calculating the Spot Rate for Condition 11(k)/12(d): [[•] (the "**Calculation Agent**")]/[Not Applicable]
29. Other terms or special conditions: [•]/[Not Applicable]

Signed on behalf of **First Abu Dhabi Bank PJSC**:

By: .....  
Duly Authorised

By: .....  
Duly Authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing and admission to trading: [The Notes to be issued are unlisted]/[•]
- (ii) Estimate of total expenses related to admission to trading: [•]/[Not applicable]

### 2. RATINGS

Ratings: [The Notes to be issued have not been rated]/[The Notes to be issued have been rated:]  
[Fitch: [•]]  
[Moody's: [•]]  
[S&P: [•]]

### 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 Bank is aware, no person involved in the issue of the Notes 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. [REASON[S] FOR THE OFFER]

*[If not for general corporate purposes such as, for example, a "green project"]*

### 5. [Fixed Rate Notes only – YIELD]

Indication of yield: [•]

### 6. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-Syndicated]
- (ii) (A) If syndicated, names of Managers: [Not Applicable/[•]]
- (B) Stabilisation Manager(s) (if any): [Not Applicable/[•]]
- (iii) If non-syndicated, name of relevant Dealer: [Not Applicable/[•]]
- (iv) U.S. Selling Restrictions: [Reg S. Compliance Category [1/2]; TEFRA D/TEFRA C/TEFRA not applicable]
- (v) Additional Selling Restrictions: [Not Applicable/[•]]
- (vi) Prohibition of Sales to EEA [Applicable]/[Not Applicable]

Retail Investors:

7. **OPERATIONAL INFORMATION**

ISIN: [•]

Common Code: [•]

Names and addresses of additional Paying Agent(s) (if any): [•]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream, Banking S.A. and the relevant addresses and identification number(s): [Not Applicable/*give name(s) and number(s) and [addresses]*]

Delivery: Delivery [against/free of] payment

8. **THIRD PARTY INFORMATION**

[[•] has been extracted from [•]. 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 [•], no facts have been omitted which would render the reproduced information inaccurate or misleading]/[Not Applicable]

## **REPORT ON THE PRO FORMA FINANCIAL INFORMATION**



KPMG Lower Gulf Limited  
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Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

**Independent Accountant's Assurance Report on the Compilation of Pro Forma Combined Financial Information**

The Board of Directors  
National Bank of Abu Dhabi PJSC  
PO Box 4  
Abu Dhabi  
UAE

*Report on the Compilation of Pro Forma Combined Financial Information*

We have completed our assurance engagement to report on the compilation of pro forma combined financial information of National Bank of Abu Dhabi PJSC (the "Issuer") and First Gulf Bank ("FGB") prepared in connection with the proposed merger of the Issuer and FGB (the "Merger") and to be included in the supplement to the base prospectus dated 1 September 2016 (the "Base Prospectus") prepared by the Issuer in connection with the update of its USD 7,500,000,000 Euro Medium Term Note Programme ("the Programme") for the issue of Euro Medium Term Notes and for which the Issuer will be solely responsible. This report is required by paragraph 7 of Annex II of Commission Regulation (EC) No 809/2004, as amended (the "Prospectus Regulation") and is given for the purpose of complying with Annex II of the Prospectus Regulation and for no other purpose.

The pro forma financial information consists of pro forma combined financial information for NBAD and FGB (the "Merged Entities") as at 31 December 2016 which includes an unaudited consolidated pro forma balance sheet of the Merged Entities as at 31 December 2016, an unaudited consolidated pro forma statement of profit or loss and other comprehensive income of the Merged Entities for the year ended 31 December 2016 and accompanying explanatory notes ("the pro forma combined financial information"), to illustrate how the Merger might have affected such financial information of the Issuer had it been undertaken on 31 December 2016.

The applicable criteria on the basis of which the Issuer has compiled the pro forma combined financial information is in accordance with laws of the UAE and paragraphs 1 to 6 of Annex II of the Prospectus Regulation. Because of its nature, the pro forma financial information does not represent the actual combined financial position of the Merged Entities as at and for the year ended 31 December 2016.





*Report on the Compilation of Pro Forma Combined Financial Information  
(continued)*

The pro forma combined financial information has been compiled by the Issuer to illustrate the impact of the Merger on the financial information of the Issuer, as if the proposed merger had taken place on the respective dates indicated. As described on pages 5 and 6 of the pro forma combined financial information management of the Issuer has concluded that the Issuer is the legal acquirer and FGB is the accounting acquirer. For the preparation of the pro forma combined financial information, the Issuer has extracted information about the Issuer and FGB from the financial information of the Issuer and FGB as at and for the year ended 31 December 2016, on which an unmodified review conclusion has been expressed by the respective auditors of the Issuer and FGB.

*Issuer's Responsibility for the Pro Forma Combined Financial Information*

The Issuer is responsible for compiling the pro forma combined financial information as required by paragraphs 1 to 6 of Annex II of the Prospectus Regulation.

*Accounting Policies used by the Issuer*

The pro forma combined financial information has been compiled based on the accounting policies of FGB as the accounting acquirer. Those accounting policies are disclosed in the audited consolidated financial statements of FGB as at and for the year ended 31 December 2016. An explanation of any significant differences between the accounting policies of the Issuer and the accounting policies of FGB as the accounting acquirer used in the compilation of the pro forma combined financial information is set out on page 5 of the pro forma combined financial information.

*Accountant's Responsibilities*

Our responsibility is to express an opinion about whether the pro forma combined financial information has been compiled, in all material respects, by the Issuer on the basis stated and that basis is consistent with the accounting policies of the FGB.

We conducted our engagement as required by paragraph 7 of Annex II of the Prospectus Regulation and in accordance with International Standard on Assurance Engagements (ISAE) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board.

This standard requires that the accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Issuer has compiled, in all material respects, the pro forma combined financial information on the basis stated on pages 5 and 6.



*Accountant's Responsibilities (continued)*

For the purpose of this engagement, we are not responsible for updating or re-issuing any reports or opinions on any historical financial information used in compiling the pro forma combined financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma combined financial information. Save for any responsibility arising under Prospectus Rule 5.5.4R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 13.1 of Annex XI of the Prospectus Regulation, consent to its inclusion in the Base Prospectus.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma statement of financial position with the management.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the combined pro forma financial information has been properly compiled in accordance with the basis of preparation set out on pages 5 and 6 of the pro forma combined financial information of the Merged entity by performing the following procedures:

- Made inquiries of management regarding the process management has applied to compile the pro forma combined financial information;
- Checked whether management has used an appropriate source of the unadjusted financial information in compiling the pro forma combined financial information;
- Checked whether management has appropriately extracted the unadjusted financial information from the source documents;
- Checked whether management has compiled the pro forma combined financial information on the basis as set out on pages 5 and 6 of the pro forma combined financial information;
- Checked the consistency of the Issuer's and FGB financial reporting framework and its accounting policies under that framework;
- Considered management's evidence supporting the pro forma adjustments;
- Checked whether the calculations within the pro forma combined financial information are arithmetically accurate; and
- Checked the overall presentation and disclosure of the pro forma combined financial information and related explanatory notes.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



*Opinion*

In our opinion:

- the pro forma combined financial information has been properly compiled on the basis stated on pages 5 and 6 of the pro forma combined financial information; and
- that basis is consistent with the accounting policies of FGB as the accounting acquirer of the Issuer.

*Declaration*

For the purposes of Prospectus Rule 5.5.4R (2)(f) we are responsible for this report as part of the Base Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Base Prospectus in compliance with paragraph 1.2 of Annex XI of the Prospectus Regulation.

*KPMG*

KPMG Lower Gulf Limited

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

## **PRO FORMA PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

The following pro forma preliminary condensed consolidated financial information and related notes (“Pro forma financial information”) illustrates the effects on the statement of financial position and financial performance of the combination (Merger) between National Bank of Abu Dhabi and its subsidiaries (together referred to as “NBAD”) and First Gulf Bank and its subsidiaries (together referred to as “FGB”). The closing of the Merger is subject to the occurrence or waiving of certain conditions precedent and is expected to occur in the first quarter of 2017.

The Pro forma financial information consists of the Unaudited Pro Forma Condensed Consolidated Statement of Financial Position of NBAD and FGB (together referred to as “the Group”) as at 31 December 2016, as if the Merger has taken place as at 31 December 2016, and its Unaudited Pro forma Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2016 and Notes to the Unaudited Pro Forma Financial Information.

The purpose of the Pro forma financial information is to show the material effects that the Merger of NBAD and FGB would have had on the historical consolidated statement of financial position if the Group had already existed in the structure created by the Merger as at 31 December 2016 and on the historical consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2016. They are not representative of the financial situation and performance that could have been observed if the indicated business combination had been undertaken at an earlier date.

The presentation of the Pro forma financial information of the Group is based on certain pro forma assumptions and has been prepared for illustrative purposes only and, because of its nature, the pro forma consolidated statement of financial position and financial performance addresses a hypothetical situation and, therefore, does not represent and may not give a true picture of the financial position and financial performance of the Group. Furthermore, the Pro forma financial information is only meaningful in conjunction with the historical consolidated financial statements of NBAD and FGB as at and for the financial year ended 31 December 2016.

The Pro forma financial information has been prepared on figures extracted from the audited consolidated financial statements of NBAD, and the audited consolidated financial statements of FGB as at 31 December 2016, both prepared on the basis of International Financial Reporting Standards.

The Pro forma financial information have been compiled based on the accounting policies of FGB being the accounting acquirer. Those accounting policies are disclosed in the consolidated financial statements as at 31 December 2016 of FGB. The principles/criteria used in the compilation of these pro forma financial information and assumptions used are explained in this document (Notes).

The Pro forma financial information does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the Merger. The Pro forma financial information gives no indication of the results and future financial situation of the activities of the Group.

**PRO FORMA PRELIMINARY CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION (continued)**

Under IFRS 3 *Business Combinations*, the Group accounts for the Merger as an acquisition by FGB of NBAD (“reverse acquisition”) and is required to fair value the assets, liabilities and contingent liabilities acquired at the date of acquisition and to reflect the difference between their fair value and the purchase consideration as goodwill or gain on acquisition. The fair value exercise (“purchase price allocation”) has not been completed as at the date of this document and may result in different values being attributed to the assets, liabilities and contingent liabilities acquired than those that are shown in the Pro forma financial information.

**PRO FORMA CONDENSED CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2016**

|  | NBAD               | FGB                | Pro forma<br>adjustments | Notes  | Pro forma<br>Consolidated |
|--|--------------------|--------------------|--------------------------|--------|---------------------------|
|  | AED 000            | AED 000            | AED 000                  |        | AED 000                   |
| <b>ASSETS</b>  |                    |                    |                          |        |                           |
| Cash and balances with central banks                     | 98,664,599         | 24,777,953         | -                        |        | 123,442,552               |
| Investments at fair value through profit or loss         | 14,525,506         | 899,524            | (4,043,179)              | i      | 11,381,851                |
| Due from banks and financial institutions                | 8,523,107          | 12,936,687         | (4,147,419)              | i      | 17,312,375                |
| Reverse repurchase agreements                            | 9,566,579          | 5,449,019          | (736,756)                | i      | 14,278,841                |
| Derivative financial instruments                         | 12,019,406         | 1,953,003          | (175,640)                | i      | 13,796,769                |
| Loans and advances                                       | 200,531,811        | 155,778,326        | (64,070)                 | i      | 356,246,067               |
| Non-trading investments                                  | 64,441,924         | 28,373,469         | -                        |        | 92,815,393                |
| Other assets   | 9,545,979          | 6,819,129          | (68,827)                 | i      | 16,296,281                |
| Investment properties                                    | 45,604             | 6,422,502          | -                        |        | 6,468,106                 |
| Property and equipment                                   | 2,848,985          | 1,528,255          | 216,990                  | ii     | 4,594,230                 |
| Goodwill and intangible assets                           | -                  | 170,398            | 13,713,791               | iv     | 13,884,189                |
| <b>Total assets</b>                                      | <b>420,713,500</b> | <b>245,108,264</b> | <b>4,694,890</b>         |        | <b>670,516,654</b>        |
| <b>LIABILITIES</b>                                       |                    |                    |                          |        |                           |
| Due to banks and financial institutions                  | 40,963,741         | 11,585,628         | (4,147,419)              | i      | 48,401,949                |
| Repurchase agreements                                    | 17,222,136         | 13,109,155         | (736,756)                | i      | 29,594,535                |
| Euro commercial paper                                    | 7,372,911          | 10,016,916         | (3,663,930)              |        | 13,725,897                |
| Derivative financial instruments                         | 13,380,789         | 2,835,008          | (175,640)                | i      | 16,040,157                |
| Customer accounts and other deposits                     | 253,382,492        | 146,911,122        | -                        |        | 400,293,614               |
| Term borrowings  | 28,915,650         | 16,458,045         | (379,250)                | i      | 44,994,445                |
| Other liabilities  | 12,614,291         | 4,698,918          | (132,897)                | i      | 17,180,312                |
| Sukuk financing instruments                              | -                  | 1,836,500          | -                        |        | 1,836,500                 |
| Subordinated notes                                       | 355,987            | -                  | -                        |        | 355,987                   |
| <b>Total liabilities</b>                                 | <b>374,207,997</b> | <b>207,451,292</b> | <b>(9,235,891)</b>       |        | <b>572,423,398</b>        |
| <b>EQUITY</b>  |                    |                    |                          |        |                           |
| Share capital  | 5,254,546          | 4,500,000          | 1,143,000                | iii, v | 10,897,546                |
| Additional paid-in capital                               | 307,885            | -                  | 52,463,799               | iii, v | 52,771,684                |
| Treasury shares  | (48,746)           | -                  | -                        | iii, v | (48,746)                  |
| Legal reserve  | 5,254,546          | 11,030,110         | (11,030,110)             | iii, v | 5,254,546                 |
| Tier 1 capital notes                                     | 6,754,750          | 4,000,000          | -                        | iv, v  | 10,754,750                |
| Share option scheme                                      | 228,349            | -                  | -                        | iv, v  | 228,349                   |
| Convertible notes-equity component                       | 108,265            | -                  | -                        | iv, v  | 108,265                   |
| Revaluation reserve                                      | -                  | 280,601            | -                        |        | 280,601                   |
| Other reserves   | 21,196,859         | 444,463            | (21,196,859)             | v      | 444,463                   |
| Retained earnings  | 7,449,049          | 16,969,016         | (7,449,049)              | v      | 16,969,016                |
| <b>Equity attributable to equity holders of the Bank</b> | <b>46,505,503</b>  | <b>37,224,190</b>  | <b>13,930,781</b>        |        | <b>97,660,474</b>         |
| Non-controlling interests                                | -                  | 432,782            | -                        |        | 432,782                   |
| <b>Total equity</b>                                      | <b>46,505,503</b>  | <b>37,656,972</b>  | <b>13,930,781</b>        |        | <b>98,093,256</b>         |
| <b>Total liabilities and equity</b>                      | <b>420,713,500</b> | <b>245,108,264</b> | <b>4,694,890</b>         |        | <b>670,516,654</b>        |

*See notes to the Pro forma financial information.*

**PRO FORMA CONDENSED CONSOLIDATED  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED**

**31 DECEMBER 2016**

|   | NBAD              | FGB              | Pro forma<br>adjustments | Notes | Pro forma<br>Consolidated |
|---|-------------------|------------------|--------------------------|-------|---------------------------|
|   | AED 000           | AED 000          | AED 000                  |       | AED 000                   |
| Interest income   | 9,656,957         | 8,039,512        | (158,601)                | i     | 17,537,868                |
| Interest expense  | (2,836,654)       | (1,951,322)      | 158,601                  | i     | (4,629,375)               |
| <b>Net interest income</b>                              | <b>6,820,303</b>  | <b>6,088,190</b> | -                        |       | <b>12,908,493</b>         |
| Income from Islamic financing contracts                 | 509,473           | 506,160          | -                        |       | 1,015,633                 |
| Islamic financing expense                               | (24,969)          | (208,458)        | -                        |       | (233,427)                 |
| <b>Net income from Islamic financing contracts</b>      | <b>484,504</b>    | <b>297,702</b>   | -                        |       | <b>782,206</b>            |
| <b>Net interest and Islamic financing income</b>        | <b>7,304,807</b>  | <b>6,385,892</b> | -                        |       | <b>13,690,699</b>         |
| Net fees and commission income                          | 2,178,104         | 1,848,700        | -                        |       | 4,026,804                 |
| Net foreign exchange gain                               | 961,286           | 194,022          | -                        |       | 1,155,308                 |
| Net gain on investments and derivatives                 | 327,816           | 377,067          | -                        |       | 704,883                   |
| Other operating income                                  | 36,171            | 776,719          | -                        |       | 812,890                   |
| <b>Operating income</b>                                 | <b>10,808,184</b> | <b>9,582,400</b> | -                        |       | <b>20,390,584</b>         |
| General, administration and other operating expense     | (4,012,759)       | (1,997,740)      | -                        |       | (6,010,499)               |
| <b>Profit before net impairment charge and taxation</b> | <b>6,795,425</b>  | <b>7,584,660</b> | -                        |       | <b>14,380,085</b>         |
| Net impairment charge                                   | (1,190,677)       | (1,473,014)      | -                        |       | (2,663,691)               |
| <b>Profit before taxation</b>                           | <b>5,604,748</b>  | <b>6,111,646</b> | -                        |       | <b>11,716,394</b>         |
| Overseas income tax expense                             | (308,706)         | (41,846)         | -                        |       | (350,552)                 |
| <b>Net profit</b>                                       | <b>5,296,042</b>  | <b>6,069,800</b> | -                        |       | <b>11,365,842</b>         |
| Other comprehensive income                              | 548,125           | (78,643)         | -                        |       | 469,482                   |
| <b>Total comprehensive income</b>                       | <b>5,844,167</b>  | <b>5,991,157</b> | -                        |       | <b>11,835,324</b>         |

*See notes to the Pro forma financial information.*



## NOTES TO THE PRO FORMA FINANCIAL INFORMATION

### BASIS OF PRO FORMA FINANCIAL INFORMATION PRESENTATION

The Group has adopted the acquisition method of accounting under IFRS 3 *Business Combinations*. IFRS 3 requires that an acquirer be identified in any business combination and acquisition accounting principles be applied. For the purposes of this Pro forma financial information, FGB has been identified as the acquirer. The Merger however is to be effected by a capital issuance of 5,643 million shares of AED 1 by NBAD to the shareholders of FGB, in a share swap transaction at the exchange rate of 1.254 shares of NBAD for each share of FGB. Accordingly, the transaction is accounted for as a reverse acquisition.

The consolidated statement of financial position of NBAD at 31 December 2016 has been extracted from the audited consolidated financial statements of NBAD. The consolidated statement of financial position of FGB at 31 December 2016 has been extracted from the audited consolidated financial statements of FGB.

The consolidated statement of profit or loss and other comprehensive income of NBAD for the financial year ended 31 December 2016 has been extracted from the audited consolidated financial statements of NBAD. The consolidated statement of profit or loss and other comprehensive income of FGB for the financial year ended 31 December 2016 has been extracted from the audited consolidated financial statements of FGB.

The Pro forma financial information has been prepared and are presented on the basis of accounting policies of FGB as disclosed in its consolidated financial statements for the year ended 31 December 2016. The accounting policies used by FGB as described in its financial statements for the year ended 31 December 2016 do not materially differ from those used by NBAD except for the following:

- a. Lands classified under property and equipment are measured by FGB under the revaluation model compared to the cost model adopted by NBAD and thus carried at fair value in the statement of financial position. Based on the fair value of land properties provided by NBAD, an increase of AED217 million has been recognised.
- b. Investment properties are measured at fair value by FGB compared to cost model as adopted by NBAD. However, as disclosed in NBAD's audited financial statements as at 31 December 2016, the fair value of investment properties approximates its carrying amounts and thus no adjustment has been recognised.

The following presentation adjustments have been made to ensure consistency of presentation with the consolidated statement of financial position between NBAD and FGB, in particular:

- a. FGB's investments have been separately presented as investments at fair value through profit or loss and non-trading investments;
- b. FGB's investments in associates have been presented under other assets;
- c. FGB's derivative financial assets and liabilities have been separately presented out of other assets and other liabilities, respectively;
- d. FGB's repurchase agreements have been separately presented out of due to banks and financial institutions, customer accounts and other deposits, and term borrowings;
- e. FGB's reverse repurchase agreements have been separately presented out of loans and advances, and due from banks;
- f. FGB's goodwill and intangible assets have been separately presented out of other assets; and
- g. FGB's foreign currency translation reserve and cumulative change in fair value reserve have been presented as part of other reserves.

## NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)

### BASIS OF PRO FORMA FINANCIAL INFORMATION PRESENTATION (continued)

The following presentation adjustments have been made to ensure consistency of presentation with the consolidated statement of profit or loss and other comprehensive income between NBAD and FGB, in particular:

- a. FGB's income from Islamic financing contracts have been separately presented and reclassified from 'Interest income and income from Islamic financing' in its financial statements; and
- b. FGB's expense from Islamic financing have been separately presented and reclassified from 'Interest expense and Islamic financing expense' in its financial statements; and
- c. FGB's net foreign exchange gain and net gain on investments and derivatives have been separately presented out of other operating income.

### PRO FORMA ADJUSTMENTS

The pro forma adjustments made for purposes of the Pro forma financial information are based on information available and on preliminary estimates, as well as certain pro forma assumptions of the Group as described in these pro forma notes. The Pro forma financial information neither contains any potential synergies or cost savings nor any normalisation adjustments or any additional future expenses that could result from the Merger. Furthermore, the Pro forma financial information does not contain any potential or future effects resulting from any possible remedies imposed on the Group by authorities or regulators in connection with the Merger. The Pro forma financial information has not been adjusted for acquisition-related costs.

For purposes of the Pro forma financial information, it is assumed that the closing of the Merger occurred as at 31 December 2016. The pro forma financial information has not been adjusted for acquisition-related costs.

The pro forma adjustments included in the Pro forma financial information are as follows:

- i. To record elimination of intercompany balances between FGB and NBAD. Intercompany balances for accounts under statements of financial position (assets and liabilities) and statements of profit or loss and other comprehensive income (income and expenses) between FGB and NBAD have been reconciled against each other.
- ii. To record the adjustments relating to the fair valuation of NBAD land within property and equipment as follows:

|                   |                |
|-------------------|----------------|
|                   | <u>AED'000</u> |
| Carrying value    | 1,100,695      |
| Fair value        | 1,317,685      |
| <b>Difference</b> | <b>216,990</b> |

The following is the journal entry to record the above adjustment:

|                           |                |                |
|---------------------------|----------------|----------------|
|                           | <u>AED'000</u> | <u>AED'000</u> |
| Land (Dr.)                | 216,990        |                |
| Retained earnings (Dr.)   | 185,997        |                |
| Revaluation reserve (Cr.) |                | 402,987        |

**NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)**

**PRO FORMA ADJUSTMENTS (continued)**

- iii. To record the issuance of shares of NBAD to FGB shareholders. For the Pro forma financial information purposes, the consideration for the acquisition has been calculated on the basis of a share swap transaction at the rate of 1.254 shares in NBAD for each share in FGB which would result to 52.01% ownership interest of FGB shareholders in the Group and a 47.99% ownership interest of NBAD shareholders, as shown below:

|   | <b>Units 000</b>  | <b>%</b>       |
|---|-------------------|----------------|
| Outstanding shares of FGB   | <b>4,500,000</b>  |                |
| Exchange ratio  | 1.254             |                |
| Number of shares to be issued by NBAD to FGB                              | 5,643,000         |                |
| Par value of shares issued by NBAD to FGB                                 | 5,643,000         | 52.01%         |
| Outstanding share capital of NBAD<br>(net of treasury shares)             | <b>5,205,800</b>  | 47.99%         |
| <b>Total shares of NBAD post combination<br/>(net of treasury shares)</b> | <b>10,848,800</b> | <b>100.00%</b> |

Accordingly, NBAD's share capital post-Merger amount to AED10,849 million which is presented as follows:

|                            | <b>AED'000</b>    |
|----------------------------|-------------------|
| Share capital              | 10,897,546        |
| Treasury shares            | (48,746)          |
| <b>Total share capital</b> | <b>10,848,800</b> |

Applying the rules of IFRS 3 for reverse acquisitions, the consideration for FGB's acquisition of NBAD is the fair value of the equivalent number of shares that FGB would have to issue to NBAD shareholders that would give FGB shareholders and NBAD shareholders the same percentage of equity ownership of 52.01% and 47.99%, respectively, in the Group. The purchase consideration has been calculated on the basis of FGB's closing price of AED12.85 per share on Abu Dhabi Securities Exchange on 29 December 2016. The purchase consideration is an indicative cost, and will be revised to reflect the market price of the shares of FGB as on the date of acquisition.

The consideration is computed as follows:

|   |                   |
|---|-------------------|
| Outstanding shares of FGB (units'000)                           | 4,500,000         |
| Divided by: FGB's percentage ownership in the Group             | 52.01%            |
| <b>Total number of shares of the Group (units'000)</b>          | <b>8,651,356</b>  |
| Multiplied by: NBAD's percentage ownership in the Group         | 47.99%            |
| <b>Number of shares to be issued by FGB to NBAD (units'000)</b> | <b>4,151,356</b>  |
| Multiplied by: Share price of FGB                               | 12.85             |
| <b>Total consideration (AED'000)</b>                            | <b>53,344,920</b> |

A share premium of AED47,702 million arises on NBAD issuance of the new shares for this transaction computed as follows:

|   | <b>AED'000</b>    |
|---|-------------------|
| Total consideration                             | 53,344,920        |
| Less: Par value of shares issued by NBAD to FGB | 5,643,000         |
| <b>Share premium</b>                            | <b>47,701,920</b> |

**NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)**

**PRO FORMA ADJUSTMENTS (continued)**

- iv. To record AED13,714 million excess of total consideration over the net assets of NBAD as at 31 December 2016 after adjustments for other equity items. This amount has not been bifurcated between goodwill and intangible assets pending the results of the purchase price allocation exercise. Moreover, the Pro forma financial information does not include any adjustments to the fair value of the assets, liabilities and contingent liabilities of NBAD as required by IFRS 3. A full fair value exercise will be undertaken as on the date of acquisition.

|  |                   |
|--|-------------------|
|  | <b>AED'000</b>    |
| Total consideration                                      | 53,344,920        |
| Less: Adjusted net assets of NBAD as at 31 December 2016 | (39,631,129)      |
| <b>Goodwill / intangible</b>                             | <b>13,713,791</b> |

The adjusted net assets of NBAD has been computed by deducting other equity items which represents NBAD's continuing interest in the Group and thus were excluded from computation of goodwill.

|   |                   |
|---|-------------------|
|   | <b>AED'000</b>    |
| Net assets of NBAD as at 31 December 2016                 | 46,722,493        |
| Less: Other equity items                                  |                   |
| Tier 1 capital notes                                      | (6,754,750)       |
| Share option scheme                                       | (228,349)         |
| Convertible notes-equity component                        | (108,265)         |
| <b>Adjusted net assets of NBAD as at 31 December 2016</b> | <b>39,631,129</b> |

- v. The consolidated retained earnings and other equity balances at the date of the pro forma combination represents FGB's pre-combination balances with the exception of the following:
- The legal reserve represents NBAD total legal reserve being the legal surviving entity;
  - Tier 1 capital represents both NBAD and FGB's balances as NBAD tier 1 capital has been excluded from the acquired net assets (see note iv); and
  - NBAD share option reserve and equity component of convertible notes has been retained as these represent non-controlling continuing interest in the Group.

Accordingly, the total paid-in capital of NBAD post combination is presented below:

|   |                   |
|---|-------------------|
|   | <b>AED'000</b>    |
| FGB's capital pre combination             | 4,500,000         |
| Total consideration                       | 53,344,920        |
| <b>Capital post combination</b>           | <b>57,844,920</b> |
| Adjustment to retain NBAD's legal reserve | 5,775,564         |
| <b>Total paid-in capital</b>              | <b>63,620,484</b> |

The following shows the breakdown of total paid-in capital:

|                              |                   |
|------------------------------|-------------------|
|                              | <b>AED'000</b>    |
| Share capital                | 10,897,546        |
| Additional paid-in capital   | 52,771,684        |
| Treasury Shares              | (48,746)          |
| <b>Total paid-in capital</b> | <b>63,620,484</b> |

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Bank for its general corporate purposes or for any other purpose specified in the relevant Final Terms or Pricing Supplement, as the case may be.

## DESCRIPTION OF THE BANK

### Overview

The Bank is a public joint stock company and is the product of the Merger of NBAD and FGB which was effected on 30 March 2017 (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 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 P.J.S.C. On 25 April 2017, the requisite regulatory approvals to effect the change of name were received by NBAD from the United Arab Emirates' Securities and Commodities Authority. Accordingly, the change of name to First Abu Dhabi Bank P.J.S.C. became effective from 25 April 2017.

Following the Merger, the Bank's principal shareholder is the Government of Abu Dhabi which holds (through the wholly-owned ADIC and Mubadala) approximately 37 per cent. of the Bank's share capital as at the date of this Base Prospectus.

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, the Bank has a strong international presence across 19 countries through its subsidiary or affiliate entities and its branches and representative offices.

As at the date of this Base Prospectus, the market response to the Merger has been positive with each of the major international credit rating agencies assigning the post-Merger Bank with a high investment grade long-term credit rating. 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 June 2017, and according to the Interim Financial Statements and the publically available financial statements of the Bank's main domestic and regional competitors for the six months ended 30 June 2017, 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 June 2017, the Bank had total assets of AED 624.6 billion, total loans and advances (net of provisions) of AED 321.3 billion and total customer accounts and other deposits of AED 377.3 billion. For the six month period ended 30 June 2017, the Bank's net profit was AED 3,716.6 million.

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 5 dedicated client sub-segments including institutional banking, corporate banking, a privileged clients group, commercial 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 six months ended 30 June 2017, AED 3,309.0 million, or 49.4 per cent., of

the Group's operating income for the period and AED 2,665.9 million, or 71.7 per cent., of the Group's net profit for the period was attributable to the CIB segment;

- **Personal Banking Group ("PBG"):** the PBG segment targets retail, affluent, small-to-medium enterprise ("SME") and high-net-worth customers through a wide range of diverse distribution and sales channels, including mobile and internet banking, branches and direct sales agents. Product offerings range from day-to-day banking products such as current accounts, deposits, credit cards and loans to more sophisticated investment solutions and business banking products and services. The PBG segment is structured on the basis of the diverse needs of the targeted broad customer base with dedicated teams covering the retail, affluent, private banking and SME customer segments. For the six months ended 30 June 2017, AED 2,377.9 million, or 35.5 per cent., of the Group's operating income for the period and AED 672 million, or 18.1 per cent., of the Group's net profit 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: NBAD Securities LLC ("**NBAD Securities**"), Abu Dhabi National Islamic Finance Pvt JSC ("**ADNIF**"), Mismak Properties Co. LLC ("**Mismak**"), First Merchant International LLC ("**FMI**"), First Gulf Properties LLC ("**FGP**"), Aseel Finance PJSC ("**Aseel**"), Dubai First PJSC ("**Dubai First**") and First Gulf Information Technology LLC ("**FGIT**"). For the six months ended 30 June 2017, AED 519.0 million, or 7.8 per cent., of the Group's operating income for the period was attributable to the subsidiaries segment while the segment made a net loss for the period of AED 79.9 million; 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 six months ended 30 June 2017, AED 492.2 million, or 7.3 per cent., of the Group's operating income for the period and AED 458.6 million, or 12.3 per cent., of the Group's net profit for the period was attributable to the head office segment.

For further details on the Bank's reporting segments, see "- Strategy" below.

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 June 2017, the Bank had 125 branches and 669 automated teller machines ("**ATMs**") in the UAE, with the majority in Abu Dhabi and Dubai. Additionally, the Bank had 39 branches, 3 subsidiaries, 5 representative offices and one joint venture internationally as at 30 June 2017. 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 FGB and NBAD 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 624.6 billion, total loans and advances (net of provisions) of AED 321.3 billion and total customer accounts and other deposits of AED 377.3 billion, representing the largest financial institution in the UAE and the second largest in the GCC, as at 30 June 2017. 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 June 2017, the Bank had one of the largest branch networks in the UAE, comprising 125 branches, a network of 669 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. As at 30 June 2017, the Bank had customer accounts and other deposits of AED 377.3 billion, which represented an estimated market share of 23.7 per cent. of total UAE bank deposits and a loan and advances to customers portfolio (net of loan loss provisions) of AED 321.3 billion, which represented an estimated 26.1 per cent. of the total loans of all UAE banks, according to the UAE Monthly Banking Indicators for June 2017 published by the UAE Central Bank.

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 cost synergies of approximately AED 1 billion will be realised in the three year period post-Merger. 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. Management anticipates that revenue synergies of approximately AED 400 million will be realised from optimisation of funding costs within the combined business.

### ***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 June 2017, the Bank had 125 branches and a network of 669 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 significant presence with subsidiaries in each of the United States of America, Switzerland and Malaysia and a 50:50 joint venture in Libya; fully operational branches in Qatar, Kuwait, Oman, Bahrain, Jordan, Sudan, Egypt, India, the United Kingdom, France, Hong Kong



and Singapore; as well as representative offices in Brazil, Lebanon, South Korea, Switzerland and China.

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 June 2017, the Bank had a total capital adequacy ratio of 17.84 per cent., a Tier I capital adequacy ratio of 16.62 per cent. and a Tier II capital adequacy ratio of 1.22 per cent., calculated in each case in accordance with UAE Central Bank guidelines. Pursuant to the February 2017 Regulations, the Bank, as a D-SIB, is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 12.5 per cent., effective from 1 February 2017, increasing to a minimum total capital adequacy ratio of 13.5 per cent., effective from 1 January 2018 and a minimum total capital adequacy ratio of 14.5 per cent., effective from 1 January 2019. 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 I capital notes in February 2009, as well as by the issuance by NBAD of U.S.\$750 million perpetual Tier I 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 an advances to stable resources ratio of 81.5 per cent. as at 30 June 2017. As at 30 June 2017, the Bank had cash and cash equivalents of AED 110.8 billion.

As part of the gradual introduction of the Basel III reforms in the UAE, certain banks operating in the UAE have begun transitioning to LCR compliance and reporting their LCR to the UAE Central Bank. As part of its LCR reporting to the UAE Central Bank, the Bank is required to maintain a portfolio of HQLAs which is sufficient to survive a significant stress scenario, lasting for a period of up to 30 days. As at 30 June 2017, the Bank held a portfolio of net HQLAs valued at AED 166.8 billion and had an LCR ratio of 116 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 "*Risk Factors – 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, 37 per cent. of the issued and outstanding ordinary shares of the Bank were held by the Government of Abu Dhabi (through ADIC and Mubadala). 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 of Abu Dhabi, 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 (see "– 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. 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 June 2017, the Bank had AED 10.5 billion of impaired loans while the ratio of the Bank's impaired loans to gross loans was 3.2 per cent. As at 30 June 2017, the Bank carried impairment allowances of AED 11.7 billion to cover potential loan losses.

The Bank's management believes that the levels of impairment allowances for impaired loans and loans under stress as at 30 June 2017 are sufficient to cover potential loan losses as at that date. As at 30 June 2017, provision covered 111.6 per cent. of the Bank's impaired assets.

## 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 5 dedicated, targeted customer segments, as follows: (i) 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; (ii) the corporate banking group, which targets corporate clients with an annual turnover between AED 350 million and AED 1 billion; (iii) the privileged client group, which aims to provide a tailored service for ultra-high net worth clients; (iv) commercial banking, which focuses on SMEs and other corporate customers with annual turnover of between AED 100 million to AED 350 million; and (v) the financial institutions group, which offers product and services to global financial institutions that are primarily liquidity and funding providers.

CIB offers a differentiated coverage model within each of the 5 above customer sub-segments, uniquely tailored according to the specific client requirements and sub-segment dynamics. The 5 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 Banking Transactions product team through which the Bank offers core credit facilities to clients including term loans and overdrafts; Islamic finance facilities; global cash management solutions and global trade finance products. CIB's Global Banking 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). Additionally, CIB also includes the Global Markets, Treasury Sales and Investments 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.

The key strategic priorities for CIB are to firstly protect the Group's dominant position in the Abu Dhabi market while also focusing on increasing its 'share of wallet' in the Dubai market.

A key strength of the post-Merger Bank is the significant size of the 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 products and services, 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, remaining as the preferred banking partner for the Government with a focus on liabilities, trade finance and Government-related payments.

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 that have high transaction needs, while the commercial banking team will aim to establish the Bank as the Bank of choice for SMEs in the UAE differentiating itself from competitors by virtue of its comprehensive product offering.

## *PBG*

The Group aims to maintain its dominance in the personal banking market in the UAE by offering its customers the best customer experience, a digitally enabled service delivery model while deploying an aggressive direct sales force.

The Bank has structured the PBG business around dedicated client segments to offer segment-specific customer value propositions with the particular goal of increasing market share from the 'affluent' segments which include the private banking, wealth management and 'elite' customer segments. Customers falling within these segments will be primarily served through dedicated relationship managers and will be offered tailored investment and asset products and services. The Bank aims to establish itself as the "wealth advisor of choice" for its affluent customers.

The Bank is also focused on defending its market leading position amongst UAE nationals, which tends to be a more lucrative customer segment than expatriate clients by virtue of the typically higher average household incomes of UAE nationals, relative to expatriates.

Further, and notwithstanding the Bank's significant presence in Abu Dhabi, the Bank aims to leverage its scale to further strengthen and grow its presence in Dubai within the personal banking market. The Bank intends to focus particularly on small businesses with annual turnover of less than AED 100 million while maintaining a constant focus on cost efficiencies to be able to drive higher returns. Additionally, and as part of the Bank's focus on cost optimization in the post-Merger integration process, management intends to rationalise the Bank's domestic branch footprint, in an attempt to eliminate cross-over in geographical coverage of the branch network.

## *Subsidiaries*

The Bank's principal subsidiaries operate across real estate management, Islamic finance, brokerage and fund management and credit card finance and include NBAD Securities, ADNIF, Mismak, FMI, FGP, Aseel, Dubai First and FGIT.

- *ADNIF and Aseel*

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 Siraj" brand. Additionally, the Group offers Islamic finance products and services through its Islamic finance house subsidiaries; namely ADNIF and Aseel. As part of the ongoing post-Merger integration process, Aseel is expected to be merged into ADNIF which will remain as the Group's sole Islamic finance house subsidiary.

Following completion of this internal re-organisation, the Group will continue to operate the "FAB Siraj" brand and offer Islamic banking products and services across the Group's client base with a particular focus on CIB customers. As at 30 June 2017, ADNIF and Aseel combined had 10 branches in operation across the UAE.

The Group believes that the internal re-organisation of its Islamic banking franchise will deliver a more streamlined Islamic offering, yielding greater cost and revenue synergies and positioning the Group to capitalise on opportunities arising from the growth in the domestic Islamic banking sector.

- *Dubai First*

Dubai First is a conventional finance company specialising in credit card finance and personal finance solutions to individuals and small businesses in the UAE. The Bank intends to continue developing and growing this business, leveraging existing associations and partnerships in Dubai including an exclusive partnership that Dubai First holds with Dubai Parks and Resorts. The strategic goal of

Dubai First is to ultimately diversify its revenue streams through the introduction of new to market card and insurance products.

- *NBAD Securities*

NBAD Securities is the Group's securities brokerage business and is licensed by SCA. NBAD 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. NBAD Securities trades across the Abu Dhabi Securities Exchange, the Dubai Financial Market, NASDAQ Dubai and selected markets in the GCC (through various third party partners). NBAD Securities offers clients securities from various asset classes including equities, fixed income and IPOs. In addition to securities sales, NBAD Securities provides market research and analysis to clients and offers securities trade execution services.

The Bank's strategy for NBAD Securities is to maintain and grow its position as one of the primary brokerage service providers in the UAE, leveraging the post-Merger Bank's expanded client base, and to develop the subsidiary from a local brokerage operation into a global brokerage operation, which is able to offer its customers services on local, regional and international equity markets, as well as fixed income brokerage services.

- *FGP*

The Group's real estate business is predominantly managed by its wholly-owned subsidiary, FGP. FGP commenced operations in 2011 under the legacy FGB business and also includes the legacy NBAD property management subsidiary, Abu Dhabi National Properties PJSC, which was consolidated into FGP during Q2 2017. Through FGP, the Group offers property management, facility management and hospitality services. FGP manages a mixed and varied property portfolio in the UAE with a total annual rent roll of more than approximately AED 2.1 billion. The property management business of FGP 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.

The Group 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 and FMI) take over the management of real estate assets which have been pledged as collateral.

- *Mismak and FMI*

The Group's real estate investment and development activities are contained within Mismak, which also holds the real estate investments made by FMI. Each of Mismak and FMI are legacy FGB subsidiaries and are wholly-owned subsidiaries of the Bank.

- *FGIT*

FGIT is the Group's wholly-owned, specialised and dedicated information technology subsidiary, which is focused on delivering customised technology solutions for the Group. FGIT is a legacy FGB subsidiary that was established as a dedicated information technology provider with the aim of creating an entity that specialises in developing information technology infrastructure and delivering specialised information technology banking services. FGIT is responsible for developing the strategy and delivering all information technology services throughout the Group. FGIT supports remote banking facilities and distribution channels for the Group, such as interactive voice response technology, internet banking and mobile banking.

To ensure that it adequately supports the Group's risk management policies, FGIT's systems utilise various automated tools and processes, which are subject to both internal and external audits.

- *International operations*

Internationally, the Bank's operations are predominantly 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 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 Abu Dhabi Securities Exchange and, as at 30 June 2017, had a market capitalisation of U.S.\$31.2 billion. As at 30 June 2017, the Bank's authorised, issued and paid up share capital comprised 10,897,545,000 shares with a nominal value of AED 1 each.

The Bank's principal shareholder is the Government of Abu Dhabi (through ADIC and Mubadala) which holds 37 per cent. of the issued and outstanding ordinary shares of the Bank, as at the date of this Base Prospectus.

### Financial Performance

#### *Income statement*

The Bank reported net profits of AED 3,716.6 million for the six-month period ended 30 June 2017, while net interest income was AED 4,725.3 million for the same period. Net fee and commission income was AED 1,154.7 million for the six-month period ended 30 June 2017, with operating income of AED 6,698.3 million and general, administration and other operating expenses of AED 1,918.1 million for the same period. Annualised return on tangible equity was 14.7 per cent. and the cost to income ratio (excluding Merger integration costs) was at 27.4 per cent., in each case for the six-month period ended 30 June 2017.

The following table shows the breakdown, by the division indicated, of the Bank's net profit/(loss) for the six-month period ended 30 June 2017:

| <b>Division</b>                       | <b>Net profit/(loss) for the<br/>six-month period ended<br/>30 June 2017</b> |
|---------------------------------------|--|
|                                       | <i>(unaudited)</i>   |
|                                       | <i>(AED million)</i>   |
| Corporate and Investment Banking..... | 2,665.9  |
| Personal Banking Group.....           | 672.0  |
| Subsidiaries.....                     | (79.9)   |
| Head office .....                     | 459.0  |
| <b>Total</b> .....                    | <b>3,716.6</b>   |

#### *Statement of financial position*

The Bank's total loan portfolio (net of provisions) was AED 321.3 billion as at 30 June 2017. The distribution of the corporate loan portfolio across economic sectors is oriented towards real estate,

transport and communication, energy and banks and financial institutions, which is in line with the domestic economy.

The following table provides a breakdown of the Bank's total loan portfolio by industry sector as at 30 June 2017:

|  | <b>As at 30 June 2017</b> |
|--|---------------------------|
|  | <i>(unaudited)</i>        |
|  | <i>(AED million)</i>      |
| Government .....                       | 18,060,707                |
| Public Sector.....                     | 57,860,160                |
| Banking Sector .....                   | 17,286,586                |
| Corporate/private Sector.....          | 170,214,557               |
| Personal/retail Sector.....            | 71,373,239                |
| <b>Gross loans and advances</b> .....  | <b>334,795,249</b>        |
| Less: interest suspended .....         | (1,817,841)               |
| Less: allowance of impairment.....     | (11,713,221)              |
| <b>Total (Net of Provisions)</b> ..... | <b>321,264,187</b>        |

The Bank's loan portfolio contains a high proportion of loans to the government and public sector entities. As at 30 June 2017, 23.6 per cent. of gross loans and advances was 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 55 per cent. of the Bank's loan portfolio was denominated in foreign currency as at 30 June 2017. 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 "*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 "*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 June 2017:

|                          | <b>As at 30 June 2017</b> |
|--------------------------|---------------------------|
|                          | <i>(unaudited)</i>        |
|                          | <i>(AED million)</i>      |
| Trading portfolio.....   | 15,823,134                |
| Available-for-sale ..... | 74,908,131                |
| Held-to-maturity .....   | 7,758,793                 |
|                          | <b>98,490,058</b>         |

### *Capital Adequacy*

The Bank calculates its capital ratios in accordance with UAE Central Bank guidelines which requires UAE based bank's that have been designated as D-SIBs (such as the Bank) to maintain a minimum ratio of total capital to risk-weighted assets of 12.5 per cent., effective from 1 February 2017,

increasing to a minimum total capital adequacy ratio of 13.5 per cent., effective from 1 January 2018 and a minimum total capital adequacy ratio of 14.5 per cent., effective from 1 January 2019., taking into account both on and off balance sheet transactions.

As at 30 June 2017, the Bank had a total capital adequacy ratio of 17.84 per cent., a Tier I capital adequacy ratio of 16.62 per cent. and a Tier II capital adequacy ratio of 1.22 per cent. The Bank's strong capital base ratio has been bolstered by the issuance by each of NBAD and FGB of AED 4.0 billion of Tier I capital notes in February 2009, as well as by the issuance by NBAD of U.S.\$750 million perpetual Tier I 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 June 2017, calculated in accordance with UAE Central Bank guidelines, are set out in the table below.

|   | <b>As at 30 June 2017</b>                            |
|---|--|
|   | <i>(unaudited)</i>                                   |
|   | <i>(AED millions, other than percentage figures)</i> |
| <b>Tier 1 capital:</b>                          |  |
| Share capital .....                             | 10,897.55  |
| Share premium account .....                     | 53,024.06  |
| Capital notes .....                             | 10,754.75  |
| Legal reserves .....                            | 5,254.55   |
| General reserves .....                          | 120.00   |
| Retained earnings .....                         | 11,658.65  |
| Current year Profits .....                      | 3,705.23   |
| Minority interests.....                         | 453.59   |
| <b>Total</b> .....                              | <b>95,868.38</b>                                     |
| <b>Tier 1 capital:</b>                          |  |
| Goodwill and intangible assets .....            | (15,466.31)  |
| Other deductions from Tier 1 Capital .....      | (113.31)   |
| Deductions from Tier 1 Capital .....            | (22.69)  |
| <b>Total Tier 1 capital (A)</b> .....           | <b>80,266.07</b>                                     |
| <b>Tier 2 capital:</b>                          |  |
| Undisclosed reserves / General provisions ..... | 5,228.21   |
| Asset Revaluation Reserves.....                 | 282.13   |
| Subordinated Term Loans.....                    | 388.19   |
| Deductions from Tier 2 Capital .....            | (22.69)  |
| <b>Total Tier 2 capital (B)</b> .....           | <b>5,875.84</b>                                      |
| <b>Total capital base (A + B)</b> .....         | <b>86,141.91</b>                                     |
| <b>Risk weighted assets:</b>                    |  |
| Balance sheet and Off Balance sheet items       |  |
| Credit Risk.....                                | 418,257.19   |
| Market Risk .....                               | 29,468.64  |
| Operational Risk.....                           | 35,103.85  |
| <b>Total risk weighted assets</b> .....         | <b>482,829.68</b>                                    |
| Tier 1 capital adequacy ratio (%).....          | 16.62%   |
| Total capital adequacy ratio (%).....           | 17.84%   |



## *Equity*

The Bank's total equity (which comprises, amongst other things, its issued share capital of AED 10.9 billion as at 30 June 2017 and its reserves and retained earnings (of AED 21.6 billion in aggregate as at 30 June 2017)) amounted to AED 97.0 billion as at 30 June 2017.

Of the Bank's reserves, the most significant is the legal 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 the legal reserve reaches 50.0 per cent. of the nominal value of the Bank's paid up share capital. This reserve is not available for distribution and amounted to AED 5.3 billion as at 30 June 2017 and below the CCL prescribed 50.0 per cent. of share capital threshold.

As at 30 June 2017, shareholders' equity includes AED 4.0 billion Tier I capital notes issued by FGB in February 2009 to the Government of Abu Dhabi; AED 4.0 billion Tier I capital notes issued by NBAD in February 2009 to the Government of Abu Dhabi; and U.S.\$750 million perpetual Tier I 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 June 2017, the Bank had customer accounts and other deposits which totalled AED 377.3 billion. The Bank's principal source of its funding is its short-term demand and time deposits which accounted for 60.6 per cent. of the Bank's total customer accounts and other deposits as at 30 June 2017. 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 June 2017, approximately 15.1 per cent. of the Bank's customer deposits were from government entities and a further 22.1 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.\$7,500,000,000 Euro Commercial Paper 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 HKD5,000,000,000 Certificate of Deposit programme;
- the GBP7,500,000,000 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;

- the U.S.\$3,500,000,000 Trust Certificate Issuance 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 I capital notes;
- the (FGB issued) AED 4,000,000,000 6 month EIBOR plus 2.3 per cent. per annum Tier I capital notes;
- the JPY10,000,000,000 2.60 per cent. "Samurai" bond due 2026;
- the U.S.\$500,000,000 1.00 per cent. convertible bond due 2018;
- the U.S.\$750,000,000 perpetual Tier I capital securities; and
- the CHF200,000,000 0.625 per cent. notes due 2022.

Additionally, and as at the date of this Base Prospectus, the Bank had a syndicated bank loan outstanding, totalling U.S.\$2 billion with a scheduled maturity date of December 2019.

The following table shows the sources of the Bank's funding as at 30 June 2017:

|   | <b>As at 30 June 2017</b> |
|---|---------------------------|
|   | <i>(unaudited)</i>        |
|   | <i>(AED million)</i>      |
| Due to banks and financial institutions ..... | 34,018,195                |
| Repurchase agreements .....                   | 22,398,654                |
| Commercial paper.....                         | 13,456,087                |
| Customer accounts and other deposits.....     | 377,268,519               |
| Term borrowings .....                         | 44,212,389                |
| Derivative financial instruments.....         | 15,560,435                |
| Other liabilities .....                       | 20,271,023                |
| Subordinated notes .....                      | 388,192                   |
| Total equity.....                             | 97,012,846                |
|   | <b>624,586,340</b>        |

## **Competition**

The UAE banking sector as at 30 June 2017 comprised 48 banks, including eight Islamic banks, and branches or subsidiaries of 26 foreign 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. However, as at the date of this Base Prospectus, the UAE federal government has indicated that it plans to implement a VAT regime in the UAE, which is expected to be introduced at the rate of 5 per cent. with effect

from 1 January 2018. See "*Risk Factors– The UAE may introduce corporation or value added tax*" and "*Taxation-United Arab Emirates*".

## **Employees**

As at 30 June 2017, the Bank employed 5,787 full-time staff. These staff members do not include the approximately 3,770 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.

### *Emiratisation*

In 1999, as part of a policy of "Emiratisation", 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 supplemented by, and operates in tandem with, the Emiratisation Circular which has introduced a scoring system 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 to be computed in accordance with a specific formula set out in the Emiratisation Circular.

As at 30 June 2017, the Bank's Emiratisation percentage stood at 31.7 per cent. of its workforce in the UAE, equating to 1,446 UAE nationals employed in positions at different levels across the Bank.

In line with the Emiratisation Circular, the Bank has made a commitment to employing and training UAE nationals. The Bank's Emiratisation strategy supports the Bank's position as a nationalisation leader across the UAE. The Bank's Emiratisation 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 properties had a net book value of AED 4,493,565 as at 30 June 2017.

As at 30 June 2017, 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 6,551,974.

The fair values of the Bank's investment properties are 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 37,938 for the six month period ended 30 June 2017.

## **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 is in the process of integrating the IT systems of NBAD and FGB. Once the integration process is completed, the target IT business systems are intended to offer enhanced services to the Bank's customers across all geographies in which the merged Bank operates. As part of the Bank's investment in its technology systems, it is also building 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 "*– Strategy – Subsidiaries - FGIT*" 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 June 2017 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's approach in terms of sustainability is to create long-term stakeholder value through the identification of opportunities and active management of risks, while balancing the needs of people and society, the environment and profitability. The Bank's commitment to sustainability is fundamental to the Bank's wider objectives to deliver long-term profitable growth to its shareholders.

The Bank will address sustainability challenges through the adoption of innovative models to ensure that its efforts are focused on issues that are globally significant and regionally relevant, and which can be addressed locally. The Bank is focused and committed to the success of Abu Dhabi and the UAE as a whole, and will ensure that its sustainability strategy and objectives are aligned with the Abu Dhabi Economic Vision 2030 and the UAE's policies and commitments towards green growth and sustainability.

Undertaking business in a responsible way is an important focus and the Bank's Sustainability Policy sets out broad principles for taking a precautionary and responsible approach to operations and business. This policy will be reviewed and updated in line with the sustainability strategy that will be developed for the Bank.

Within its own operations and facilities, the Bank continues to monitor and measure its environmental impacts and continuously seeks ways to minimise electricity and water usage, fuel use and greenhouse

gas emissions. In the coming years, the Bank plans to conduct annual climate and carbon reporting as the next step in quantifying and strengthening its sustainability performance.

The Bank was the first UAE bank to become a signatory to the "Equator Principles Association" and in so doing, confirmed its commitment to comply with an internationally-recognised social and environmental risk assessment framework. Through adoption of the "Equator Principles", the Bank will align its business practices with a voluntary set of guidelines based on International Finance Corporation standards on social and environmental sustainability, and on the World Bank Group's Environmental, Health and Safety general and industry-specific guidelines.

### ***Green Bond Framework***

From time to time and pursuant to the Programme, the Bank intends to issue securities whose net proceeds would be used to fund or refinance, in whole or in part, eligible projects within eligible categories set out in the Bank's Green Bond Framework, ("**green bonds**"). 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" promulgated 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 management;
- Climate change adaptation; and
- Eco-efficient product technologies.

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, NBAD became the first financial institution in the UAE to issue a green bond in March 2017.

## 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.

### The Group

The following tables set out certain consolidated interim statement of financial position and consolidated interim statement of profit or loss financial information of the Group as at and for the six months ended 30 June 2017, as extracted from the Interim Financial Statements.

#### Consolidated interim statement of financial position

|   | <b>As at 30 June<br/>2017</b> |
|---|-------------------------------|
|   | <i>(AED millions)</i>         |
| <b>Assets</b>   |                               |
| Cash and balances with central banks.....                           | 110,834.7                     |
| Investments at fair value through profit or loss .....              | 15,823.1                      |
| Due from banks and financial institutions .....                     | 15,706.4                      |
| Reverse repurchase agreements.....                                  | 23,018.2                      |
| Derivative financial instruments.....                               | 11,151.0                      |
| Loans and advances .....  | 321,264.2                     |
| Non-trading investments.....  | 82,736.6                      |
| Other assets.....   | 17,946.2                      |
| Investment properties .....   | 6,552.0                       |
| Property and equipment.....   | 4,493.6                       |
| Intangibles .....   | 15,060.4                      |
| <b>Total assets</b> .....   | <b>624,586.3</b>              |
| <b>Liabilities</b>  |                               |
| Due to banks and financial institutions.....                        | 34,018.2                      |
| Repurchase agreements .....   | 22,398.7                      |
| Commercial paper.....   | 13,456.1                      |
| Derivative financial instruments.....                               | 15,560.4                      |
| Customer accounts and other deposits.....                           | 377,268.5                     |
| Term borrowings .....   | 44,212.4                      |
| Other liabilities .....   | 20,271.0                      |
| Subordinated notes .....  | 388.2                         |
| <b>Total liabilities</b> .....                                      | <b>527,573.5</b>              |
| <b>Equity</b>   |                               |
| Share capital .....   | 10,897.5                      |
| Share premium.....  | 53,024.1                      |
| Treasury shares .....   | (42.9)                        |
| Statutory and special reserves.....                                 | 5,254.5                       |
| Other reserves.....   | 957.1                         |
| Tier I capital notes .....  | 10,754.8                      |
| Share option scheme .....   | 242.0                         |
| Convertible notes – equity component .....                          | 108.3                         |
| Retained earnings .....   | 15,364.0                      |
| <b>Total equity attributable to shareholders of the Group</b> ..... | <b>96,559.3</b>               |
| Non-controlling interest.....                                       | 453.6                         |
| <b>Total equity</b> .....   | <b>97,012.8</b>               |
| <b>Total liabilities and equity</b> .....                           | <b>624,586.3</b>              |

*Consolidated interim statement of profit or loss*

|   | <b>As at 30 June<br/>2017</b> |
|---|-------------------------------|
|   | <i>(AED millions)</i>         |
| Interest income .....   | 6,855.8                       |
| Interest expense .....  | (2,130.5)                     |
| <b>Net interest income</b> .....                              | <b>4,725.3</b>                |
| Fee and commission income .....                               | 1,601.6                       |
| Fee and commission expense .....                              | (446.9)                       |
| <b>Net fee and commission income</b> .....                    | <b>1,154.7</b>                |
| Net foreign exchange gain .....                               | 367.2                         |
| Net gain on investment and derivatives .....                  | 356.3                         |
| Other operating income .....                                  | 94.8                          |
| <b>Operating income</b> .....                                 | <b>6,698.3</b>                |
| General, administration and other operating expenses .....    | (1,918.1)                     |
| <b>Profit before net impairment charge and taxation</b> ..... | <b>4,780.2</b>                |
| Net impairment charge .....                                   | (962.7)                       |
| <b>Profit before taxation</b> .....                           | <b>3,817.5</b>                |
| Overseas income tax expense .....                             | (101.0)                       |
| <b>Net profit for the period</b> .....                        | <b>3,716.6</b>                |

**First Gulf Bank P.J.S.C.**

The following tables set out certain consolidated balance sheet and consolidated income statement financial information of FGB as at and for the financial years ended 31 December 2015 and 2016, as extracted from the FGB Financial Statements.

*Consolidated balance sheet*

|   | <b>As at 31 December</b> |                  |
|---|--------------------------|------------------|
|   | <b>2015</b>              | <b>2016</b>      |
|   | <i>(AED millions)</i>    |                  |
| <b>Assets</b>                                   |                          |                  |
| Cash and balances with central banks .....      | 21,075.9                 | 24,778.0         |
| Due from banks and financial institutions ..... | 15,096.8                 | 17,415.7         |
| Loans and advances, net .....                   | 149,766.1                | 156,748.3        |
| Investments .....                               | 22,692.1                 | 29,273.0         |
| Investments in associates .....                 | 39.5                     | 40.0             |
| Investment properties .....                     | 8,242.2                  | 6,422.5          |
| Other assets .....                              | 9,098.0                  | 8,902.5          |
| Property and equipment .....                    | 1,485.7                  | 1,528.3          |
| <b>Total assets</b> .....                       | <b>227,496.4</b>         | <b>245,108.3</b> |
| <b>Liabilities</b>                              |                          |                  |
| Due to banks .....                              | 17,883.1                 | 22,163.8         |
| Customers' deposits .....                       | 142,462.6                | 149,233.9        |
| Euro commercial paper .....                     | 2,834.8                  | 10,016.9         |
| Term loans .....                                | 15,857.5                 | 16,666.3         |
| Sukuk financing instruments .....               | 4,224.0                  | 1,836.5          |
| Other liabilities .....                         | 7,390.4                  | 7,533.9          |
| <b>Total liabilities</b> .....                  | <b>191,192.3</b>         | <b>207,451.3</b> |
| <b>Equity</b>                                   |                          |                  |

|   | <b>As at 31 December</b> |                  |
|---|--------------------------|------------------|
|   | <b>2015</b>              | <b>2016</b>      |
|   | <i>(AED millions)</i>    |                  |
| Share capital .....                       | 4,500.0                  | 4,500.0          |
| Capital notes .....                       | 4,000.0                  | 4,000.0          |
| Legal reserve .....                       | 8,780.1                  | 8,780.1          |
| Special reserve .....                     | 2,250.0                  | 2,250.0          |
| General reserve .....                     | 120.0                    | 120.0            |
| Revaluation reserve .....                 | 280.6                    | 280.6            |
| Proposed cash dividends .....             | 4,500.0                  | 4,500.0          |
| Retained earnings .....                   | 11,132.0                 | 12,469.0         |
| Cumulative changes in fair values .....   | 410.6                    | 412.8            |
| Foreign currency translation reserve..... | (69.8)                   | (88.3)           |
| Non-controlling interests .....           | 400.4                    | 432.8            |
| <b>Total equity</b> .....                 | <b>36,304.1</b>          | <b>37,657.0</b>  |
| <b>Total equity and liabilities</b> ..... | <b>227,496.4</b>         | <b>245,108.3</b> |

### *Consolidated income statement*

|  | <b>As at 31 December</b> |                |
|--|--------------------------|----------------|
|  | <b>2015</b>              | <b>2016</b>    |
|  | <i>(AED millions)</i>    |                |
| Interest income and income from Islamic financing.....             | 8,289.8                  | 8,545.7        |
| Interest expense and Islamic financing expense .....               | (1,860.3)                | (2,159.8)      |
| <b>Net interest income and income from Islamic financing</b> ..... | <b>6,429.5</b>           | <b>6,385.9</b> |
| Fees and commission income, net .....                              | 1,700.4                  | 1,848.7        |
| Other operating income .....                                       | 1,302.2                  | 1,347.3        |
| Share of profit of associates.....                                 | 1.6                      | 0.5            |
| <b>Operating income</b> .....                                      | <b>9,433.7</b>           | <b>9,582.4</b> |
| General and administrative expenses.....                           | (1,947.4)                | (1,997.7)      |
| <b>Profit from operations before impaired assets charge</b> .....  | <b>7,486.3</b>           | <b>7,584.7</b> |
| Provision for impairment of loans and advances .....               | (1,407.2)                | (1,452.2)      |
| Impairment of available for sale investments .....                 | (46.6)                   | (20.9)         |
| <b>Profit for the year before taxation</b> .....                   | <b>6,032.5</b>           | <b>6,111.6</b> |
| Income taxes .....   | (13.3)                   | (41.8)         |
| <b>Profit for the year</b> .....                                   | <b>6,019.2</b>           | <b>6,069.8</b> |
| Profit attributable to:  |                          |                |
| Equity holders of the Bank .....                                   | 6,006.1                  | 6,026.2        |
| Non-controlling interests .....                                    | 13.1                     | 43.6           |
|  | <b>6,019.2</b>           | <b>6,069.8</b> |

### **National Bank of Abu Dhabi P.J.S.C.**

The following tables set out certain consolidated statement of financial position and consolidated statement of profit or loss financial information of NBAD as at and for the financial years ended 31 December 2015 and 2016, as extracted from the NBAD Financial Statements.



## Consolidated statement of financial position

|  | As at 31 December |                  |
|--|-------------------|------------------|
|  | 2015              | 2016             |
|  | (AED millions)    |                  |
| <b>Assets</b>  |                   |                  |
| Cash and balances with central banks.....              | 76,382.1          | 98,664.6         |
| Investments at fair value through profit or loss ..... | 12,291.1          | 14,525.5         |
| Due from banks and financial institutions .....        | 10,891.8          | 8,523.1          |
| Reverse repurchase agreements .....                    | 13,330.2          | 9,566.6          |
| Derivative financial instruments .....                 | 10,574.1          | 12,019.4         |
| Loans and advances, net .....                          | 205,913.6         | 200,531.8        |
| Non-trading investments.....                           | 63,794.2          | 64,441.9         |
| Other assets.....                                      | 10,550.5          | 9,546.0          |
| Investment properties .....                            | 190.5             | 45.6             |
| Property and equipment.....                            | 2,645.8           | 2,849.0          |
| <b>Total assets</b> .....                              | <b>406,563.8</b>  | <b>420,713.5</b> |
| <b>Liabilities</b>                                     |                   |                  |
| Due to banks and financial institutions.....           | 39,502.5          | 40,963.7         |
| Repurchase agreements .....                            | 30,550.7          | 17,222.1         |
| Commercial paper.....                                  | 8,720.6           | 7,372.9          |
| Derivative financial instruments.....                  | 12,852.4          | 13,380.8         |
| Customer accounts and other deposits.....              | 233,814.6         | 253,382.5        |
| Term borrowings .....                                  | 21,046.7          | 28,915.7         |
| Other liabilities .....                                | 15,582.5          | 12,614.3         |
| Subordinated notes .....                               | 1,275.3           | 356.0            |
| <b>Total liabilities</b> .....                         | <b>363,345.2</b>  | <b>374,208.0</b> |
| <b>Equity</b>  |                   |                  |
| Share capital .....                                    | 5,209.7           | 5,254.5          |
| Share premium.....                                     | 265.2             | 307.9            |
| Treasury shares .....                                  | (11.1)            | (48.7)           |
| Statutory and special reserves.....                    | 5,209.7           | 5,254.5          |
| Other reserves.....                                    | 18,628.2          | 21,197.0         |
| Tier I capital notes .....                             | 6,754.8           | 6,754.8          |
| Share option scheme .....                              | 190.2             | 228.3            |
| Convertible notes – equity component .....             | 108.3             | 108.3            |
| Retained earnings .....                                | 6,863.6           | 7,449.0          |
| <b>Total equity</b> .....                              | <b>43,218.7</b>   | <b>46,505.5</b>  |
| <b>Total equity and liabilities</b> .....              | <b>406,563.8</b>  | <b>420,713.5</b> |

## Consolidated statement of profit or loss

|  | As at 31 December |                |
|--|-------------------|----------------|
|  | 2015              | 2016           |
|  | (AED millions)    |                |
| Interest income .....                                    | 8,965.1           | 9,657.0        |
| Interest expense .....                                   | (2,021.0)         | (2,837.6)      |
| <b>Net interest income</b> .....                         | <b>6,944.1</b>    | <b>6,820.3</b> |
| Income from Islamic financing contracts .....            | 385.6             | 509.5          |
| Depositors' share of profits .....                       | (22.6)            | (25.0)         |
| <b>Net income from Islamic financing contracts</b> ..... | <b>363.0</b>      | <b>484.5</b>   |
| <b>Net interest and Islamic financing income</b> .....   | <b>7,307.1</b>    | <b>7,304.8</b> |
| Fee and commission income.....                           | 2,994.5           | 3,205.3        |

|   | <b>As at 31 December</b> |                 |
|---|--------------------------|-----------------|
|   | <b>2015</b>              | <b>2016</b>     |
|   | <i>(AED millions)</i>    |                 |
| Fee and commission expense.....                               | (888.3)                  | (1,027.2)       |
| <b>Net fee and commission income</b> .....                    | <b>2,106.2</b>           | <b>2,178.1</b>  |
| Net foreign exchange gain.....                                | 817.6                    | 961.3           |
| Net gain on investment and derivatives.....                   | 254.2                    | 327.8           |
| Other operating income.....                                   | 70.8                     | 36.2            |
| <b>Operating income</b> .....                                 | <b>10,555.9</b>          | <b>10,808.2</b> |
| General, administration and other operating expenses.....     | (4,082.9)                | (4,012.8)       |
| <b>Profit before net impairment charge and taxation</b> ..... | <b>6,472.9</b>           | <b>6,795.4</b>  |
| Net impairment charge.....                                    | (943.0)                  | (1,190.7)       |
| <b>Profit before taxation</b> .....                           | <b>5,530.0</b>           | <b>5,604.7</b>  |
| Overseas income tax expense.....                              | (298.1)                  | (308.7)         |
| <b>Net profit for the year</b> .....                          | <b>5,231.8</b>           | <b>5,296.0</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 June 2017, the Group had financial liabilities to related parties totalling AED 16.5 billion and financial assets to related parties totalling AED 17.8 billion. The Group also had contingent liabilities with related parties in the amount of AED 7.0 billion as at 30 June 2017. See Note 28 (*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: (i) credit risk; (ii) market risk (including interest rate risk in the trading book, currency risk, equity risk in the trading book); (iii) liquidity risk; (iv) interest rate risk in the banking book; (v) operational risk (including risk of fraud); and (vi) 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: (i) the Board Management Committee, 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; (ii) the Board Risk and Compliance Committee, 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; (iii) the Board Audit Committee, 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 (iv) the Board Remuneration and Nomination Committee, 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 management level committees include: (i) the Group Executive Management Committee, which has the overall management responsibility for the Group; (ii) the Group Asset and Liability Committee, which has principal responsibility for the Group's asset and liability management process; (iii) the Group CIB Credit Committee, which is responsible for approval and decisions on the CIB funded and non-funded credit limits / exposures; (iv) the Group PBG Credit Committee, which is responsible for approval and decisions on the PBG funded and non funded credit limits / exposures; (v) the Group Risk and Compliance Committee, which has primary responsibility for maintaining oversight of Group-wide risk strategy and exposures to enable integrated and effective risk management; (vi) the Group Islamic Banking Committee which has responsibility for overseeing and directing the Group's Islamic banking businesses through the Group's Islamic banking window which operates under the "FAB Siraj" brand and its subsidiary companies ADNIF and Aseel; (vii) the Group International Banking Committee, which assists the Group Executive Management Committee in defining, developing and monitoring the holistic strategy for the management and development of the Group's international business through evaluation of the Group's international jurisdictions, including the need to meet the requirements of local laws and regulations; (viii) the Group Human Resources Steering Committee, which is responsible for implementation of human resource policies applicable to Group employees; (ix) the Group Operations and Technology Steering Committee, which is responsible for implementation of IT related goals of the Group; (x) the Group Real Estate Committee, which is responsible for overseeing the Group's strategy for its real estate business; and (xi) the Group Integration Steering Committee, which is responsible for managing the post-Merger integration

process. 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 technology and security risk. 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 Board Audit Committee.

### ***Risk monitoring, measurement, control and reporting***

The Group has established the Enterprise Risk Management Policy framework to support the Group's risk management objectives.

The aim of the Group's Enterprise Risk Management Policy ("**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 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, Group credit policy, PBG credit policy, market risk master policy, operational risk policy, Group liquidity policy, Group interest rate risk policy, AML and compliance risk policy, IT and information security risk policy, internal capital adequacy assessment process policy, new products approval policy and model governance policy. Other relevant risks such as reputation risk and strategic 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 Board Risk and Compliance Committee and the Group Risk and Compliance Committee on a quarterly basis and the head of each business division on a monthly 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 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 June 2017. 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><u>As at 30 June 2017</u></b><br><i>(AED millions)</i> |
|---|---|
| Cash and balances with Central Banks .....      | 108,939   |
| Due from banks and financial institutions ..... | 15,706  |
| Loans and advances, net .....                   | 321,264   |
| Investments – debt securities .....             | 80,509  |
| Other assets .....                              | 17,946  |
| <b>Total funded credit risk exposure .....</b>  | <b><u>544,364</u></b>                                     |

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 June 2017.

|  | <b>As at 30 June 2017</b> |
|--|---------------------------|
|  | <i>(AED millions)</i>     |
| <b>Counterparty</b>                    |                           |
| Government sector.....                 | 18,061                    |
| Public sector .....                    | 57,860                    |
| Banking sector .....                   | 17,287                    |
| Corporate / private sector.....        | 170,215                   |
| Personal / retail sector.....          | 71,373                    |
| <b>Gross loans and advances</b> .....  | <b>334,795</b>            |
|  |                           |
|  | <b>As at 30 June 2017</b> |
|  | <i>(AED millions)</i>     |
| <b>Industry</b>                        |                           |
| Agriculture.....                       | 393                       |
| Energy .....                           | 19,745                    |
| Manufacturing .....                    | 17,474                    |
| Construction .....                     | 12,494                    |
| Real estate.....                       | 65,167                    |
| Trading .....                          | 23,741                    |
| Transport and communication .....      | 29,494                    |
| Banks .....                            | 17,287                    |
| Other financial institutions .....     | 28,107                    |
| Services.....                          | 31,459                    |
| Government .....                       | 18,061                    |
| Personal – loans and credit cards..... | 71,373                    |
| <b>Gross loans and advances</b> .....  | <b>334,795</b>            |

The table below sets out the Group's credit concentration in respect of its non-trading debt securities portfolio by counterparty and by external credit ratings, in each case as at 30 June 2017.

|                                    | <b>As at 30 June 2017</b> |
|------------------------------------|---------------------------|
|                                    | <i>(AED millions)</i>     |
| <b>Counterparty type</b>           |                           |
| Government .....                   | 33,723                    |
| Supranational .....                | 3,469                     |
| Public sector .....                | 23,501                    |
| Banking sector .....               | 15,225                    |
| Corporate / private sector.....    | 6,818                     |
| <b>Total debt securities</b> ..... | <b>82,737</b>             |
|                                    |                           |
|                                    | <b>As at 30 June 2017</b> |
|                                    | <i>(AED millions)</i>     |
| <b>External credit rating</b>      |                           |
| AAA .....                          | 12,499                    |
| AA to A .....                      | 49,687                    |
| BBB to B .....                     | 14,471                    |
| CCC and Below .....                | 75                        |
| Unrated .....                      | 6,004                     |
| <b>Total debt securities</b> ..... | <b>82,736</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 the following asset classes as at 30 June 2017.

|   | <b>As at 30 June 2017</b>                        |  |                                  |                |
|---|--|--|----------------------------------|----------------|
|   | <b>Neither<br/>past due<br/>nor<br/>impaired</b> | <b>Past due<br/>but not<br/>impaired</b> | <b>Individually<br/>impaired</b> | <b>Total</b>   |
|   | <i>(AED millions)</i>                            |  |                                  |                |
| Cash and balances with Central Banks .....      | 108,939  | –  | –                                | 108,939        |
| Due from banks and financial institutions ..... | 15,706   | –  | –                                | 15,706         |
| Loans and advances, gross.....                  | 313,556  | 8,924                                    | 12,315                           | 334,795        |
| Other assets.....                               | 17,946   | –  | –                                | 17,946         |
| Non-trading investments.....                    | 80,509   | –  | –                                | 80,509         |
| <b>Gross exposure</b> .....                     | <b>536,656</b>                                   | <b>8,924</b>                             | <b>12,315</b>                    | <b>557,895</b> |
| Interest suspended.....                         | –  | –  | –                                | (1,818)        |
| Provision held.....                             | –  | –  | –                                | (11,713)       |
| <b>Funded credit risk exposure</b> .....        | <b>–</b>   | <b>–</b>                                 | <b>–</b>                         | <b>544,364</b> |

Loans and advances categorised under the "past due but not impaired" grade are accounts where either contractual principal or interest cash flows are past due but the underlying assets are not impaired. When these accounts exhibit some weakness in the borrower's financial condition and creditworthiness, requiring more than normal attention, such weakness is specifically monitored to ensure that the quality of the asset does not deteriorate. On this class of asset, the Group believes that assigning a specific impairment is not appropriate. "Individually impaired" assets are those where payment of principal is in arrears beyond 90 days or there is the possibility that the Group will be unable to recover some or the full amount. Such assets are considered as Non-Performing Assets ("NPAs").

The tables below set out an analysis of the Group's past due but not impaired loans by age as at 30 June 2017.

|  | As at 30 June 2017 |               |               |          | Total        |
|--|--------------------|---------------|---------------|----------|--------------|
|  | <30 days           | 31 to 60 days | 61 to 90 days | >91 days |              |
| Past due but not impaired loans and advances ..... | 3,458              | 1,340         | 1,273         | 2,853    | <b>8,924</b> |

(AED millions)

The classification of consumer loans into individually impaired and non-performing (either 'substandard', 'doubtful' or 'loss') and related specific provisioning is calculated based on pre-determined delinquency (or 'days past due') buckets. For corporate loans, classifications are assigned and specific impairment provisioning is determined in accordance with the regulations of the UAE Central Bank and with IAS 39 and reflect the shortfall in net present value of future cash flows.

In addition to assigning specific impairment charges, the Group also assesses and, where necessary, books a collective impairment allowance. The Group applies IFRS principles and UAE Central Bank guidelines in relation to incurred but not identified losses for groups of homogeneous assets. The similar risk characteristics of these assets are indicative of the borrower's ability to pay amounts due according to the contractual terms on the basis of the credit risk evaluation or grading process. This risk evaluation considers asset type, industry, geographical location, collateral type, past due status and other relevant factors.

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 an NPA. As at 30 June 2017, loans and advances on which interest is not being accrued or is suspended amounted to AED 15,315 million (equal to 4.57 per cent. of total gross loans as at 30 June 2017).

As at 30 June 2017, provision for impaired loans and advances amounted to AED 11,713 million representing 112 per cent. of all NPLs. The ratio of NPLs to total gross loans was 3.2 per cent. as at 30 June 2017.

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 six month period ended 30 June 2017, the Group wrote off AED 1,082 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 middle office to track the magnitude of market risk on a daily basis. 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 and Compliance 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 Value-at-Risk 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 and Compliance 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 June 2017, the Group held a portfolio of net HQLAs valued at AED 166.8 billion and had an LCR ratio of 116 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 liquid assets (cash and due from the UAE Central Bank and financial institutions) compared to total assets as at 30 June 2017.

|                           | <b>As at 30 June<br/>2017</b> |
|---------------------------|-------------------------------|
|                           | <i>(per cent.)</i>            |
| Liquid assets .....       | 26.4                          |
| Loans and advances .....  | 51.4                          |
| Investments .....         | 17.6                          |
| Other assets .....        | 4.6                           |
| <b>Total assets</b> ..... | <b>100</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 Advances to Stable Resources Ratios ("**ASRR**") as of 1 January 2016, while giving an option for banks to apply for compliance with the Basel III LCR and Net Stable Funding Ratio ("**NSFR**") (an option which the Group has taken up) in accordance with the timelines set by the Bank for International Settlements ("**BIS**"). 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 June 2017 was AED 1,719 billion (with a positive mark-to-market of AED 11.15 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 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.

| <i>Name</i>  | <i>Position</i> |
|--|-----------------|
| 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 Siddiqi                      | Board Member    |

| <i>Name</i>                   | <i>Position</i> |
|-------------------------------|-----------------|
| 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 United Arab Emirates 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. Over the last 25 years, he has held positions across various economic and financial Government bodies in the UAE, including the 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. H.E. Sheikh Mohammed is also the chairman of the Abu Dhabi National Insurance Company which is a leading and prominent insurance provider in the region. Sheikh Mohammed also holds the role of the chairman of its risk management committee. Sheikh Mohammed 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. H.E is also co-chair of the Abu Dhabi-Singapore Joint Forum, established to strengthen economic and political ties between the Emirate of Abu Dhabi and the Republic of Singapore. He also serves as the managing director and group chief executive officer of Mubadala Investment Company with responsibility for ensuring the company's business strategy is aligned with Abu Dhabi's economic diversification efforts. He is the chairman of the Executive Affairs Authority of the Government of Abu Dhabi, which provides strategic policy advice to the chairman of the Abu Dhabi Executive Council, of which he is also a member. He is chairman of the Emirates Nuclear Energy Corporation and Emirates Global Aluminium. H.E. has a degree in economics and finance from Tufts University, Boston, USA.

***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. Sheikh Ahmed is also the Chairman of Bin Srou Engineering. Sheikh Ahmed has previously served as undersecretary of the Department of Social Services and Commerce Building from 1996 until 2009. Sheikh Ahmed holds a bachelor degree in civil engineering science. Sheikh Ahmed's external appointments include acting as a member of Abu Dhabi National Consultative Council, a board member of Emirates Communication

(Etisalat), vice chairman of Abu Dhabi National Hotels Company and vice chairman of Abu Dhabi Aviation.

***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. H.E is the Second Vice President of the Federation of Chambers of the GCC. He is the Chairman of the Federation of the UAE Chambers of Commerce & Industry, Chairman of the Abu Dhabi Chamber of Commerce & Industry, National Marine Dredging Co., Arabtec Holding and Thani Murshed Unilever. H.E. is also a board member of Al Etihad Credit Bureau.

***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. H.E. is an executive director of the Direct Investment Department at the Abu Dhabi Investment Council. Prior to this, he was the deputy director of the External Funds (Americas) Department at the Abu Dhabi Investment Authority. Mr. Al Suwaidi holds a degree in business administration (finance) and MSC in finance from Seattle University, USA and is a chartered financial analyst. External appointments include board member of Union National Bank, board member of Abu Dhabi National Insurance Company and board member of Barakah One.

***H.E. Jassim Mohammed Al Siddiqi – Board Member***

H.E. Jassim Mohammed Al Siddiqi is a non-executive director of the Board, having previously served as a non-executive director on FGB's board. H.E. also serves as managing director and chief executive officer of Abu Dhabi Financial Group. He is also the chairman of Shuaa Capital and Eshraq Properties PJSC and is also a director of GFH Financial Group B.S.C, the Tourism and Development Investment Company and Abu Dhabi Capital Group. H.E. holds a bachelor of science in electrical engineering from the University of Wisconsin-Madison and earned his masters of science degree in electrical engineering from Cornell University in the 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. H.E. also currently holds the following external positions: director general of the Abu Dhabi Fund for Development, the chairman of Al Ain Farms for Livestock Production, the vice chairman of the Arab Bank for Investment and Foreign Trade, a board member of the Centre of Food Security of Abu Dhabi and the vice chairman of the Arab Bank for Investment and Foreign Trade, a board member for UAE Red Crescent, Agthia, CEPESA and DP World. He holds a bachelor of science degree in business administration from California Baptist University in the 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 "*Selected Financial Information – Related Party Transactions*" and Note 28 (*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 Board Remuneration and Nomination Committee comprises three members of the Board and the GCEO as an executive member. The Board Remuneration and Nomination Committee 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 Board Remuneration and Nomination Committee 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 Board Remuneration and Nomination Committee 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 Board Remuneration and Nomination Committee. Only members of the Board Remuneration and Nomination Committee

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 Board Remuneration and Nomination Committee is required to hold a minimum of 2 meetings' per year and provides regular reports to the Board. To date in 2017, the Board Remuneration and Nomination Committee has met once.

### ***Board Management Committee***

The Board Management Committee comprises four members of the Board and the GCEO as an executive member. The Board Management Committee, 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 Board Management Committee 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 Board Management Committee 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 Siddiqi and the GCEO.

A quorum of a majority of the members is required to convene a meeting of the Board Management Committee and only members of the Board Management Committee 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 Board Management Committee is required to hold a minimum of 4 meetings' per year and provides regular reports to the Board. To date in 2017, the Board Management Committee has met once.

### ***Board Risk and Compliance Committee***

The Board Risk and Compliance Committee comprises three members of the Board and the GCEO as an executive member. Under authority delegated by the Board, the Board Risk and Compliance Committee 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 Board Risk and Compliance Committee, 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 Board Risk and Compliance Committee 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 Board Risk and Compliance Committee. Only members of the Board Risk and Compliance Committee 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 Board Risk and Compliance Committee is required to hold a minimum of 4 meetings per year and provides regular reports to the Board. To date in 2017, the Board Risk and Compliance Committee has met once.

### ***Board Audit Committee***

The Board Audit Committee 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 Board Audit Committee are: H.E. Jassim Mohammed Al Siddiqi – Chairman, H.E. Mohammed Thani Murshed Ghanem Al Rumaithi, H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri and the GCEO.

A quorum of at least 3 members (inclusive of the Chairman) is required to convene a meeting of the Board Audit Committee. Only members of the Board Audit Committee 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 Board Audit Committee is required to hold a minimum of 4 meetings per year and provides regular reports to the Board. To date in 2017, the Board Audit Committee has met once.

### **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><i>Name</i></b>        | <b><i>Position</i></b>  |
|---------------------------|---|
| Mr. Abdulhamid Saeed      | Group Chief Executive Officer                                   |
| Mr. André Sayegh          | Deputy Group Chief Executive Officer and Group Head of CIB      |
| Ms. Hana Al Rostamani     | Group Head of PBG   |
| Mr. Karim Karoui          | Group Head of Subsidiaries, Strategy and Transformation         |
| Mr. James Burdett         | Group Chief Financial Officer                                   |
| Mr. Khalaf Al Dhaheri     | Group Chief Operating Officer                                   |
| Mr. Shireesh Bhide        | Group Chief Credit Officer                                      |
| Mr. Arif Shaikh           | Group Chief Risk Officer  |
| Mr. P K Medappa           | Group Chief People Officer                                      |
| Mr. Zulfiqar Ali Sulaiman | Group Chief Integration Officer – Head of International Banking |

| <i>Name</i>             | <i>Position</i>                                     |
|-------------------------|---|
| Mr. Fadhel A. B. Al Ali | Group Chief Customer Experience and Digital 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 Mubadala Investment Company. Mr. Saeed also serves on the board of directors of Sky News Arabia and Abu Dhabi Financial Group. He has more than 30 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 graduated from the University of Arizona, USA with a bachelor's degree in business administration.

***Mr. André 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.

***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 has a Masters degree in Information Management from the George Washington University, USA and has also completed a Certificate in Bank Card Management from the Visa International Association and the U.K. Chartered Institute of Bankers.

***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 24 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 Masters Degree in Accounting from IHEC, Carthage, Tunisia.

***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. Khalaf Al Dhaheri – Group Chief Operating Officer***

Mr. Al Dhaheri is the Group's Chief Operating Officer, having previously fulfilled the same role with NBAD.

Mr. Al Dhaheri joined NBAD and was appointed secretary to NBAD's risk management committee in April 2003. In July 2012, he was promoted to his the role of chief operating officer with responsibility for a range of functions such as operations, IT, enterprise projects and architecture, and bank general services which include procurement, administration and property management.

Mr. Al Dhaheri is a member a member of the audit committee in Abu Dhabi National Oil Company (ADNOC) and a board member of National Takaful Company PSC, Watania, and the Emirates Institution of Banking and Financial studies (EIBFS).

Mr. Al Dhaheri graduated from the UAE University with a B.Sc Degree in Accounting and has earned an MBA from Zayed University. He is a Certified Public Accountant (California State Board of Accountancy). He is also certified by the Advanced Management Programme of Ashridge, Hertfordshire, United Kingdom, 2006.

***Mr. Shireesh 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 25 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. 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 31 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. P K Medappa – Group Chief People Officer***

Mr. Medappa was appointed as the Group's Chief People Officer on 1 April 2017, having joined FGB in January 2017 as Group Chief People Officer designate for the merged entity.

Mr. Medappa has over 30 years of human resources experience in the banking industry including holding senior human resources positions. He has previous significant experience of leading mergers from the human resources perspective in Asia.

Prior to his appointment as the Group's Chief People Officer, he served most recently as group head of human resources with Standard Chartered Bank in Singapore. He holds a Masters degree in Personnel Management and Employee Relations.

***Mr. Zulfiqar Ali Sulaiman – Group Chief Integration Officer – Head of International Banking***

Mr. Sulaiman is the Group's Chief Integration Officer and Head of International Banking, 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. Mr. Sulaiman has more than 35 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 Bachelors 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. 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 Bachelors Degree in Industrial and System Engineering from the University of Southern California.

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 12 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 6 members is required to convene a meeting.

The Group Executive Management Committee is required to meet at least monthly or as otherwise required. To date in 2017, the Group Executive Management Committee has met 4 times.

### ***Group Risk and Compliance Committee***

The Group Risk and Compliance Committee operates under a delegated authority from the Group Executive Management Committee and also assists the Board Risk and Compliance Committee. The primary objectives of the Group Risk and Compliance 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 Board Risk and Compliance Committee, 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 and Compliance Committee has 10 voting members, with the Group Chief Risk Officer serving as chairman of the committee. A quorum of 6 members is required to convene a meeting.

The Group Risk and Compliance Committee is required to meet at least quarterly or as otherwise required. To date in 2017, the Group Risk and Compliance Committee has met once.

For further information on the Group's risk management processes, see "*Risk Management*".

### ***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 Board Management Committee (and the Board Risk and Compliance Committee) 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 6 voting members, with GCEO serving as chairman of the committee. A quorum of 4 members is required to convene a meeting.

The Group Personal Banking Credit Committee is required to meet at least quarterly or as otherwise required. To date in 2017, the Group Personal Banking Credit Committee has met once.

### ***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 Board Risk and Compliance Committee 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 10 voting members, with GCEO serving as chairman of the committee. A quorum of 6 members is required to convene a meeting.

The Group Asset and Liability Committee is required to meet at least monthly or as otherwise required. To date in 2017, the Group Asset and Liability Committee has sat 4 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 5 voting members, with GCEO serving as chairman of the committee. A quorum of 3 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. To date in 2017, the Group Corporate and Investment Banking Credit Committee has met 3 times.

### ***Group International Banking Committee***

The Group International Banking Committee operates under a delegated authority from the Group Executive Management Committee. It assists in defining, developing and monitoring the holistic strategy for the Group's international business and evaluation of the international regions in line with the Group's strategy and group-wide principles, including the need to meet the requirements of local laws and regulations.

A key objective of the committee is to set and approve the country strategies, structures, executive management, business review, systems and controls needed to drive the operations and business growth of the respective countries.

As at the date of this Base Prospectus, the Group International Banking Committee has 7 voting members, with the Head of International Banking serving as chairman of the committee. A quorum of 4 members is required to convene a meeting.

The Group International Banking Committee is required to meet at least monthly or as otherwise required. To date in 2017, the Group International Banking Committee has met twice.

### ***Group Operations and Technology Steering Committee***

The Group Operations and Technology Steering Committee operates under a delegated authority from the Group Executive Management Committee and is responsible for providing executive leadership

and governance across the various operations and technology initiatives within the Group. The committee's role is to ensure that operational and technology requirements for the Group's business strategy are planned, deployed and managed in an efficient, effective and transparent manner.

As at the date of this Base Prospectus, the Group Operations and Technology Steering Committee has 3 voting members and 10 cross functional non-voting members, with the Group Chief Operating Officer serving as chairman of the committee. A quorum of 2 members is required to convene a meeting.

The Group Operations and Technology Steering Committee is required to meet at least quarterly or as otherwise required. To date in 2017, the Group Operations and Technology Steering Committee has yet to meet with its first meeting scheduled for September 2017.

#### ***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 Board Remuneration and Nomination Committee 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 6 members, with the GCEO serving as chairman of the committee. A quorum of 4 members is required to convene a meeting.

The Group Human Resources Steering Committee is required to meet at least quarterly or as otherwise required. To date in 2017, the Group Human Resources Steering Committee has met once.

#### ***Group Real Estate Committee***

The Group Real Estate Committee operates under a delegated authority from the Group Executive Management Committee and it oversees and approves the Group's real estate investment activities, in line with effective market and liquidity risk management practices and in accordance with the Group's risk policies.

As at the date of this Base Prospectus, the Group Real Estate Committee has 5 voting members, with the Head of Subsidiaries, Strategy and Transformation serving as chairman of the committee. A quorum of 3 members is required to convene a meeting.

The Group Real Estate Committee is required to meet at least quarterly or as otherwise required. To date in 2017, the Group Real Estate Committee has met once.

#### ***Group Islamic Banking Committee***

The Group Islamic Banking Committee is appointed by the Group Executive Management Committee to oversee and direct the Group's Islamic banking businesses which primarily comprises the Group's Islamic banking window, operated under the "FAB Siraj" brand, in addition to the Group's Islamic finance house subsidiaries ADNIF and Aseel. The committee has particular responsibility for the overall risk management, governance and growth of the Islamic banking business across the Group. The committee is tasked with providing direction in respect of developments in the Islamic banking market.

As at the date of this Base Prospectus, the Group Islamic Banking Committee has 7 voting members, with the Head of Subsidiaries, Strategy and Transformation serving as chairman of the committee. A quorum of 4 members is required to convene a meeting.

The Group Islamic Banking Committee is required to meet at least quarterly or as otherwise required. To date in 2017, the Group Islamic Banking Committee has yet to meet and will commence scheduling meetings during the third quarter of 2017.

### ***Group Integration Steering Committee***

The Group Integration Steering Committee was established to provide direction on all matters relating to the post-Merger integration process. It is the ultimate approving authority for all post-Merger integration policies and procedures and, as such, all lower-level integration committees report to the Group Integration Steering Committee. The Group Integration Steering Committee meets fortnightly and is chaired by the GCEO.

### **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. The Group is already broadly in compliance with these requirements. The Group has established the Board Risk and Compliance Committee (see "*Board committees*" above) 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.



## 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 2016, the UAE had approximately 6.6 per cent. of the world's proven crude oil reserves (giving it the sixth largest oil reserves in the world). According to preliminary data produced by the FCSA and the UAE Central Bank, crude oil and natural gas accounted for 21.3 per cent. of the UAE's GDP and 16.9 per cent. of the total value of the UAE's exports (including re-exports) in 2016.

Based on IMF data (extracted from the World Economic Outlook (April 2017)), real GDP growth in the UAE increased by 4.7 per cent. in 2013, 3.1 per cent. in 2014, 3.8 per cent. in 2015 and 3.0 per cent. in 2016.

On 27 May 2017, Moody's Investors Service Singapore Pte. Ltd. affirmed the UAE's long-term credit rating of Aa2 (with the outlook revised upwards from 'negative' to 'stable'). The principal reason cited for this high investment grade rating is the assumption that the obligations of the UAE Federal Government will be fully supported by Abu Dhabi. The UAE is not rated by any other rating agency.

The MSCI Emerging Markets Index classifies the UAE as an "emerging market" economy (compared to the previous classification of "frontier market") with nine UAE companies (including the Dubai Financial Market and the ADX) 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 the Abu Dhabi Statistics Centre (the "**Statistics Centre**")). The city of Abu Dhabi is also the capital of the UAE.

According to Abu Dhabi National Oil Company ("**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 2016.

In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest. According to OPEC data, at 31 December 2016, the UAE had approximately 6,091 billion standard cubic metres of natural gas reserves, representing approximately 3.0 per cent. of the world's natural gas reserves of 200,539 billion standard cubic metres.

The table below shows Abu Dhabi's crude oil production, exports and average selling prices for each of the years indicated.

|   | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| Crude oil production (million b/d) .....        | 3.0         | 2.9         | 2.7         | 2.7         | 2.6         |
| Crude oil exports (million b/d) .....           | 2.4         | 2.4         | 2.2         | 2.5         | 2.4         |
| Crude oil exports (U.S.\$ billions) .....       | 37.8        | 44.9        | 103.7       | 100.5       | 97.9        |
| Average selling price (U.S.\$ per barrel) ..... | 42.7        | 50.4        | 103.5       | 109.2       | 112.1       |

Source: Statistics Centre.

The population of the UAE, based on a census carried out in 2005 and according to the FCSA, was approximately 4.1 million, of whom approximately 1.4 million resided in Abu Dhabi. In mid-2010, the FCSA estimated the population of the UAE to be approximately 8.2 million in 2009 and 8.3 million in 2010. In the results of the 2015 census, the population of the UAE was 9.1 million.

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.

|                            | <b>2015</b> | <b>2005</b> | <b>2001</b> | <b>1995</b> | <b>1985</b> | <b>1980</b> | <b>1975</b> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Abu Dhabi population ..... |             | 1,399,484   | 1,170,254   | 942,463     | 566,036     | 451,848     | 211,812     |
| Total UAE population ..... | 9,160,000   | 4,106,427   | N/A         | 2,411,041   | 1,379,303   | 1,042,099   | 557,887     |

Sources: Official census data published by the FCSA, except 2001 figure for Abu Dhabi which is sourced from data published by the Statistics Centre.

Since 2005, Abu Dhabi's population has grown by 107.8 per cent. to 2,908,173 in 2016, according to mid-year estimates from the Statistics Centre.

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, Abu Dhabi's nominal GDP per capita was approximately U.S.\$90,527 in 2014, which makes it one of the highest in the Gulf region. The oil and gas industry dominates Abu Dhabi's economy and, according to preliminary estimates released by the Statistics Centre, was the largest single sector, contributing 27.5 per cent. of nominal GDP in 2016. Oil prices declined significantly in the second half of 2008 and this fact was the principal reason for the decline in Abu Dhabi's nominal GDP in 2009. Increases in oil and gas production rates combined with increases in oil prices contributed significantly to the growth in Abu Dhabi's GDP from 2004 to 2008 and again from 2010 to 2014. However, 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 in January 2016. As at 30 June 2017, the average price of the OPEC Reference Basket for the year to that date had recovered to U.S.\$45.63 per barrel. This 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, which grew by 7.4 per cent. in 2012 and by 4.8 per cent. in 2013, slowing to a growth rate of 2.2 per cent. during 2014. As at the date of this Base Prospectus, only preliminary estimates (published by the Statistics Centre) are available for Abu Dhabi's 2016 nominal GDP. While reflecting a slight recovery in nominal GDP growth during 2016 (at 2.8 per cent.), economic growth levels remain low when compared with the period prior to the global reduction in oil prices (when, in 2013, Abu Dhabi experienced nominal GDP growth of 4.8 per cent.), reflecting the prevailing volatility of crude oil prices. Abu Dhabi's growing non-oil sector, which in 2010 accounted for over 50.0 per cent. of Abu Dhabi's GDP, in comparison to 2008, where it accounted for just over 41.4 per cent., contributed to

Abu Dhabi's increase in GDP in 2010, despite the continuing economic financial crisis. In 2015 and (according to preliminary estimates published by the Statistics Centre) 2016, the non-oil sector accounted for approximately 64.9 per cent. and 72.5 per cent., respectively, of Abu Dhabi's GDP.

No meaningful real GDP information is currently available for Abu Dhabi as a result of historical uncertainties surrounding the calculation of inflation for the Emirate.

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.

|   | <b>2016*</b>                                 | <b>2015</b> | <b>2014</b> |
|---|--|-------------|-------------|
|   | <i>(AED billions, except for percentage)</i> |             |             |
| Abu Dhabi nominal GDP (current price).....      | 728.5  | 960.1       | 952.7       |
| Percentage change in Abu Dhabi nominal GDP..... | 2.8  | 3.0         | 2.2         |
| UAE nominal GDP (current prices).....           | 1,158.7                                      | 1,392.6     | 1,467.0     |
| Abu Dhabi as a percentage of UAE.....           | 62.9   | 68.9        | 64.9        |

Sources: Statistics Centre (for Abu Dhabi nominal GDP) and FCSA (for UAE nominal GDP).

\*Preliminary estimates

Abu Dhabi's GDP is dominated by the oil and gas sector, which contributed 50.9 per cent. of nominal GDP in 2014 and, reflecting the lower oil price environment from mid-2014 onwards, 35.1 per cent. in 2015 and (according to preliminary estimates published by the Statistics Centre) 27.5 per cent. in 2016. According to the Statistics Centre, outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2014, 2015 and (according to preliminary estimates published by the Statistics Centre) 2016 have been: construction; financial and insurance sector; public administration and defence and compulsory social security; manufacturing; real estate; wholesale, retail trade and repair of motor vehicles and motorcycles; and transportation and storage, which together accounted for 41.4 per cent. of nominal GDP in 2014, 48.7 per cent. in 2015 and (according to preliminary estimates published by the Statistics Centre) 54.1 per cent. in 2016.

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.

| <i>Sector</i>   | <b>2016*</b>          |              |  | <b>2015</b>           |              |  | <b>2014</b>           |              |  |
|---|-----------------------|--------------|--|-----------------------|--------------|--|-----------------------|--------------|--|
|   | <i>(AED millions)</i> | <i>(%)</i>   | <i>(2016 compared to 2015, % change)</i> | <i>(AED millions)</i> | <i>(%)</i>   | <i>(2015 compared to 2014, % change)</i> | <i>(AED millions)</i> | <i>(%)</i>   | <i>(2014 compared to 2013, % change)</i> |
| Agriculture, forestry and fishing.....                                    | 6,020                 | 0.8          | 5.6                                      | 5,699                 | 0.7          | (5.4)                                    | 6,023                 | 0.6          | 4.1                                      |
| Mining and quarrying (includes crude oil and natural gas).....            | 200,672               | 27.5         | (26.5)                                   | 273,078               | 35.0         | (44.1)                                   | 489,067               | 50.9         | (4.3)                                    |
| Manufacturing.....  | 50,587                | 6.9          | 0.5                                      | 50,324                | 6.5          | (8.2)                                    | 54,707                | 5.7          | 12.6                                     |
| Electricity, gas and water supply; waste management.....                  | 32,671                | 4.5          | 9.5                                      | 29,831                | 3.8          | 21.2                                     | 24,613                | 2.6          | 10.2                                     |
| Construction.....   | 91,722                | 12.6         | 3.3                                      | 88,782                | 11.4         | (4.1)                                    | 92,596                | 9.6          | 8.1                                      |
| Wholesale and retail trade; repair of motor vehicles and motorcycles..... | 42,917                | 5.9          | 4.6                                      | 41,038                | 5.3          | 0.1                                      | 41,006                | 4.3          | 15.1                                     |
| Transportation and storage.....   | 39,951                | 5.5          | 7.8                                      | 37,065                | 4.8          | (4.2)                                    | 38,709                | 4.0          | 11.0                                     |
| Accommodation and food services.....                                      | 9,572                 | 1.3          | 3.5                                      | 9,244                 | 1.2          | (5.9)                                    | 9,823                 | 1.0          | 10.2                                     |
| Information and communication.....  | 22,211                | 3.0          | 4.3                                      | 21,293                | 2.7          | (0.8)                                    | 21,455                | 2.2          | 11.6                                     |
| Financial and insurance.....  | 71,397                | 9.9          | 4.1                                      | 68,555                | 8.8          | 2.4                                      | 66,939                | 7.0          | 19.7                                     |
| Real estate.....  | 44,512                | 6.1          | 8.1                                      | 41,177                | 5.3          | (16.2)                                   | 49,138                | 5.1          | 22.3                                     |
| Professional, scientific and technical.....                               | 19,828                | 2.7          | 4.3                                      | 19,016                | 2.4          | (4.6)                                    | 19,924                | 2.1          | 5.7                                      |
| Administrative and support services.....                                  | 11,391                | 1.6          | 5.4                                      | 10,811                | 1.4          | (2.0)                                    | 11,037                | 1.1          | 10.3                                     |
| Public administration and defence; compulsory social security.....        | 52,972                | 7.3          | 1.1                                      | 52,383                | 6.7          | 1.5                                      | 51,620                | 5.4          | 7.5                                      |
| Education.....  | 12,263                | 1.7          | 4.6                                      | 11,719                | 1.5          | (7.3)                                    | 12,644                | 1.3          | 12.5                                     |
| Human health and social work.....   | 12,378                | 1.7          | 6.7                                      | 11,604                | 1.5          | (2.2)                                    | 11,864                | 1.2          | 10.2                                     |
| Arts, recreation and other services.....                                  | 2,537                 | 0.3          | 6.6                                      | 2,381                 | 0.3          | (5.2)                                    | 2,512                 | 0.3          | 4.0                                      |
| Activities of households as employers.....                                | 4,918                 | 0.7          | 9.2                                      | 4,502                 | 0.6          | 11.1                                     | 4,052                 | 0.4          | 4.1                                      |
| <b>Total GDP.....</b>   | <b>728,518</b>        | <b>100.0</b> | <b>—</b>                                 | <b>778,501</b>        | <b>100.0</b> | <b>—</b>                                 | <b>960,146</b>        | <b>100.0</b> | <b>—</b>                                 |

Source: Statistics Centre.

\*Preliminary estimates

The Government's long-term ratings were affirmed at Aa2 (with the outlook revised upwards from 'negative' to 'stable') and its short-term ratings at Prime-1 (also with a 'stable' outlook) by Moody's on 25 May 2017. The key driver of this upward revision in the outlook and the high investment grade ratings is Abu Dhabi's effective and broad policy response to the lower oil price environment through an acceleration in the reform agenda, coupled with its large fiscal buffers in the form of diversified offshore investments, which is expected to continue to support economic and fiscal resilience. On the other hand, Moody's also noted the lack of clarity around the formulation and implementation of government policies to arrest and reverse the large deficits and the deterioration in the net asset position created by lower oil prices. Moody's expects that the absence of such clarity will erode the fiscal buffers over time, exerting downward pressure on the rating.

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 Standard & Poor's on 3 February 2017. Standard & Poor's commented that the ratings are anchored by the Emirate's strong fiscal and external positions. Standard & Poor's further commented that, in addition to providing fiscal policy flexibility, the exceptional strength of the Government's net asset position provides a buffer against the effect of oil price volatility on economic growth and Government revenues, as well as on the external account. On the other hand, Standard & Poor's highlighted the fact that Abu Dhabi has less-developed political institutions compared to 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 economic and fiscal data and the underdeveloped local currency domestic bond market also weigh on Standard & Poor's ratings. Further, and on the basis of Standard & Poor's assumptions that the oil price will remain low for the foreseeable future, Standard & Poor's anticipates that the Government's fiscal balance will turn to a deficit in the period from 2016 to 2019. However, Standard & Poor's also expects that the Government will maintain its very strong net fiscal asset position during this period.

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 22 January 2017. Fitch commented that the Emirate's key credit strengths are its exceptionally strong fiscal and external metrics and high GDP per capita, balanced by high dependence on hydrocarbons, a relatively weak policy framework and weak data availability compared with 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.

Departments, authorities and councils are established by Emiri Decree.

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 and two of the Company's board members sit on the Supreme Petroleum Council.

The Executive Council is the principal executive authority below the Ruler and the Crown Prince and currently comprises 15 members, appointed by an Emiri Decree issued in February 2016.

Departments manage administration within the Emirate and manage specific portfolios, including, 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 Government owns or has material shareholdings in a number of significant companies and institutions, including ADNOC, Abu Dhabi Investment Authority ("**ADIA**"), ADIC, Etihad Airways P.J.S.C. ("**Etihad**"), General Holding Corporation ("**Senaat**"), Mubadala, International Petroleum Investment Company ("**IPIC**"), Tourism Development and Investment Company ("**TDIC**") and Mubadala Investment Company. 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 Executive Council.

*ADNOC:* ADNOC was established in 1971 to operate in all areas of Abu Dhabi's oil and gas industry. Since 1971, ADNOC has steadily broadened its activities establishing various companies and subsidiaries to create an integrated oil and gas industry in Abu Dhabi. ADNOC manages and oversees oil production of 2.9 million barrels a day which would rank it among the top ten oil producers in the world.

*ADIA:* ADIA was established in 1976. The Government provides funds to ADIA on a periodic basis that are surplus to its budgetary requirements and other funding requirements. ADIA carries out its investment strategy independent of and without reference to the Government or other entities that also invest funds on the Government's behalf. In addition, at certain times, in practice only during periods of extreme and/or prolonged weakness in commodity prices, ADIA is required to make available to the Government its financial resources to secure and maintain the future welfare of Abu Dhabi. ADIA currently has ten board members.

*IPIC:* IPIC was established in 1984. IPIC has a mandate to invest in energy and energy-related assets globally. IPIC has seven board members, including H.H. Sheikh Mansour bin Zayed Al Nahyan, the Chairman of the board of directors.

*ADIC:* 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. ADIC is empowered by the Government with a direct investment mandate to broaden Abu Dhabi's economic base and facilitate the international development of Abu Dhabi companies. ADIC currently has seven board members.

*Etihad:* Etihad was established in 2003 and is the national airline of the UAE. Etihad's principal business is the commercial transportation by air of both passengers and cargo on a point to point scheduled and charter basis. Etihad also focuses its business around distribution in partnership with Abu Dhabi entities and the development of its Abu Dhabi hub operations at Abu Dhabi International Airport. Etihad is a key facilitator of the Government's tourism strategy.

*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, oil and gas services, construction and building materials and food and beverage manufacturing sectors.

*Mubadala:* Mubadala was established in 2002. Mubadala is 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. Mubadala currently has seven board members.

*TDIC:* TDIC was established in 2005. TDIC is a wholly-owned subsidiary of the Abu Dhabi Tourism and Culture Authority. TDIC 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.

*Mubadala Investment Company:* On 21 January 2017, the President of the UAE, H.H. Sheikh Khalifa bin Zayed Al Nahyan, issued a law creating Mubadala Investment Company, a company wholly owned by the Government. Mubadala Investment Company will hold the entire issued share capital of each of Mubadala and IPIC.

## **ABU DHABI'S ECONOMIC STRATEGY**

The Government's 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**"). 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 Policy Agenda establishes broad, long-term policy goals to drive economic, social and geopolitical/governance change in Abu Dhabi. Under the Policy Agenda, diversifying the energy sector and the economy through investments by entities such as IPIC and Mubadala is a key step in achieving economic development, including through the strengthening of downstream hydrocarbon capabilities (refining, transportation and distribution), the application of better processes, products and technologies and the expansion of the proportion of value-added exports, such as refined and semi-refined products in the petrochemicals sector, from Abu Dhabi. The Policy Agenda also calls for the pursuit of the geographic diversification of Abu Dhabi's assets through strategic investments in upstream, midstream and downstream hydrocarbon assets outside the UAE by entities such as IPIC and the leveraging of Abu Dhabi's strengths in the hydrocarbon sector to diversify into other industrial sectors, such as the development of Abu Dhabi as a world leader in the petrochemicals industry.

## **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 co-operation 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. Qatari nationals were given 48 hours to leave Saudi Arabia, the UAE and Bahrain, and these countries' nationals were given 14 days to leave Qatar. As at the date of this Base Prospectus, there has been no further material update.

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 June 2017 there were a total of 48 banks (22 locally incorporated banks and 26 foreign banks) licensed to operate in the UAE, to serve a national population of approximately 9.3 million people at the end of 2016 (source: Statistical Yearbook 2016 edition, United Nations Department of Economic and Social Affairs, Statistics Division). 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 Statistics Centre (Statistical Yearbook of Abu Dhabi 2016), the financial and insurance sectors in Abu Dhabi contributed approximately AED 66.9 billion (or 7.0 per cent.) to Abu Dhabi's nominal GDP in 2015. Within the UAE as a whole, the financial sector was estimated to have contributed approximately 6.9 per cent. of real GDP in 2015 (according to the FCSA).

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 is expected to enable 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 "*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 banks (comprising 22 locally incorporated banks and 26 foreign banks) licensed to operate inside the UAE as at 30 June 2017 (excluding the DIFC) (source: UAE Central Bank), serving a population estimated to be in the region of approximately 9.3 million people at the end of 2016 (source: Statistical Yearbook 2016 edition, United Nations Department of Economic and Social Affairs, Statistics Division). 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, since 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., there has been very limited merger activity domestically in the sector. However, commentators have suggested that the Merger, consummated on 30 March 2017, may stimulate further moves towards greater consolidation amongst UAE banks.



While the anticipated attempts at 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 players 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.

## 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 "*Risk Factors – 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 the Statistics Centre (Statistical Yearbook of Abu Dhabi 2016), the oil and gas industry contributed 50.9 per cent. to nominal GDP in Abu Dhabi in 2015 as compared with a contribution of 55.0 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 P.J.S.C., Abu Dhabi Islamic Bank P.J.S.C., Emirates Islamic Bank P.J.S.C., Noor Bank, Al Hilal Bank P.J.S.C., Ajman Bank, Sharjah Islamic Bank P.J.S.C., Dubai Islamic Insurance & Reinsurance Company (AMAN), Islamic Arab Insurance Co. (P.S.C.) (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: (i) federal laws and decrees; (ii) local laws; and (iii) *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, valuation and free convertibility;
- 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 International Monetary Fund (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 – 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 Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering. 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 coordinating 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 Abu Dhabi Securities Exchange (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 the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the UAE has been an increasing concern for the UAE federal government and as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase the percentage of UAE nationals on their payroll by at least 4 per cent. per annum. This policy has now been supplemented by, and operates in tandem with, the Emiratisation Circular which has introduced a scoring system 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 to be 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 22 as at 30 June 2017 (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 banks, of which there were 26 as at 30 June 2017 (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 performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. 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 but rebounded between 2012 and 2016, with the ADX's General Index declining from 2,719.9 at 31 December 2010 to 2,402.3 at 31 December 2011 before increasing to 2,630.9 at 31 December 2012, 4,290.3 at 31 December 2013 and 4,528.9 at 31 December 2014, before declining again to 4,546.4 at 31 December 2016, and the Dubai Financial Market index declining from 1,630.5 at 31 December 2010 to 1,353.4 at 31 December 2011 before increasing to 1,662.5 at 31 December 2012, 3,371.4 at 31 December 2013 and 3,774.0 at 31 December 2014, before declining again to 3,636.2 at 31 December 2016 (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.

### **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. According to data made available by the UAE Central Bank, together, these deposits constituted approximately 75.6 per cent. of total deposits of the UAE banking sector as at 30 June 2017. The UAE federal government and the public sector constituted approximately 24.3 per cent. of total deposits within the UAE banking sector as at 30 June 2017. Non-resident and other sources contributed approximately 11.3 per cent. as at the same date (source: UAE Central Bank Statistical Bulletin June 2017).

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 II 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 II 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 Abu Dhabi Government (acting through the Department of Finance) subscribed for, in aggregate, a sum of AED 16.0 billion in subordinated Tier I capital notes issued by the five largest Abu Dhabi banks: NBAD, Abu Dhabi Commercial Bank P.J.S.C., FGB, Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank P.J.S.C.

In 2009, the Department of Finance of the Government of Dubai established a U.S.\$20.0 billion funding programme and the first tranche, valued at U.S.\$10.0 billion with a five year tenure and paying a coupon rate of four per cent. per annum, was issued in its entirety to the UAE Central Bank. In November 2009, a second U.S.\$5.0 billion tranche was fully subscribed equally by NBAD and Al Hilal Bank P.J.S.C.

In line with Basel III requirements, the UAE Central Bank has issued 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 are intended to apply until the Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio 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 |
|                   | Eligible Liquid Assets Ratio (ELAR $\geq$ 10%)        | 1 July 2015 – December 2017   |
|                   | Advances to Stable Resources Ratio<br>(ASRR $<$ 100%) | Until December 2017           |
| Basel III ratios: | Liquidity Coverage Ratio (LCR $>$ 100%)               | January 2018 onwards          |
|                   | Net Stable Funding Ratio (NSFR $<$ 100%)              | January 2018 onwards          |

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 are 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 are 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 Bank has chosen to take up this option and accordingly manages

its liquidity position through compliance with the LCR (in addition to its ongoing obligation to report its ELAR, NSFR and ASRR ratios to the UAE Central Bank.

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

The ASRR is an interim ratio that 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 mirrors the Basel III NSFR standard. 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 ("**RSF**") (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 NSFR standard.

#### *Interim Marginal Lending Facility*

On 15 April 2014, the UAE Central Bank introduced the IMLF which is expected to enable non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF will let lenders 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 I 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 I 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 are deducted from regulatory capital. Pursuant to the February 2017 Regulations, the Bank, as a D-SIB, is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 12.5 per cent., effective from 1 February 2017, increasing to a minimum total capital adequacy ratio of 13.5 per cent., effective from 1 January 2018 and a minimum total capital adequacy ratio of 14.5 per cent., effective from 1 January 2019.

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 GCC government non-commercial public sector entities are risk-weighted at 50 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 I and Tier II 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 I and Tier II 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:

- (i) the governing jurisdiction of the bank has in place laws that:
  - (i) require such Tier I and Tier II 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;
- (ii) a peer group review confirms that the jurisdiction conforms with clause (i); and
- (iii) 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 (i).

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 I or Tier II 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 Central Bank has (as set out in its Financial Stability Report for 2014) commenced the process of updating its regulatory framework in line with Basel III principles and international best practice. However, as at the date of this Base Prospectus, there has been no official proposal for the implementation of the Non-Viability Requirement in the UAE. In the absence of new UAE legislation or such a confirmation, the terms and conditions of the Notes may still need to provide for the Non-Viability Requirement in order to qualify as regulatory capital under Basel III. See "*Risk Factors – Risks related to the market generally – Basel III Reforms – Future UAE legislation on loss absorbency at the point of non-viability may have adverse effects for Noteholders*".

In May 2016, the UAE Central Bank published the Consultation Document detailing the Basel III requirements expected to be followed by banks operating in the UAE, once applicable legislation has been implemented domestically. In particular, the Consultation Document outlines the general quantitative requirements expected to be followed by UAE banks, with regards to Regulatory Capital. It also outlines, amongst other things, the Regulatory Capital ratios that UAE banks will be expected to follow and adhere to, the individual UAE bank minimum capital conservation standards and the required disclosure standards expected to be made available by UAE banks with respect to Regulatory Capital.

On 23 February 2017, the UAE Central Bank published the February 2017 Regulations in the Official Gazette issue 612, which are effective from 1 February 2017. The February 2017 Regulations 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 Consultation Document. The February 2017 Regulations are supported by the Accompanying Standards which, as at the date of this Base Prospectus, are yet to be issued. The Accompanying Standards will elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements. Banks which are classified as D-SIBs by the UAE Central Bank (such as the Bank) will be required to hold additional capital buffers as notified to it by the UAE Central Bank. In addition, a bank may also be subject to additional capital add-on requirements following a Supervisory Review

and Evaluation process of the UAE Central Bank. As at the date of this Base Prospectus, the UAE has not fully implemented the Basel III Reforms.

### **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 are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

### **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's Retail Circular 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 in accordance with the Mortgage Regulations (which were published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013, superseding UAE Central Bank notice no. 3871/2012 dated 30 December 2012), 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).

On 11 November 2013, the UAE Central Bank published 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):

|  | <u>Individual</u>  | <u>New Limit<br/>Aggregate</u> | <u>Old Limit<br/>Individual</u> | <u>Aggregate</u> |
|--|--|--------------------------------|---------------------------------|------------------|
| UAE federal government and their non-commercial entities .....                               | Exempt   | Exempt                         | Exempt                          | Exempt           |
| UAE local government and their non-commercial entities .....                                 | No cap for UAE<br>local<br>government;<br>25% for each<br>non-commercial<br>entity | 100%                           | Exempt                          | Exempt           |
| Commercial entities of UAE federal government and UAE<br>local government.....               | 25%  | 100%                           | 25%                             | None             |
| Commercial or other (non-commercial) private sector<br>entities and individuals.....         | 25% max  | None                           | 7%                              | None             |
| Shareholders who own 5 per cent. or more of the bank's<br>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**

The UAE Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In addition, pursuant to Circular 28/2010 concerning regulations for classification of loans and their provisions issued by the UAE Central Bank on 11 November 2010, all banks in the UAE are required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

### **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.

## TAXATION

*The following is a general description of certain United Arab Emirates and European Union tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes 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 Taxation**

The following summary of the anticipated tax treatment in the UAE in relation to payments on the Notes 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 Notes and the receipt of any payments with respect to such Notes 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 oil 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 interest and principal to any holder of the Notes. In the event of such imposition of any such withholding, the Bank 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.

As at the date of this Base Prospectus, the UAE does not impose VAT on the sale of goods or services. However, there is a possibility that this situation will not continue. On 24 February 2016, the UAE Minister of State for Financial Affairs announced that, pursuant to a GCC-wide framework agreement on the implementation of VAT, the UAE will implement VAT at the rate of 5 per cent. from 1 January 2018. The GCC-wide framework agreement for VAT is yet to be made available. The UAE national legislation implementing this framework agreement was published on 23 August 2017 (UAE Federal Decree Law No.8 of 2017).

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

### **FATCA**

Pursuant to certain provisions of 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 Bank is a foreign financial institution for these purposes. A number of jurisdictions (including the UAE) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to

implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes 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 Notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (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, 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 Notes 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 the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Bank to any one or more of Barclays Bank PLC, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, First Abu Dhabi Bank PJSC, HSBC Bank plc, Merrill Lynch International, MUFG Securities EMEA plc, Mizuho International plc, Natixis, SMBC Nikko Capital Markets Limited, Société Générale, Standard Chartered Bank, UniCredit Bank AG and Wells Fargo Securities International Limited (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Bank to, and purchased by, Dealers are set out in an amended and restated Dealer Agreement dated 30 August 2017 (the "**Dealer Agreement**") and made between, amongst others, the Bank and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Bank in respect of such purchase. The Dealer Agreement makes 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 Tranche of Notes.

### **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 Notes or possesses, distributes or publishes this Base Prospectus, any Final Terms or any Pricing Supplement 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 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 Notes 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 Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) 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.

Selling restrictions may be supplemented or modified with the agreement of the Bank. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as 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 Notes or Notes which are the subject of a Pricing Supplement or Drawdown Prospectus, the applicable Pricing Supplement or Drawdown Prospectus.

### ***United States of America***

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder. The relevant Final Terms (or, as applicable, the relevant Pricing Supplement) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA rules are not applicable.

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Bank by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent 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 registration under the Securities Act, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S.

### **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 Notes which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Bank;
- (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 Notes in circumstances in which Section 21(1) of the FSMA would not, if the Bank was not an authorised person, apply to 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 Notes in, from or otherwise involving the United Kingdom.



## Prohibition of Sale to EEA Retail Investors

From 1 January 2018, unless the relevant Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1 January 2018, and from that date if the relevant Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) **Qualified investors:** at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) **Fewer than 150 offerees:** at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Bank for any such offer; or
- (c) **Other exempt offers:** at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor

to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than: (i) to "**professional investors**" within the meaning of the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CO**") or which do not constitute an offer to the public within the meaning of the CO; 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 Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and any regulations of Japan.

## **The People's Republic of China**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) as part of the initial distribution of the Notes.

## **Malaysia**

This Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or delivered, by it and no invitation to subscribe for or purchase the Notes has been or will be made,

directly or indirectly, nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the Capital Markets and Services Act 2007 of Malaysia, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(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 Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;

- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

#### **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 Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the 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 Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA 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 Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 11 or Article 12 of the "**Offers of Securities Regulations**" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 3-151-2016 dated 21 December 2016 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority to carry on the securities activity of arranging and following a notification to the Capital Market Authority under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 11 of the KSA Regulations or by way of a limited offer under Article 12 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 Notes by it to a Saudi Investor will be made in compliance with Articles 11 or 12 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 18 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 11 or Article 12 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Notes are offered or sold to a Sophisticated Investor (as defined in Article 11 of the KSA Regulations); (b) the price to be paid for the Notes 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 18 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 Notes 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;
- (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).

### **State of Qatar**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar. This Base Prospectus has not been reviewed or approved by the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

## GENERAL INFORMATION

### 1. **Authorisation**

The establishment of the Programme was authorised by resolutions of the extraordinary general meeting of the shareholders of the Bank and the Board of Directors, in each case passed on 22 November 2005. The update of the Programme and issue of Notes thereunder were authorised by a resolution of the board of directors of the Bank passed on 31 January 2017. The Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### 2. **Listing of Notes**

It is expected that each Tranche of Notes 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 Note or Notes initially representing the Notes of such Tranche.

Application has been made to the U.K. Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Regulated Market. The listing of the Programme in respect of Notes is expected to be granted on or before 5 September 2017. 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 Notes may be issued pursuant to the Programme.

### 3. **Legal and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which 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 Bank and its Subsidiaries.

### 4. **Significant/Material Change**

Since 31 December 2016 there has been no material adverse change in the prospects of the Bank or the Bank and its Subsidiaries and, since 30 June 2017, there has not been any significant change in the financial or trading position of the Bank or the Bank and its Subsidiaries.

### 5. **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 six months ending 30 June 2017.

The consolidated financial statements of NBAD for the year ended 31 December 2016 have been audited without qualification in accordance with International Standards on Auditing by PricewaterhouseCoopers (Abu Dhabi Branch) (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 Abu Dhabi Trade Centre, 9th Floor, Abu Dhabi, United Arab Emirates, as stated in their reports, incorporated by reference herein.

The consolidated financial statements of NBAD for the year ended 31 December 2015 have been audited without qualification in accordance with International Standards on Auditing by KPMG, as stated in their reports, incorporated by reference herein.

The consolidated financial statements of FGB for each of the two years ended 31 December 2015 and 31 December 2016 have been audited without qualification in accordance with International Standards on Auditing by Ernst & Young Middle East (Abu Dhabi branch) (authorised and regulated under the Register of Practicing Accountants at the UAE Ministry of Economy and Planning as required by UAE Federal Law No. 22 of 1995) of 27th Floor, Nation Tower 2, Abu Dhabi Corniche, United Arab Emirates, as stated in their reports, incorporated by reference herein.

KPMG have given and not withdrawn their written consent to the inclusion in this Base Prospectus of the auditors' report on the pro forma financial information, in the form appended to this Base Prospectus, as well as references to their name and have authorised the contents of such part of this Base Prospectus.

## 6. Documents on Display

Copies of the following documents may be inspected during normal business hours at the specified offices of the Paying Agent for twelve months from the date of this Base Prospectus:

- (a) the memorandum and articles of association of the Bank (together with direct and accurate English translations thereof);
- (b) the audited consolidated financial statements of NBAD for the years ended 31 December 2015 and 31 December 2016 in each case, together with the audit reports prepared in connection therewith;
- (c) the audited consolidated financial statements of FGB for the years ended 31 December 2015 and 31 December 2016 in each case, together with the audit reports prepared in connection therewith;
- (d) the most recently published audited annual financial statements of the Bank and the most recently published unaudited interim financial statements (if any) of the Bank, in each case together with any audit or review reports prepared in connection therewith;
- (e) the Agency Agreement;
- (f) the Deed of Covenant; and
- (g) the Programme Manual (which contains the forms of the Notes in global and definitive form).

## 7. Material Contracts

Neither the Bank nor any of its Subsidiaries has entered into any material contracts outside the ordinary course of business which could result in its being under an obligation or

entitlement which is, or may be, material to the ability of the Bank to meet its obligations in respect of the Notes.

**8. Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms (or, as applicable, the relevant Pricing Supplement).

**9. Conditions for Determining Price and Yield**

The price and amount of Notes to be issued under the Programme will be determined by the Bank and each relevant Dealer at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes will be calculated on an annual or semi-annual basis using the relevant issue price at the relevant issue date. It is not an indication of future yield.

**10. Passporting**

The Bank may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in the United Kingdom to be issued by the FCA to the competent authority in any Member State.

**11. 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 Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.



**REGISTERED OFFICE OF THE BANK**

**First Abu Dhabi Bank PJSC**

FAB Building  
Khalifa Business Park – Al Qurm District  
P.O. Box 6316  
Abu Dhabi  
United Arab Emirates

**FISCAL AGENT**

**Citibank N.A., London Branch**  
Agency and Trust Services  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**REGISTRAR**

**Citigroup Global Markets  
Deutschland AG**  
Reuterweg 16  
60323 Frankfurt  
Federal Republic of Germany

**PAYING AGENT**

**Citibank N.A., London Branch**  
Agency and Trust Services  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**LEGAL ADVISERS**

*To the Bank  
as to English law and  
United Arab Emirates law*

**Clifford Chance LLP**

9<sup>th</sup> Floor  
Al Sila Tower  
Abu Dhabi Global Market Square  
P.O. Box 26492  
Abu Dhabi  
United Arab Emirates

*To the Arrangers and the Dealers  
as to English law and  
United Arab Emirates law*

**Allen & Overy LLP**

11<sup>th</sup> Floor  
Burj Daman Building  
Happiness Street  
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P.O. Box 506678  
Dubai  
United Arab Emirates

**AUDITORS TO THE BANK**

**KPMG**

15th Floor  
Falcon Tower  
Al Nasr Street  
Abu Dhabi  
P.O. Box 7613  
United Arab Emirates

## DEALERS

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
London E14 5LB  
United Kingdom

**Crédit Agricole Corporate and Investment Bank**  
Broadwalk House  
5 Appold Street  
London EC2A 2DA  
United Kingdom

**First Abu Dhabi Bank PJSC**  
FAB Building  
Khalifa Business Park – Al Qurm District  
P.O. Box 6316  
Abu Dhabi  
United Arab Emirates

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Mizuho International plc**  
Mizuho House  
30 Old Bailey  
London, EC4M 7AU  
United Kingdom

**MUFG Securities EMEA plc**  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AJ  
United Kingdom

**Natixis**  
30, avenue Pierre Mendès-France  
75013 Paris  
France

**SMBC Nikko Capital Markets Limited**  
One New Change  
London  
EC4M 9AF  
United Kingdom

**Société Générale**  
29 Boulevard Haussmann  
75009 Paris  
France

**Standard Chartered Bank**  
P.O. Box 999  
Dubai  
United Arab Emirates

**UniCredit Bank AG**  
Arabellastrasse 12  
81925 Munich  
Germany

**Wells Fargo Securities International Limited**  
One Plantation Place  
30 Fenchurch Street  
London EC3M 3BD  
United Kingdom

**SUPPLEMENTAL BASE PROSPECTUS DATED 26 OCTOBER 2017**

**FIRST SUPPLEMENT DATED 26 OCTOBER 2017  
TO THE BASE PROSPECTUS DATED 30 AUGUST 2017**



**FIRST ABU DHABI BANK PJSC**

*(incorporated with limited liability in the Emirate of Abu Dhabi, the United Arab Emirates)*

**U.S.\$15,000,000,000**

**Euro Medium Term Note Programme**

This base prospectus supplement (the "**Supplement**") is supplemental to, forms part of and must be read and construed in conjunction with, the base prospectus dated 30 August 2017 (the "**Base Prospectus**") prepared by First Abu Dhabi Bank PJSC (the "**Issuer**", "**FAB**" or the "**Bank**") in connection with the Issuer's Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$15,000,000,000 in aggregate nominal amount of notes (the "**Notes**"). Terms defined in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the United Kingdom Financial Conduct Authority (the "**U.K. Listing Authority**") in its capacity as the United Kingdom competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000, as amended (the "**FSMA**").

This Supplement constitutes a supplementary prospectus for the purposes of Section 87G of the FSMA and, together with the Base Prospectus, comprises a base prospectus for the purposes of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU and includes any relevant implementing measure in a relevant Member State of the European Economic Area) (when used in this Supplement, the "**Prospectus Directive**").

The purpose of this Supplement is to incorporate by reference into the Base Prospectus the unaudited condensed consolidated interim financial statements of the Issuer as at and for the nine months ended 30 September 2017 and the independent auditors' review report thereon.

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Information which is updated by reference to one section of the Base Prospectus may be repeated or referred to in other sections of the Base Prospectus. Accordingly, to the extent that there is any inconsistency between: (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement; and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

Since 31 December 2016 there has been no material adverse change in the prospects of the Bank or the Bank and its Subsidiaries and, since 30 September 2017, there has not been any significant change in the financial or trading position of the Bank or the Bank and its Subsidiaries.

Copies of this Supplement, the Base Prospectus and the documents incorporated by reference in either can be: (i) viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>; (ii) obtained on written request and without charge from the registered office of the Issuer and from the specified office of the Paying Agent; and (iii) obtained from the website of the Issuer ([www.nbad.com](http://www.nbad.com)).

This Supplement and the Base Prospectus do not constitute an offer to sell or the solicitation of an offer to buy any Notes by or on behalf of the Issuer or any Dealer in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. For a more complete description of certain restrictions on offers and sales of the Notes described in this Supplement and the Base Prospectus, see "*Subscription and Sale*" in the Base Prospectus.

An investor which has agreed, prior to the date of publication of this Supplement, to purchase or subscribe Notes may withdraw its acceptance before the end of the period of two working days beginning with the first working day after the date on which this Supplement is published, in accordance with the Prospectus Directive and Section 87Q(4) – (6) (inclusive) of the FSMA.

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

## **UPDATES TO THE BASE PROSPECTUS**

With effect from the date of this Supplement, the information appearing in, or incorporated by reference into, the Base Prospectus, shall be supplemented by the information set out as follows:

### **Publication of the Issuer's Q3 2017 Financial Statements**

On 25 October 2017, the Issuer published its unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2017, together with the independent auditors' review report thereon (the "**Q3 2017 Financial Statements**").

A copy of the Q3 2017 Financial Statements has been filed with the U.K. Listing Authority and the Q3 2017 Financial Statements are incorporated by reference in, and form part of, this Supplement in their entirety and, by virtue of this Supplement, form part of the Base Prospectus.

A copy of the Q3 2017 Financial Statements can be viewed on the website of the Issuer at: <https://www.nbad.com/content/dam/NBAD/documents/investor-relations/nbad-and-fgb/proforma-financials/2017-q3-proforma-en.pdf>.

For the avoidance of doubt, any documents incorporated by reference in the Q3 2017 Financial Statements shall not form part of this Supplement or the Base Prospectus.

Any non-incorporated parts of the Q3 2017 Financial Statements are either not relevant for an investor or are otherwise covered elsewhere in this Supplement or in the Base Prospectus.

**SUPPLEMENTAL BASE PROSPECTUS DATED 30 JANUARY 2018**

**SECOND SUPPLEMENT DATED 30 JANUARY 2018  
TO THE BASE PROSPECTUS DATED 30 AUGUST 2017**



**FIRST ABU DHABI BANK PJSC**

*(incorporated with limited liability in the Emirate of Abu Dhabi, the United Arab Emirates)*

**U.S.\$15,000,000,000**

**Euro Medium Term Note Programme**

This base prospectus supplement (the "**Supplement**") is supplemental to, forms part of and must be read and construed in conjunction with, the base prospectus dated 30 August 2017 (the "**Base Prospectus**") prepared by First Abu Dhabi Bank PJSC (the "**Issuer**", "**FAB**" or the "**Bank**") in connection with the Issuer's Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$15,000,000,000 in aggregate nominal amount of notes (the "**Notes**"). Terms defined in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the United Kingdom Financial Conduct Authority (the "**U.K. Listing Authority**") in its capacity as the United Kingdom competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000, as amended (the "**FSMA**").

This Supplement constitutes a supplementary prospectus for the purposes of Section 87G of the FSMA and, together with the Base Prospectus, comprises a base prospectus for the purposes of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU and includes any relevant implementing measure in a relevant Member State of the European Economic Area) (when used in this Supplement, the "**Prospectus Directive**").

The purpose of this Supplement is to incorporate by reference into the Base Prospectus the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2017 and the independent auditors' report thereon.



## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Information which is updated by reference to one section of the Base Prospectus may be repeated or referred to in other sections of the Base Prospectus. Accordingly, to the extent that there is any inconsistency between: (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement; and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

Since 31 December 2017 there has been no material adverse change in the prospects of the Bank or the Bank and its Subsidiaries and, since 31 December 2017, there has not been any significant change in the financial or trading position of the Bank or the Bank and its Subsidiaries.

Copies of this Supplement, the Base Prospectus and the documents incorporated by reference in either can be: (i) viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>; (ii) obtained on written request and without charge from the registered office of the Issuer and from the specified office of the Paying Agent; and (iii) obtained from the website of the Issuer ([www.nbad.com](http://www.nbad.com)).

This Supplement and the Base Prospectus do not constitute an offer to sell or the solicitation of an offer to buy any Notes by or on behalf of the Issuer or any Dealer in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. For a more complete description of certain restrictions on offers and sales of the Notes described in this Supplement and the Base Prospectus, see "*Subscription and Sale*" in the Base Prospectus.

An investor which has agreed, prior to the date of publication of this Supplement, to purchase or subscribe Notes may withdraw its acceptance before the end of the period of two working days beginning with the first working day after the date on which this Supplement is published, in accordance with the Prospectus Directive and Section 87Q(4) – (6) (inclusive) of the FSMA.

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

## **UPDATES TO THE BASE PROSPECTUS**

With effect from the date of this Supplement, the information appearing in, or incorporated by reference into, the Base Prospectus, shall be supplemented by the information set out as follows:

### **Publication of the Issuer's Year-End Financial Statements**

On 29 January 2018, the Issuer published its audited consolidated financial statements as at and for the financial year ended 31 December 2017, together with the independent auditors' report thereon (the "**Year-End Financial Statements**").

A copy of the Year-End Financial Statements has been filed with the U.K. Listing Authority and the Year-End Financial Statements are incorporated by reference in, and form part of, this Supplement in their entirety and, by virtue of this Supplement, form part of the Base Prospectus.

A copy of the Year-End Financial Statements can be viewed on the website of the Issuer at: <https://www.nbad.com/content/dam/NBAD/documents/investor-relations/nbad-and-fgb/proforma-financials/2017-q4-proforma-en.pdf>.

For the avoidance of doubt, any documents incorporated by reference in the Year-End Financial Statements shall not form part of this Supplement or the Base Prospectus.

Any non-incorporated parts of the Year-End Financial Statements are either not relevant for an investor or are otherwise covered elsewhere in this Supplement or in the Base Prospectus.

**FINAL TERMS DATED 20 MARCH 2018**

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, and including any relevant implementing measure in a relevant Member State of the European Economic Area, the "**Prospectus Directive**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

There are no manufacturers for the purposes of MiFID II. Any person offering, selling or recommending the Notes (a "**distributor**") should consider (i) the target market for the Notes to be eligible counterparties and professional clients only, each as defined in MiFID II, and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients to be appropriate. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market) and determining appropriate distribution channels.

## **FINAL TERMS**

Final Terms dated 20 March 2018

### **First Abu Dhabi Bank PJSC**

**Issue of CNY900,000,000 4.80 per cent. Notes due 2021**

**under the U.S.\$15,000,000,000**

### **Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 August 2017 and the supplemental Base Prospectuses dated 26 October 2017 and 30 January 2018, which together constitute a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the final terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

Full information on the Bank and the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is 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>) and during normal business hours at the registered offices of the Bank at FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.

- |     |  |  |
|-----|--|--|
| 1.  | Issuer:  | First Abu Dhabi Bank PJSC  |
| 2.  | (i) Series Number:                                       | 10   |
|     | (ii) Tranche Number:                                     | 1  |
|     | (iii) Date on which the Notes become fungible:           | Not Applicable   |
| 3.  | Specified Currency or Currencies:                        | Chinese (Offshore) Renminbi ("CNY")  |
| 4.  | Aggregate Nominal Amount:                                |  |
|     | (i) Series:  | CNY900,000,000   |
|     | (ii) Tranche:  | CNY900,000,000   |
| 5.  | Issue Price:   | 100 per cent. of the Aggregate Nominal Amount  |
| 6.  | (i) Specified Denominations:                             | CNY1,000,000 and integral multiples of CNY10,000 in excess thereof   |
|     | (ii) Calculation Amount:                                 | CNY10,000  |
| 7.  | (i) Issue Date:  | 29 March 2018  |
|     | (ii) Interest Commencement Date:                         | 29 March 2019  |
| 8.  | Maturity Date:   | 29 March 2021  |
| 9.  | Interest Basis:  | 4.80 per cent. Fixed Rate  |
| 10. | Redemption/Payment Basis:                                | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount |
| 11. | Change of Interest or Redemption/Payment Basis:          | Not Applicable   |
| 12. | Put/Call Options:  | Not Applicable   |
| 13. | (i) Status of the Notes:                                 | Senior   |
|     | (ii) Date Board approval for issuance of Notes obtained: | Not Applicable   |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- |     |                                   |   |
|-----|-----------------------------------|---|
| 14. | <b>Fixed Rate Note Provisions</b> | Applicable  |
|     | (i) Rate of Interest:             | 4.80 per cent. per annum payable annually in arrear |

|        |                                      |  |
|--------|--------------------------------------|--|
| (ii)   | Interest Payment Dates:              | 29 March in each year                      |
| (iii)  | First Interest Payment Date:         | 29 March 2019                              |
| (iv)   | Fixed Coupon Amount:                 | CNY480 per Calculation Amount              |
| (v)    | Broken Amount(s):                    | Not Applicable                             |
| (vi)   | Day Count Fraction:                  | Actual/365 (Fixed)                         |
| (vii)  | Determination Dates:                 | Not Applicable                             |
| (viii) | Business Day Convention:             | Modified Following Business Day Convention |
| 15.    | <b>Floating Rate Note Provisions</b> | Not Applicable                             |
| 16.    | <b>Zero Coupon Note Provisions</b>   | Not Applicable                             |

#### **PROVISIONS RELATING TO REDEMPTION**

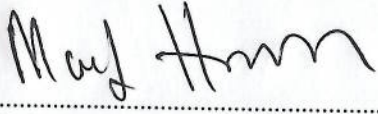
|     |   |                                       |
|-----|---|---------------------------------------|
| 17. | <b>Call Option</b>  | Not Applicable                        |
| 18. | <b>Put Option</b>   | Not Applicable                        |
| 19. | <b>Final Redemption Amount of each Note</b>   | 100 per cent. of their nominal amount |
| 20. | <b>Early Redemption Amount</b>  | Applicable                            |
|     | Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default or other early redemption: | CNY10,000 per Calculation Amount      |

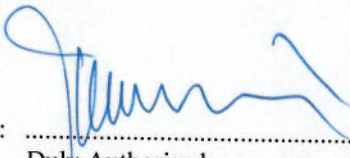
#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

|     |   |   |
|-----|---|---|
| 21. | Form of Notes:  | Registered Notes:<br><br>Global Registered Note exchangeable for Individual Registered Notes in the limited circumstances specified in the Global Registered Note |
| 22. | Additional Financial Centres:   | New York, London, Hong Kong and Taipei  |
| 23. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | No  |
| 24. | RMB Settlement Centre(s):   | Hong Kong   |
| 25. | RMB Currency Event:   | Applicable  |
| 26. | Relevant Currency for Condition 11(k)/12(d):  | U.S. dollar   |

27. Relevant Spot Rate Screen Pages for Condition 11(k)/12(d):
- (i) Relevant Spot Rate Screen Page (Deliverable Basis): Reuters Screen Page TRADCNY3
  - (ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): Reuters Screen Page TRADNDF
28. Party responsible for calculating the Spot Rate for Condition 11(k)/12(d): Citibank N.A., London Branch (the "**Calculation Agent**")
29. **THIRD PARTY INFORMATION**
- Not Applicable

Signed on behalf of **First Abu Dhabi Bank PJSC**:

By:   
.....  
Duly Authorised

By:   
.....  
Duly Authorised



## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing and admission to trading: Taipei Exchange ("TPEX") and London Stock Exchange ("LSE")
- (ii) Admission to trading: Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the TPEX in the Republic of China for the listing and trading of the Notes on the TPEX. The Notes will be traded on the TPEX pursuant to the applicable rules of the TPEX. The effective date of listing of the Notes on the TPEX is on or about 29 March 2018. TPEX is not responsible for the content of this document and the Base Prospectus and any supplement or amendment thereto and no representation is made by TPEX to the accuracy or completeness of this document and the Base Prospectus and any supplement or amendment thereto. TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this document, the Base Prospectus or any supplement or amendment thereto. Admission to listing and trading on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes.
- Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the LSE with effect from 29 March 2018.
- (iii) Estimate of total expenses related to admission to trading: New Taiwan Dollars 70,000 in relation to the listing and trading of the Notes on the TPEX.
- £3,600 in relation to the listing and trading of the Notes on the LSE.

### 2. RATINGS

- Ratings: The Notes to be issued have been rated:
- Fitch: AA- (Stable)  
S&P: AA- (Stable)  
Moody's: Aa3 (Stable)

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

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Managers and their affiliates

have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business for which they may receive fees.

4. **Fixed Rate Notes only – YIELD**

Indication of yield: 4.80 per cent.

5. **U.S. SELLING RESTRICTIONS**

Regulation S Compliance Category 2; TEFRA not applicable

6. **OPERATIONAL INFORMATION**

ISIN: XS1796860317

Common Code: 179686031

Names and addresses of additional Paying Agent(s) (if any): Not Applicable

Structuring Agent: First Abu Dhabi Bank PJSC

First Abu Dhabi Bank PJSC, as an entity not licensed in the ROC, has not offered or sold, and will not subscribe for or sell or underwrite, any Notes

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant addresses and identification number(s): Not Applicable

Delivery: Delivery against payment

7. **DISTRIBUTION**

(i) Method of distribution: Syndicated

(ii) (A) If syndicated, names of Managers: Standard Chartered Bank (Taiwan) Limited, Crédit Agricole Corporate and Investment Bank, Taipei Branch, E. SUN Commercial Bank, Ltd. and KGI Securities Co. Ltd.

(B) Stabilisation Manager(s) (if any): Not Applicable

(iii) Prohibition of Sales to EEA Retail Investors: Applicable

(iv) If non-syndicated, name of relevant Dealer: Not Applicable