

**滙豐(台灣)商業銀行股份有限公司等共同承銷「National Bank of Abu Dhabi P.J.S.C. USD885,000,000 Zero Coupon Callable Notes due 20 January 2047」公告**

滙豐(台灣)商業銀行股份有限公司等(以下稱「承銷商」)承銷National Bank of Abu Dhabi P.J.S.C. 2017年度「National Bank of Abu Dhabi P.J.S.C. USD885,000,000 Zero Coupon Callable Notes due 20 January 2047」美元捌億捌仟伍佰萬元整,由承銷商洽商銷售予投資人。茲將銷售辦法公告如後:

一、證券承銷商名稱、地址、總承銷數量、證券承銷商先行保留自行認購數量及洽商銷售數量:

| 證券承銷商名稱            | 地址                  | 總承銷數量           | 洽商銷售金額          |
|--------------------|---------------------|-----------------|-----------------|
| 滙豐(台灣)商業銀行股份有限公司   | 台北市基隆路一段333號13, 14樓 | 美元288,000,000元整 | 美元288,000,000元整 |
| 渣打國際商業銀行股份有限公司     | 台北市敦化北路168號1樓       | 美元402,000,000元整 | 美元402,000,000元整 |
| 法商東方匯理銀行股份有限公司台北分行 | 台北市敦化北路167號16樓      | 美元190,000,000元整 | 美元190,000,000元整 |
| 永豐商業銀行股份有限公司       | 台北市八德路二段306號5樓      | 美元5,000,000元整   | 美元5,000,000元整   |

- 二、承銷總額:總計美元捌億捌仟伍佰萬元整。
- 三、承銷方式:將由承銷商包銷並以「洽商銷售」方式出售予投資人。
- 四、承銷期間:定價日為 2017 年 1 月 6 日,於 2017 年 1 月 19 日辦理承銷公告,並於 2017 年 1 月 20 日發行。
- 五、承銷價格:每張面額為美元貳拾萬元,依票面金額十足發行。
- 六、發行條件:
- (一) 種類:無擔保主順位債券。
  - (二) 發行期間:西元 2017 年 1 月 20 日至西元 2047 年 1 月 20 日。
  - (三) 票面利率:票面利率為 0%,隱含固定年利率為 4.75%。
  - (四) 還本付息方式:本債券除依「發行人提前贖回權」贖回外,於到期日一次返還本金加上應計利息。
  - (五) 發行人提前贖回權:發行人得以於發行屆滿第 5 年(含)及其後每五年,將依每張債券面額加計應付利息予以提前贖回。如發行人行使贖回權,發行人將於贖回日前不少於 5 個營業日通知債券持有人行使贖回權。
  - (六) 償還方法及期限:於到期日由發行人以每張債券面額之 402.3656975%,以美元全數贖回。
  - (七) 營業日:倫敦、紐約及台北之營業日。
  - (八) 準據法:英國法。
  - (九) 債券掛牌處所:中華民國證券櫃檯買賣中心。
- 七、銷售限制:
- (一) 僅限「財團法人中華民國證券櫃檯買賣中心外幣計價國際債券管理規則」第二條之一第一項第一款規定之專業投資機構。
  - (二) 採洽商銷售,依「中華民國證券商業同業公會證券商承銷或再行銷售有價證券處理辦法」第三十二條規定,每一認購人認購數量不得超過該次承銷總數之百分之八十,惟認購人為政府基金者不在此限。
- 八、公開說明書之分送、揭露及取閱方式,並以顯著字體註明公開說明書上傳網站

之網址：如經投資人同意承銷商得以電子郵件方式交付公開說明書，投資人並得至公開資訊觀測站（<http://mops.twse.com.tw>），或至承銷商網站（滙豐（台灣）商業銀行股份有限公司，網址：<http://www.hsbc.com.tw>；渣打國際商業銀行股份有限公司，網址：<http://www.sc.com/tw>；法商東方匯理銀行股份有限公司台北分行，網址：<http://www.ca-cib.com/global-presence/taiwan-in-chinese.htm>；永豐商業銀行股份有限公司，網址：<https://bank.sinopac.com>）查詢下載。

- 九、通知及(扣)繳交價款日期與方式：投資人於發行日匯款至承銷商，承銷商彙總投資人認購款項於發行日匯入發行人指定金融機構專戶。
- 十、有價證券發放日期、方式與特別注意事項：於 2017 年 1 月 20 日發行日發放。發放方式可由Euroclear、Clearstream或台灣證券集中保管結算股份有限公司發放。買賣及交割應依國際慣例及公開說明書相關規定辦理。
- 十一、會計師最近三年度財務資料之查核簽證意見

| 年度                          | 會計師事務所 | 查核意見   |
|-----------------------------|--------|--------|
| Year Ended 31 December 2013 | KPMG   | fairly |
| Year Ended 31 December 2014 | KPMG   | fairly |
| Year Ended 31 December 2015 | KPMG   | fairly |

- 十二、金融監督管理委員會或中華民國證券商業同業公會規定應行揭露事項：無。
- 十三、投資人於申購前，應詳閱本公司債之公開說明書。
- 十四、其他為保護公益及投資人應補充揭露事項：無。

**NO BASE PROSPECTUS IS REQUIRED TO BE PROVIDED IN ACCORDANCE WITH 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 (THE "PROSPECTUS DIRECTIVE") FOR THE ISSUE OF NOTES DESCRIBED BELOW AND AS SUCH THE NOTES ISSUED AS DESCRIBED BELOW ARE NOT REQUIRED TO, AND DO NOT COMPLY WITH THE PROSPECTUS DIRECTIVE AS SO AMENDED. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THE INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT.**

**Pricing Supplement dated 10 January 2017**

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

**Issue of U.S.\$885,000,000 Multi-Callable Zero Coupon Notes due 2047  
under the U.S.\$7,500,000,000  
Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

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 Issuer 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.

This document constitutes the Pricing Supplement for the Notes described herein and must be read in conjunction with the Base Prospectus dated 1 September 2016 and the supplements to it dated 3 November 2016 and 5 January 2017 (the "**Base Prospectus**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained from National Bank of Abu Dhabi P.J.S.C., One NBAD Tower, Sheikh Khalifa Street, P.O. Box 4 Abu Dhabi, United Arab Emirates.

The Notes have not been, and shall not be, offered, sold or resold, directly or indirectly, to investors other than "professional institutional investors" as defined under Paragraph 2 of Article 4 of the Financial Consumer Protection Act of the Republic of China ("**ROC**"), which currently includes overseas and domestic (i) banks, securities firms, futures firms and insurance companies (excluding insurance agencies, insurance brokers and insurance surveyors), the foregoing as further described in greater detail in Paragraph 3 of Article 2 of the Organisation Act of the Financial Supervisory Commission, (ii) fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the ROC Securities Investment Trust and Consulting Act, the ROC Future Trading Act or the ROC Trust Enterprise Act or investment assets mandated and delivered by or transferred for trust by financial consumers, and (iii) other institutions recognised by the Financial Supervisory Commission of the ROC. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to the aforementioned professional institutional investors.

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 1 September 2016.

1. Issuer: National Bank of Abu Dhabi P.J.S.C.
2. (i) Series Number: 71

- |       |  |   |
|-------|--|---|
| (ii)  | Tranche Number:  | 1   |
| (iii) | Date on which the Notes will be consolidated and form a single Series: | Not Applicable  |
| 3.    | Specified Currency or Currencies:                                      | United States Dollars (U.S.\$)  |
| 4.    | Aggregate Nominal Amount:  |   |
| (i)   | Series:  | U.S.\$885,000,000   |
| (ii)  | Tranche:   | U.S.\$885,000,000   |
| 5.    | Issue Price:   | 100 per cent. of the Aggregate Nominal Amount   |
| 6.    | Specified Denominations:   | U.S.\$200,000   |
| 7.    | (i) Issue Date:  | 20 January 2017   |
|       | (ii) Interest Commencement Date:                                       | Not Applicable  |
| 8.    | Maturity Date:   | 20 January 2047   |
| 9.    | Interest Basis:  | Zero Coupon<br>(see paragraph 16 below)   |
| 10.   | Redemption/Payment Basis:  | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 402.365697516936 per cent. of their nominal amount which equates to U.S.\$3,560,936,423.02 |
| 11.   | Change of Interest Basis:  | Not Applicable  |
| 12.   | Put/Call Options:  | Issuer Call<br>(see paragraph 18 below)   |
| 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. | Fixed Rate Note Provisions:    | Not Applicable           |
| 15. | Floating Rate Note Provisions: | Not Applicable           |
| 16. | Zero Coupon Note Provisions:   | Applicable               |
| (i) | Amortisation Yield:            | 4.75 per cent. per annum |

- (ii) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Unlisted Notes: Not Applicable

## PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 6(c): Minimum period: 30 days  
Maximum period: 60 days
18. Call Option: Applicable
- (i) Optional Redemption Dates: 20 January 2022  
20 January 2027  
20 January 2032  
20 January 2037  
20 January 2042
- (ii) Optional Redemption Amounts of each Note: U.S.\$252,231.9827753710 per Note of U.S.\$200,000 specified denomination on 20 January 2022  
  
U.S.\$318,104.8656739760 per Note of U.S.\$200,000 specified denomination on 20 January 2027  
  
U.S.\$401,181.1049972000 per Note of U.S.\$200,000 specified denomination on 20 January 2032  
  
U.S.\$505,953.5278272910 per Note of U.S.\$200,000 specified denomination on 20 January 2037  
  
U.S.\$638,088.3075803580 per Note of U.S.\$200,000 specified denomination on 20 January 2042
- (iii) If redeemable in part: Not Applicable
- (iv) Notice periods: Minimum period: 5 Business Days  
  
Maximum period: Not Applicable  
  
For the purpose of this paragraph 18(iv), "Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London, New York and Taipei
19. Put Option: Not Applicable
20. Final Redemption Amount of each Note: U.S.\$804,731.3950338730 per Note of U.S.\$200,000 specified denomination

21. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default or other early redemption: As calculated in accordance with Condition 6(b)(i)

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

22. Form of Notes: Bearer Notes:  
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event as specified in the Permanent Global Note
23. Financial Centres: London, New York and Taipei
24. Talons for future Coupons to be attached to Definitive Notes: No
25. RMB Settlement Centre(s): Not Applicable
26. RMB Currency Event: Not Applicable
27. Relevant Currency for Condition 7(i): Not Applicable
28. Relevant Spot Rate Screen Pages for Condition 7(i): (i) Relevant Spot Rate Screen Page (Deliverable Basis): Not Applicable  
(ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): Not Applicable
29. Party responsible for calculating the Spot Rate for Condition 7(i): Not Applicable
30. Other terms or special conditions: Not Applicable

**THIRD PARTY INFORMATION**

Not Applicable

Signed on behalf of the Issuer:

By:

By:

*Duly authorised*

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: Taipei
- (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 Taipei Exchange (**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 20 January 2017. 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.
- (iii) Estimate of total expenses related to admission to trading: TWD15,000 in relation to the listing and trading of the Notes on the TPEX.

### 2. RATINGS

- Ratings: The Notes to be issued have been rated:
- |          |     |
|----------|-----|
| Moody's: | Aa3 |
| S&P:     | AA- |
| Fitch:   | AA- |

### 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 offer of the Notes has an interest material to the offer. The Managers and their respective 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. YIELD (Fixed Rate Notes Only)

- Indication of yield: Not Applicable

## 5. OPERATIONAL INFORMATION

|  |  |
|--|--|
| ISIN Code:   | XS1546411650   |
| Common Code:   | 154641165  |
| 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   |
| Names and addresses of additional Paying Agent(s) if any:  | Not Applicable   |
| Joint Structuring Agents   | Crédit Agricole Corporate and Investment Bank, Taipei Branch, HSBC Bank (Taiwan) Limited, National Bank of Abu Dhabi P.J.S.C., Société Générale and Standard Chartered Bank (Taiwan) Limited<br><br>Each of National Bank of Abu Dhabi P.J.S.C. and Société Générale, as an entity not licensed in the ROC, has not offered or sold, and will not subscribe for or sell or underwrite, any Notes |

## 6. DISTRIBUTION

|   |   |
|---|---|
| Method of distribution:                     | Syndicated  |
| If syndicated, names of Managers:           | Crédit Agricole Corporate and Investment Bank, Taipei Branch, HSBC Bank (Taiwan) Limited, Standard Chartered Bank (Taiwan) Limited and Bank Sinopac   |
| Date of Subscription Agreement:             | 10 January 2017   |
| If non-syndicated, name of relevant Dealer: | Not Applicable  |
| U.S. Selling Restrictions:                  | Reg. S Compliance Category 2; TEFRA D   |
| Additional selling restrictions:            | The following ROC selling restriction shall be inserted in the Base Prospectus:<br><br>"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 institutional investors" as defined under Paragraph 2, of Article 4 of the Financial Consumer Protection Act of the ROC, which currently includes overseas and domestic (i) banks, securities firms, futures firms and insurance companies (excluding insurance |



agencies, insurance brokers and insurance surveyors), the foregoing as further described in greater detail in Paragraph 3 of Article 2 of the Organisation Act of the Financial Supervisory Commission, (ii) fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the ROC Securities Investment Trust and Consulting Act, the ROC Future Trading Act or the ROC Trust Enterprise Act or investment assets mandated and delivered by or transferred for trust by financial consumers, and (iii) other institutions recognised by the Financial Supervisory Commission of the ROC. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to the aforementioned professional institutional investors."

## 7. ADDITIONAL TAX INFORMATION

### 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 institutional investors as defined under Paragraph 2 of Article 4 of the Financial Consumer Protection Act 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 we, the issuer of the Notes, are not an ROC statutory tax withholder, there is no ROC withholding tax on the interest to be paid on the Notes.

ROC corporate holders must include the interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 17 per cent. (unless the total taxable income for a fiscal year is under NT\$120,000), as they are subject to income tax on their worldwide income on an accrual basis. The alternative minimum tax ("AMT") is not applicable.

Sale of the Notes:

In general, the sale of corporate bonds or financial bonds is subject to a 0.1 per cent. securities transaction tax ("STT") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act of the ROC 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 ROC income tax. Accordingly, ROC corporate holders are not subject to income tax on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains from the sale of the Notes in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the ordinary income tax calculated pursuant to the 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 five years to offset against capital gains of same category of income for the purposes of calculating their AMT.

## **8. ADDITIONAL INFORMATION**

### **ROC Settlement and Trading**

Investors with a securities book-entry account with an ROC securities broker and a foreign currency deposit account with an ROC bank, may request the approval of the Taiwan Depository & Clearing Corporation (the "**TDCC**") for the settlement of the Notes through the account of TDCC with Euroclear or Clearstream and if such approval is granted by TDCC, the Notes may be so cleared and settled. In such circumstances, TDCC will allocate the respective book-entry interest of such investor in the 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.

In addition, an investor may apply to TDCC (by filling in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream to the TDCC account with Euroclear or Clearstream for trading in the domestic market or vice versa for trading in overseas markets.

For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, 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 will actually receive such distributions may vary depending upon the daily operations of the ROC 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.



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

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

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### U.S.\$7,500,000,000 Euro Medium Term Note Programme

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Under the Euro Medium Term Note Programme described in this Base Prospectus (the "Programme"), National Bank of Abu Dhabi P.J.S.C. (the "Issuer", "NBAD" or the "Bank"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$7,500,000,000 (or the equivalent in other currencies) at the date of issue.

Application has been made to the United Kingdom Financial Conduct Authority in its capacity as competent authority (the "UK Listing Authority") for Notes issued under the Programme (other than Unlisted Notes (as defined below)) for the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK 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 (as defined below) (the "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 Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive").

Each Series (as defined in "Overview of the Programme") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "temporary Global Note") or a permanent global note in bearer form (each a "permanent Global Note"). Notes in registered form will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Global Notes and Certificates may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes While in Global Form".

**An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Base Prospectus.**

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#### *Arrangers for the Programme*

**Barclays**

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

#### *Dealers*

Barclays  
BofA Merrill Lynch  
Crédit Agricole CIB  
J.P. Morgan  
National Bank of Abu Dhabi P.J.S.C.

BNP PARIBAS  
Citigroup  
HSBC  
Morgan Stanley  
Société Générale Corporate & Investment  
Banking

Standard Chartered Bank

Tranches (as defined in "Overview of the Programme") of Notes may be rated or unrated. Such rating will be specified in the relevant Final Terms or (in the case of Unlisted Notes) the relevant Pricing Supplement (each as defined below), as the case may be. 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 Unlisted 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.

The ratings for the Issuer's senior debt, as noted in the section headed "National Bank of Abu Dhabi P.J.S.C." below, have been provided by Fitch Ratings Limited ("Fitch"), Moody's Investors Services Ltd ("Moody's") and Standard & Poor's Credit Market Services Europe Limited ("S&P").

Fitch, Moody's and S&P are established in the European Union and are registered under the CRA Regulation.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area (the "EEA Regulated Market") or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under 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 Base Prospectus, the "Prospectus Directive"), the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The Programme also permits Notes to be issued on the basis that they will not be admitted to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system ("Unlisted Notes"). References in this Base Prospectus to Unlisted Notes are to Notes issued by the Issuer for which no base prospectus is required to be published under the Prospectus Directive. The UK Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with Unlisted Notes.

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 Unlisted Notes) a pricing supplement (the "Pricing Supplement"). In the case of a Tranche of Notes which is the subject of a Pricing Supplement, 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 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.

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on an EEA Regulated Market 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. References in this Base Prospectus to "Unlisted Notes" are to Notes issued by the Issuer for which no base prospectus is required to be published under the Prospectus Directive. Unlisted Notes do not form part of this Base Prospectus for the purposes of the Prospectus Directive and the UK Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with Unlisted Notes.

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and its subsidiaries (each a "Subsidiary") taken as a whole (together, the "Group"), and the Notes which, according to the particular nature of the Issuer 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 Issuer.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms or (in the case of Unlisted Notes) the Pricing Supplement for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to

ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information under the headings "Risk Factors", "Summary of Provisions Relating to the Notes While in Global Form", "Overview of the UAE and Abu Dhabi" and "The United Arab Emirates Banking Sector and Regulations" has been extracted from information provided by the Hong Kong Monetary Authority (in the case of "Risk Factors"), the Organisation of the Petroleum Exporting Countries (in the case of "Risk Factors" and "Overview of the UAE and Abu Dhabi"), Moody's Investors Service Singapore Pte. Ltd., Fitch, S&P, publications of the UAE and Abu Dhabi governments, including the Statistics Centre of Abu Dhabi ("SCAD"), the UAE National Bureau of Statistics and the International Monetary Fund (the "IMF") (in the case of "Overview of the UAE and Abu Dhabi"), the Central Bank of the UAE (the "UAE Central Bank") and the IMF (in the case of "The United Arab Emirates Banking Sector and Regulations") and the clearing systems referred to therein (in the case of "Summary of Provisions Relating to the Notes While in Global Form"). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, or any of the Dealers or the Arrangers (as defined in "Overview of the Programme"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since 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 in the financial position of the Issuer or the Group since the date hereof or 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 as of 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 the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. 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, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

The Arrangers and the Dealers have not separately verified the information contained in this Base Prospectus. None of the Dealers or the Arrangers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) 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 and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in 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 such 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 investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules. All references in this document to "U.S. dollars", "U.S.\$" and "\$" refer to United States dollars, all references to "Renminbi", "RMB" or "CNY" are to the lawful currency of the People's Republic of China ("PRC") (which, for the purposes of this Base Prospectus, excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan), to "dirham" and "AED" refer to United Arab Emirates dirham to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, to "Malaysian ringgit" and "MYR" refer to Malaysian ringgit, the lawful currency of Malaysia, to "Australian dollar" and "AUD" refer to Australian dollars, the lawful currency of the Commonwealth of Australia and to "Japanese yen" and "JPY" refer to Japanese yen, the lawful currency of Japan. The exchange rate between the AED and the United States dollar has been fixed since 22 November 1980 at U.S.\$1.00 = AED 3.6725. Such translation should not be construed as representing that United Arab Emirates dirham amounts have been or could have been converted into United States dollars at this or any other rate of exchange. All references to "UAE" are to the United Arab Emirates. Certain amounts (including percentages) included in this Base Prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures to which they relate.

**In connection with the issue of any Tranche, one or more relevant Dealers (the "Stabilisation Manager(s)") (or any person acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche 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 and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

#### **NOTICE TO THE 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 accountholders 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 in 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 THE 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.



## **PRESENTATION OF FINANCIAL INFORMATION**

### **Presentation of financial information**

The financial statements relating to the Issuer referred to in, and incorporated by reference into, this document are as follows:

- the unaudited pro forma condensed consolidated financial information as at and for the six month period ended 30 June 2016 (the "Pro Forma Financial Information") and the accompanying report on the Pro Forma Financial Information (the "Report on Pro Forma Financial Information");
- the unaudited condensed consolidated interim financial statements of the Issuer as at and for the six month period ended 30 June 2016 (the "2016 Q2 Financial Statements");
- the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2015 (the "2015 Financial Statements"); and
- the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2014 (the "2014 Financial Statements" and, together with the 2015 Financial Statements, the "Financial Statements").

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The Financial Statements have been audited in accordance with the International Standards on Auditing by KPMG without qualification. The 2016 Q2 Financial Statements have been reviewed by PricewaterhouseCoopers (Abu Dhabi Branch). The Auditor Pro Forma Report has been issued by KPMG.

### **Non-GAAP measures**

This Base Prospectus includes certain references to non-GAAP measures such as annualised return on average equity, cost to income ratio, capital adequacy ratio, non-performing loans ("NPLs") as a percentage of gross loans, NPLs (excluding impaired government and public sector loans) to gross loans (excluding all public sector government loans), loan-loss reserves to NPLs, NPL provision coverage (including collective impairment allowances), NPL provision coverage (including collective impairment allowances), restructured loans and impairment charges (net) to gross loans. The Issuer uses these non-GAAP measures 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 Issuer's financial information. Investors are cautioned not to place undue reliance on this information and should note that annualised return on average equity, cost to income ratio, capital adequacy ratio, NPLs as a percentage of gross loans, NPLs (excluding impaired government and public sector loans) to gross loans (excluding all public sector government loans), loan-loss reserves to NPLs, NPL provision coverage (including collective impairment allowances) and impairment charges (net) to gross loans as calculated by the Issuer, may differ materially from similarly titled measures reported by other companies, including the Issuer's competitors. Within the industry in which the Issuer operates, Non-GAAP measures may be calculated differently between relevant entities, limiting their value as comparative tools.

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## **SUPPLEMENTAL BASE PROSPECTUS**

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In addition to its obligations under Section 87 of the Financial Services and Markets Act 2000, as amended (the "FSMA"), the Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any subsequent issue of Notes and whose inclusion in this Base Prospectus or removal is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to such Notes, the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any such subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

## OVERVIEW OF THE PROGRAMME

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*The following overview is qualified in its entirety by the remainder of this Base Prospectus.*

|                     |   |
|---------------------|---|
| <b>Issuer:</b>      | <p>National Bank of Abu Dhabi P.J.S.C.</p> <p>The Issuer was incorporated on 13 February 1968 with limited liability and is registered as a public joint stock company in accordance with the UAE Commercial Companies Law No. (8) of 1984 (as amended). The Issuer's shares are listed on the Abu Dhabi Securities Exchange. The Government of Abu Dhabi, via the Abu Dhabi Investment Council, holds 69.89 per cent. of the Issuer's outstanding share capital.</p> <p>The Issuer operates in the UAE under a banking licence granted for an indefinite period of time by the UAE Central Bank. Its registered office address is P.O. Box 4, Abu Dhabi, United Arab Emirates (telephone number: +9712 6111111).</p> <p>The Issuer is one of the primary bankers to the Government of Abu Dhabi and public sector companies in the emirate. It is a leading corporate bank and has retail banking, investment banking, stockbroking and treasury operations. It has a large international presence, with 48 international branches, cash offices, subsidiaries and representative offices as at the date of this Base Prospectus.</p> <p>The Issuer is organised into three distinct business divisions, which form the basis of the primary segment reporting information in the Issuer's consolidated annual financial statements. These business divisions are: (i) Global Wholesale; (ii) Global Retail and Commercial; and (iii) Global Wealth.</p> |
| <b>Description:</b> | Euro Medium Term Note Programme.  |
| <b>Size:</b>        | Up to U.S.\$7,500,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.   |
| <b>Arrangers:</b>   | Barclays Bank PLC<br>National Bank of Abu Dhabi P.J.S.C.  |
| <b>Dealers:</b>     | Barclays Bank PLC<br>BNP Paribas<br>Citigroup Global Markets Limited<br>Crédit Agricole Corporate and Investment Bank<br>HSBC Bank plc<br>J.P. Morgan Securities plc<br>Merrill Lynch International<br>Morgan Stanley & Co. International plc<br>National Bank of Abu Dhabi P.J.S.C.<br>Société Générale<br>Standard Chartered Bank   |

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "Dealers" are to all

Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

|                                   |  |
|-----------------------------------|--|
| <b>Fiscal Agent:</b>              | Deutsche Bank AG, London Branch  |
| <b>Registrar:</b>                 | Deutsche Bank Luxembourg S.A.  |
| <b>Method of Issue:</b>           | The Notes will be issued on a syndicated or non-syndicated basis. The 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 be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest (if any) and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms or, in the case of Unlisted Notes, the Pricing Supplement.   |
| <b>Issue Price:</b>               | Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.   |
| <b>Form of Notes:</b>             | The Notes may be issued in bearer form only ("Bearer Notes"), in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") or in registered form only ("Registered Notes"). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "Overview of the Programme – Selling Restrictions"), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Certificates". |
| <b>Clearing Systems:</b>          | Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent, the relevant Dealer and, where relevant, the Registrar.  |
| <b>Initial Delivery of Notes:</b> | On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.   |
| <b>Currencies:</b>                | Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.  |
| <b>Maturities:</b>                | Subject to compliance with all relevant laws, regulations and directives, any maturity of at least one month.  |
| <b>Denomination:</b>              | Definitive Notes will be in such denominations as may be specified in the relevant Final Terms or Pricing Supplement, as the case may be, save   |

that in the case of any Notes which are to be admitted to trading on an EEA Regulated Market or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

**Fixed Rate Notes:** 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.; or
- (ii) on the basis of the reference rate set out in the relevant Final Terms or Pricing Supplement, as the case may be.

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

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

**Zero Coupon Notes:** Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

**Interest Periods and Interest Rates:** The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period.

**Redemption:** The relevant Final Terms or Pricing Supplement, as the case may be, will specify the basis for calculating the redemption amounts payable.

**Optional Redemption:** The relevant Final Terms or Pricing Supplement, as the case may be, issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

**Status of the Notes:** The Issuer can issue Senior Notes and Subordinated Notes pursuant to the Programme.

**Status of the Senior Notes:** The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer, see "*Terms and Conditions of the Notes – Status of the Senior Notes*".

**Status and Subordination of the Subordinated Notes:** The Subordinated Notes will constitute direct, conditional (as described in Condition 3(b)) and unsecured obligations of the Issuer. Payments in respect of the Subordinated Notes will be subordinated as described in Condition 3(b).

**Negative Pledge:** See "*Terms and Conditions of the Notes – Negative Pledge*".

**Cross Default:** See "*Terms and Conditions of the Notes – Events of Default*".

**Early Redemption:** Except as provided in "Optional Redemption" above, Notes (subject, in

the case of Subordinated Notes, to the prior approval of the UAE Central Bank (the "Regulator", which expression shall include any successor thereto as the relevant regulator of banks in the UAE) where required) will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".

**Withholding Tax:**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the UAE, subject to customary exceptions, all as described in "*Terms and Conditions of the Notes – Taxation*".

**Governing Law:**

English

**Listing:**

Application has been made to list Notes (other than Unlisted Notes) issued under the Programme on the Official List and to admit them to trading on the Market.

**Ratings:**

Tranches of Notes may be rated or unrated. Such rating will be specified in the relevant Final Terms or 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.

**Selling Restrictions:**

United States, Public Offer selling restriction under the Prospectus Directive (in respect of Notes having a denomination of less than €100,000 (or its equivalent in any other currency as at the date of issue of the Notes)), United Kingdom, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, Hong Kong, the PRC (excluding Hong Kong, Macau and Taiwan) and Japan. See "*Subscription and Sale*".

Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.

The Bearer Notes and Exchangeable Bearer Notes will be issued in compliance with U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D) (or any substantially identical successor U.S. Treasury regulation section including, without limitation, substantially identical successor 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 U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(C) (or any substantially identical successor U.S. Treasury regulation section including, without limitation, substantially identical successor 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 and Fiscal 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.

## RISK FACTORS

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

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer's inability to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant by the Issuer 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 (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme**

#### ***The Group's financial performance is affected by general economic conditions***

In the course of its business, the Issuer is exposed to a wide variety of risks, the most significant of which are market risks, liquidity risks and credit risks. Adverse changes in global macro-economic conditions, or arising from systemic risks in the financial systems, could affect the recovery and value of the Group's assets and require an increase in the Group's provisions. The Group uses different hedging strategies to minimise risk, including securities, collateral and insurance that reduce the credit risk level to be within the Group's strategy and risk appetite. However, there can be no guarantee that such measures will eliminate or reduce such risks.

#### ***Market risks***

The Issuer's business exposes it to market risks, which is the potential for adverse changes in the market value of portfolio and positions due to fluctuations in interest rates, exchange rates, equity prices, commodity prices, as well as in their correlation and implied volatility.

The Issuer, in common with other financial institutions, is susceptible to changes in the macro-economic environment and the performance of financial markets generally. The 2008 global financial crisis had a significant adverse effect on the economies of the Gulf Cooperation Council (the "GCC") including the UAE, and resulted in a slowdown of growth rates, particularly in the real estate, construction and financial institutions sectors.

As at the date of this Base Prospectus, global debt and equity markets have again been adversely impacted by the ongoing volatility in the macro-economic climate. The prevailing low international prices for hydrocarbon products have had a significant adverse effect on the oil-revenue dependent GCC economies, resulting in reduced fiscal budgets and public spending plans for 2016, together with increased budgetary deficits across the GCC (in the UAE, the International Monetary Fund (the "IMF") expects the federal budget deficit for 2016 to run to approximately 2.4 per cent. of GDP).

As at the date of this Base Prospectus, the prevailing unstable macroeconomic climate has prompted reduced fiscal budgets and public spending plans for 2016 in the UAE and across the GCC economies, with particular concerns around the ongoing impact of the volatility of global crude oil prices, the effects of the economic downturn in emerging markets generally, and the People's Republic of China (the "PRC") in particular, and the broader impact this has had on global debt and equity markets, and the current instability of interest rates across global markets (including the decision of the U.S. Federal Reserve in December 2015 to raise interest rates for the first time since 2006 and the uncertainty around the broader impact of the decision of the Bank of Japan to introduce negative interest rates in January 2016). Additionally, the pressures faced by regional oil producing countries in response to the ongoing oil crisis to remove the foreign exchange "peg" of their domestic currencies to the U.S. dollar poses systemic risks to the banking systems in the GCC. The weak economic environment, together with the anticipated reduction in Governmental spending and the likely impact on the level of economic activity in the UAE is expected to continue to have an adverse effect on the Issuer's financial results.

Further, and in response to the ongoing oil crisis, certain regional oil producing countries that have traditionally "pegged" their domestic currencies to the U.S. dollar have faced pressure to remove



these foreign exchange "pegs". As at the date of this Base Prospectus, each of Kazakhstan and Azerbaijan have chosen to unwind the U.S. dollar peg of their domestic currencies. While the likelihood of the GCC states pursuing a similar course of action is unclear (the Central Bank of the UAE (the "UAE Central Bank") has, as recently as September 2015, re-iterated its intention to retain the UAE dirham peg against the U.S. dollar), there remains a risk that any such future de-pegging by the GCC states (in the event that the current challenging market conditions persist for a prolonged period) would pose a systemic risk to the regional banking systems by virtue of the inevitable devaluation of any such de-pegged currency against the U.S. dollar and the impact this would have on the open cross-currency positions held by regional banks, including the Issuer.

The performance of global financial markets has also been affected by the hostile economic environment, with international equity markets being particularly impacted by the economic slowdown in emerging markets generally and volatility in the Chinese economy in particular, where economic growth slowed during 2015 to 6.9 per cent. of real GDP, representing a 25-year low. During August 2015, the Shanghai composite index lost 16 per cent. of its value over a two-day period, with European and U.S. equity markets also affected. The impact was also felt in the UAE with each of the ADX General Index and the Dubai Financial Market index falling by 5 per cent. and 16 per cent., respectively, between 31 December 2014 and 31 December 2015. However, as of 1 August 2016, volatility affecting each of the ADX General Index and the Dubai Financial Market index has generally stabilised with both indices trading at a higher value than as at 31 December 2015.

These extremely volatile market conditions have resulted in reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets. The adverse market conditions have impacted investment markets both globally and in the UAE, with increased volatility in interest rates and exchange rates. The decision of the U.S. Federal Reserve System to raise interest rates in December 2015 for the first time since 2006 (with further rate rises expected during 2016) will likely further exacerbate the reduced liquidity and, if the pace of U.S. interest rate movements develops as expected, will adversely impact the Issuer's net profit margins and borrowing costs. The business, results of operations, financial condition and prospects of the Issuer have been affected by these trends and may be further 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.

Whilst the Issuer believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks (please see "*National Bank of Abu Dhabi P.J.S.C. – Risk Management*"), investors should note that a worsening of current financial market conditions could lead to further decreases in investor and consumer confidence, further market volatility and decline, further economic disruption and, as a result, could have an adverse effect on the business, results of operations, financial condition and prospects of the Issuer irrespective of steps currently taken to adequately control these risks.

***Liquidity risk may impair the Issuer's ability to fund its business and make timely payments on the Notes***

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

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

In addition, there are always some timing differences between cash payments the Issuer owes on the Issuer's liabilities and the cash payments due to it on its investments. The Issuer's ability to overcome these cash mismatches and make timely payments on Notes issued under the Programme may be adversely affected if the fixed income markets were to experience significant liquidity problems. Also,

under certain market conditions, the Issuer could be unable to sell its portfolio investments in sufficient amounts to raise the cash required to pay amounts in respect of such Notes when due.

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

All of the abovementioned factors relating to liquidity risk could have an adverse effect on the Issuer's business, financial condition, results of operations or prospects.

### **Credit risks**

Credit is the risk that a customer or counterparty will fail to meet a commitment, thereby resulting in financial loss to the Issuer. Credit risks could arise from a deterioration in the credit quality of specific counterparties, from a general deterioration in local or global economic conditions or from systemic risks with the financial systems, all of which could affect the recoverability and value of the assets of the Issuer and which could cause an increase in the provisions for the impairment of its assets and other credit exposures.

As mentioned above under "*Market risks*", the UAE economy was negatively impacted by the global economic downturn, which affected some of the UAE's key economic sectors including trade, tourism, real estate and commerce. As a result of these adverse market conditions, certain of the customers to which the Issuer directly extends credit and counterparties of the Issuer experienced decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing, increased funding costs and problems servicing their debt obligations or other expenses as they become due. Although the Issuer did experience improving credit quality ratios in recent years, the current liquidity conditions in the UAE and uncertainty in the global markets could have a material adverse effect on its financial condition and results of operations.

### **Operational risks**

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 Issuer 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.

This risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities: (i) admitted to the Official List and its obligations as a supervised firm regulated by the UKLA; and/or (ii) admitted to trading on the London Stock Exchange.

### **Non-Performing loans**

As at 30 June 2016, the Issuer had AED 5,765 million of impaired loans and carried impairment allowances of AED 6,430 million (including collective impairment allowances) to cover potential loan losses. As at 30 June 2016, NPLs as a percentage to gross loans was 2.75 per cent. For further detail on the historic trends with respect to the level of the Issuer's impaired loans, please refer to the section entitled "*National Bank of Abu Dhabi P.J.S.C. – Non-Performing Loans*". As a consequence of adverse market conditions, the Issuer has increasingly focused on restructuring its impaired loans and loans with debtors in financial distress and has provided for impaired loans by way of loan impairment allowances. In accordance with IFRS, the Issuer is required to reflect the impairment calculated 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 Issuer's management believes that the levels of impairment allowances for impaired loans and loans under stress as at 30 June 2016 are sufficient to cover the Issuer's potential loan losses as at that date. As at 30 June 2016, impairment allowances (including collective impairment allowances) covered 111.53 per cent. of the Issuer's impaired loans and advances.

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

***The principal shareholder of the Issuer owns 69.89 per cent. of the outstanding share capital and may influence the Group's business significantly***

As at the date of this Base Prospectus, the Issuer's principal beneficial shareholder is the Abu Dhabi Investment Council ("ADIC", which is wholly-owned by the Government of Abu Dhabi), holding approximately 69.89 per cent. of the Issuer's outstanding share capital and representing the Government of Abu Dhabi. By virtue of such shareholding, ADIC has the ability to influence the Issuer's business significantly through its ability to control and/or block corporate actions or resolutions that require shareholder approval. Accordingly, ADIC could cause the Issuer to pursue transactions, make dividend payments or other distributions or payments to shareholders or undertake other actions which are contrary to the commercial interests of the Issuer. If circumstances were to arise where the interests of ADIC conflicted with the interests of the Noteholders, the Noteholders may be disadvantaged by any such conflict.

***Competition***

The Issuer faces high levels of competition for all products and services. The Issuer 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 31 December 2015, there were a total of 49 banks registered in the UAE (source: the UAE Central Bank). The Issuer's main domestic competitors in terms of size of banking franchise and product and customer segments are Abu Dhabi Commercial Bank P.J.S.C., Emirates NBD P.J.S.C., First Gulf Bank P.J.S.C. ("FGB"), Dubai Islamic Bank P.J.S.C., Mashreqbank psc, Union National Bank P.J.S.C., Abu Dhabi Islamic Bank P.J.S.C. and HSBC Bank plc.

In addition to the local commercial banks in the UAE, the Issuer 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 Issuer faces competition from international banks and such competition is expected to increase in the UAE over time. Although the Issuer 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, although the UAE could be viewed as an over-banked market, even by regional standards, there has traditionally been little impetus for consolidation (see "*The United Arab Emirates Banking and Financial Services System – Principal Banks in Abu Dhabi – Characteristics of the Banking System*").

Generally, the banking market in the UAE has been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation (the "WTO"), the GCC or any other similar entities, it is likely to lead to a more competitive environment for the Issuer and other domestic financial institutions. Such increase in competition could have a material adverse effect on the businesses, results of operations, financial condition and prospects of the Issuer.

***Factors relating to the proposed merger***

*There are risks and uncertainties associated with the Issuer's proposed merger with FGB*

On 3 July 2016, it was announced that the board of directors of both the Issuer and FGB had voted unanimously to recommend to the relevant shareholders of each institution a merger (the "Merger") of the two Abu Dhabi-listed banks, to create the largest bank in the Middle East and North Africa ("MENA") region by assets (the "Enlarged Group"). For further information, please see "*Unaudited Pro Forma Condensed Consolidated Financial Information*" and "*National Bank of Abu Dhabi P.J.S.C. – Proposed Merger*".

***Whether or not the Merger takes place, the announcement of the proposed Merger could cause disruptions in the businesses of the Issuer which could have an adverse effect on its financial results***

Whether or not the Merger takes place, the announcement of the proposed Merger could cause disruptions in the businesses of the Issuer, specifically:

- the attention of the management teams of the Issuer may be diverted from the operations of the businesses towards finalising the Merger;
- current and prospective employees may experience uncertainty about their future roles within the Enlarged Group, which might adversely affect the Issuer's ability to retain or recruit key managers and other employees; and
- existing and prospective clients and customers may choose not to do business with the Issuer until such time as the Merger is implemented or the anticipated benefits of the Merger are realised.

***Regulatory authorities may delay or prevent the Merger taking place, which may diminish the anticipated benefits of the Merger.***

The Merger is subject to certain risks and uncertainties, including the inability of the Issuer and FGB to obtain the necessary resolutions, approvals and other relevant consents (regulatory, governmental or otherwise) as necessary to the implementation of the Merger. Any delay in obtaining the required approvals may also postpone the execution of the Merger, which the Issuer currently expects to take place during the course of Q1 2017. The failure to consummate the Merger as currently planned could result in the Issuer not obtaining the anticipated benefits of the Merger. The Merger requires the receipt of consents and approvals from regulators in the UAE (including the Central Bank, the SCA, the Abu Dhabi Department of Economic Development and the Ministry of Economy) and abroad including the Qatar Financial Centre Regulatory Authority, Qatar Financial Centre, Monetary Authority of Singapore, Central Bank of Curacao and Sint Maarten, Jersey Financial Services Commission, Swiss Financial Market Supervisory Authority FINMA, Central Bank of Jordan, Central Bank of Oman, Bank Negara Malaysia (Central Bank of Malaysia), Autorité de contrôle prudentiel et de résolution – Banque de France and the Cayman Islands Monetary Authority. Although the Issuer and FGB intend to pursue vigorously all required regulatory consents and approvals, and although they are not aware of any reason why they would not be able to obtain the necessary approvals in a timely manner, these approvals may not be granted or may be delayed. Any delay or prevention in the consummation of the Merger may diminish anticipated benefits or may result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the Merger.

***The Enlarged Group may experience difficulties in integrating the existing businesses carried on by the Issuer and FGB***

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

- the necessity of co-ordinating and consolidating management functions, organisations, systems and facilities;
- the task of integrating the management and personnel of the Issuer 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 both the Issuer's and FGB's investments, including the appropriate implementation of financial oversight and internal controls and the timely preparation of financial statements that are in conformity with the Issuer'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 Issuer's businesses and the loss of key personnel. The diversion of both the Issuer's and FGB's management's attention and any delays or difficulties encountered in connection with the Merger and the integration of the operations of the businesses could have an adverse effect on the business, results of operations, financial condition or prospects of the Enlarged Group after the Merger. Moreover, if the management of both the Issuer and FGB is unable to integrate the operations of the companies successfully, the anticipated benefits of the Merger may not be fully realised.

*The Enlarged Group may not achieve the synergies that it anticipates following the Merger*

The Enlarged Group may fail to achieve the synergies that it anticipates will arise from the Merger. The success of the Merger will depend, in part, on the Enlarged Group's ability to realise anticipated cost savings, revenue synergies and growth opportunities from integrating the businesses of the Issuer and FGB. The Enlarged Group 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 Enlarged Group'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 the Issuer's and FGB's corporate and regional offices;
- the difficulty of implementing its cost savings plans;
- the challenges associated with the combination of the Issuer'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 the Issuer and FGB operate.

If the cost savings that the Issuer expects are not realised or are delayed, the Enlarged Group's results of operations could be adversely affected.

The Enlarged Group may incur higher than expected integration, transaction and Merger-related costs. The Issuer expects to incur implementation costs of approximately U.S.\$600 million in order to deliver the anticipated operating synergies. In addition, the Issuer will incur legal, accounting and transaction fees and other costs related to the Merger. Some of these costs are payable irrespective of whether the Merger is completed and such costs may be higher than anticipated. The projected cost savings from integrating the businesses of the Issuer included in this document are based on highly preliminary estimates compiled by the Issuer's board of directors (the "Board") and may be revised following more detailed integration planning. Therefore, there is a risk that the estimated savings will not be realised due to unforeseen inaccuracies in such estimates. No responsibility for the outcome in respect of such estimates has been assumed by the Issuer or any other person in this regard and there is no intention to update the synergy statements or other such forward-looking statements in this document except as required pursuant to applicable law and regulation.

There is also 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 Issuer believes that the elimination of costs, as well as the realisation of other efficiencies related to the integration of the businesses, will offset these implementation and acquisition costs over time, this net benefit may not be achieved within the expected timetable. In addition, some of these costs could be higher than the Issuer anticipates which could reduce the net benefits of the Merger and impact the Enlarged Group's financial condition and/or results of operations.

***The Enlarged Group may not be able to successfully combine the existing Issuer and FGB businesses***

The Issuer and FGB currently operate as independent companies. The Enlarged Group 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 Issuer and FGB personnel.

The integration process may prove to be complex and time-consuming, require substantial resources and effort and lead to a degree of uncertainty for customers and employees. It may also disrupt each company's ongoing businesses, which may adversely affect the Enlarged Group's relationships with customers, suppliers, partners, employees, regulators and others with whom NBAD and FGB have business or other dealings. The integration process may also lead to a reduction or loss of the "brand equity" of one or both of the companies.

If the Enlarged Group fails to manage the integration of the businesses of the Issuer and FGB effectively, the growth strategy and future profitability of the Enlarged Group 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 reputation of the Enlarged Group, which may result in the loss of customers and key employees.

### ***Risks relating to the transaction costs of the Merger***

The Enlarged Group 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 companies, fees to financial, accounting and legal advisers and other related costs. If the integration is not successful, the Enlarged Group will not realise the anticipated benefits of the integration and may, therefore, fail to offset these integration costs over time.

### **Factors Relating to the MENA region and the UAE**

#### ***The UAE has a commodity and services economy based in the Middle East and is developing its other industries***

The Issuer has the majority of its operations in the UAE and accordingly its business and results of operations are, and will continue to be, generally affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East generally.

Investors should also be aware that these markets are subject to risks similar to other developed and developing markets, including in some cases significant legal, economic and political risks. 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, according to the Statistics Center Abu Dhabi (the "SCAD"), contributed approximately 51.0 per cent. to its nominal GDP in 2014.

Declines in international prices for hydrocarbon products, such as those seen since mid 2014, could therefore adversely affect the UAE's economy which, in turn, could have an adverse effect on the Issuer's business, financial condition and results of operations and thereby affect the Issuer's ability to perform its obligations in respect of any Notes.

#### ***Enforcing foreign judgments and arbitration awards in the UAE***

The payments under the Notes are dependent upon the Issuer making payments to investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary for an investor to bring an action against the Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.

Under current UAE law, the UAE courts are unlikely to enforce an English court judgment without first re-examining the merits of the claim, to which they may simply apply UAE law; thus not observing the choice by the parties of English law as the governing law of the transaction. In the unlikely event that the parties' choice was respected, it is important to note that in the UAE, foreign law is required to be established as a question of fact. Therefore, the interpretation of English law by a court in the UAE may not accord with that 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 which is contrary to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in the UAE have no binding effect. In addition, court decisions in the UAE are generally not recorded. These factors create greater judicial uncertainty. The Issuer has confirmed that the Programme limit in the nominal amount of U.S.\$7,500,000,000 does not exceed the Issuer's capitalisation and therefore the update of the Programme and/or any issuance thereunder does not contravene Article 180 of the Commercial Companies Law of the UAE. However, the Emirates Securities and Commodities Authority ("SCA") may alter its interpretation of Article 180 in such a way that would require the Issuer to obtain approval for the issuance of the Notes under the Programme. The implications of such a decision by the SCA are not clear.

The Notes, the Agency Agreement, the Deed of Covenant (each 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, 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 Issuer) 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 Issuer 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 as a foreign award 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. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention.

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 independent of the federal system, and 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 of the Law of Civil Procedure 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.

#### ***Political, economic and related considerations***

Although the UAE has enjoyed significant economic growth in recent years, there can be no assurance that such growth or stability will continue. Investors should note that the Issuer's businesses and financial performance may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and the Middle East. This is particularly so in light of significant adverse financial and economic conditions experienced worldwide commencing in early 2008. Since that time, there has been a slowdown or reversal of the high rates of growth that had been experienced by many countries within the GCC and the UAE, especially in Dubai and, to a lesser extent, Abu Dhabi. Consequently, certain sectors of the GCC economy such as financial institutions that had benefitted from such high growth rates have been adversely affected by the crisis. These challenging market conditions have historically resulted in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit and capital markets.

Based on IMF data (extracted from the World Economic Outlook (October 2015)) real GDP growth in the UAE was 4.6 per cent. in 2014, 4.3 per cent. in 2013 and 7.2 per cent. in 2012. However, despite such positive growth, the financial performance of the Issuer may be materially and adversely affected by a worsening of general economic conditions in the markets in which the Issuer operates, as well as by United States, European and international trading market conditions and/or related factors. Moreover, while the UAE federal government's (the "UAE Federal Government") policies have generally resulted in improved economic performance, there can be no assurance that such policies or level of performance will be sustained.

No assurance can be given that the UAE Federal Government will not implement regulations or fiscal or monetary policies or new legal interpretations of existing regulations, relating to, or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material

adverse effect on the Issuer's business, financial condition, or prospects or which could adversely affect the market price and liquidity of the Notes.

While the UAE is seen as a relatively stable political environment with generally healthy international relations, certain other jurisdictions in the Middle East are not and there is a risk that regional geopolitical instability could impact the UAE. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including 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, Tunisia and the Sultanate of Oman.

This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with Islamic State (also known as Daesh, ISIS or ISIL)) and the overthrow of existing leadership 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 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. 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 Abu Dhabi or the UAE.

A general downturn, political instability or instability in certain sectors of the UAE or the regional economy could have an adverse effect on the Issuer's business, financial condition and results of operations. Investors should also note that the Issuer's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of inter-relationships within the global financial markets.

***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.

According to OPEC data, as at 31 December 2014, the UAE had 6.6 per cent. of proven global oil reserves (giving it the sixth largest oil reserves in the world). According to the OPEC website, the price of the OPEC Reference Basket has fluctuated significantly in recent years. Since June 2014, when the monthly average OPEC Reference Basket price per barrel was approximately U.S.\$108, crude oil prices have fallen sharply, by approximately 75 per cent. to a monthly average price of U.S.\$33.64 in December 2015. For the month of July 2016, the average price of the OPEC Reference Basket was U.S.\$42.68 per barrel. Oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which the Issuer has no control. Factors that may affect the price of oil include, but are not limited to:

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

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 Issuer's business, financial condition and results of operations and thereby affect the Issuer's ability to perform its obligations in respect of any Notes.

### ***Impact of regulatory changes***

The Issuer is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure its 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 UAE Central Bank), as well as the laws and regulations of the other countries in which the Issuer operates. Such regulations may limit the Issuer's ability to lend to a single borrower or group of related borrowers, increase its loan/financing receivable portfolios or raise capital or may increase its cost of doing business.

Any changes in such laws and regulations and/or the manner in which they are interpreted or enforced may have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects. In particular, changes in UAE Central Bank regulations or policy may affect UAE banks' large exposure limits, reserves, provisions, impairment allowances and other applicable ratios.

In particular, by a 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"), the UAE Central Bank introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products such as residential mortgage loans. For example, the Retail Circular requires 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. The Mortgage Regulations, which supersede Central Bank notice no. 3871/2012 dated 30 December 2012, provide that the amount of mortgage loans for non-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 and, for a first purchase of a home with a value greater than AED 5 million, should not exceed 65 per cent. of the property value. For the purchase of a second or subsequent home, the limit for non-nationals is set at 60 per cent. of the property value (irrespective of the value of the property in question). The corresponding limits for UAE nationals 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).

Any further changes in the UAE Central Bank regulations or policy (including regulations such as 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) and Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which came into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the "Liquidity Notice") may affect the Issuer's reserves, revenues and performance, see *"The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Credit Controls"*. Furthermore, non-compliance with regulatory guidelines could expose the Issuer to potential liabilities and fines. Although the Issuer works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control. See *"The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Large Exposures"*.

### ***The UAE may introduce corporation or value added tax***

The Issuer is not currently subject to corporation tax on its earnings within the UAE, although there is no guarantee that this will continue to be the case. Investors should be aware that if the Issuer becomes subject to corporation tax, or if the UAE federal government does proceed with its plans to implement a value added tax ("VAT") regime in the UAE (see *"Taxation – United Arab Emirates"*), it may have a material adverse effect on the Issuer's business, results of operations and financial condition, which in turn could affect the Issuer's ability to perform its obligations in respect of any Notes.

### ***Foreign exchange movements may adversely affect the Issuer's profitability***

The Issuer maintains its accounts, and reports its results, in AED. The UAE dirham has been pegged at a fixed exchange rate to the U.S. dollar since 22 November 1980. However, 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 Issuer's results of operations and financial condition. The Issuer has among its portfolio U.S. dollar-denominated assets and liabilities and any alteration to, or abolition of, this foreign exchange peg, particularly if the UAE dirham weakens against the U.S. dollar, will expose the Issuer to U.S. dollar foreign exchange movements against the AED and could have an adverse effect on the Issuer's business, results of operations, financial condition and prospects, and thereby affect the Issuer's ability to perform its obligations in respect of any Notes.

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

The Issuer currently has a long-term foreign currency issuer default rating of AA- with stable outlook from Fitch, a long-term foreign currency issuer default rating of Aa3 with negative outlook from Moody's and a long-term foreign currency issuer default rating of AA- (placed on "Creditwatch" with negative implications) from S&P. S&P placed the Issuer on "Creditwatch" with negative implications in July 2016 following the announcement of the proposed Merger. However, it is unknown what the rating of the Enlarged Group may be, once the Merger is complete. These ratings, which are intended to measure the Issuer's ability to meet its debt obligations as they mature, are an important factor in determining the Issuer's cost of borrowing funds.

On 14 May 2016, Moody's Investors Service Singapore Pte. Ltd. ("Moody's Singapore") reaffirmed the UAE's Aa2 government bond and issuer ratings and assigned a negative outlook. The change in the UAE sovereign rating outlook to negative, may limit the Issuer's ability to raise funding and increase its cost of borrowing, which could adversely affect its business, financial condition, results of operations and prospects and thereby affect the Issuer's ability to perform its obligations under the Notes. A downgrade of the Issuer's credit rating (or further announcements of rating watch for downgrade) may also limit its ability to raise capital. Moreover, actual or anticipated changes in the Issuer's credit rating may affect the market value of the Notes.

***No third party guarantees***

Investors should be aware that no guarantee is given in relation to the Notes by the shareholders of the Issuer or any other person.

***The Issuer'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 information stored by financial institutions makes them potential targets of cyber-attacks. In common with other financial institutions, the Issuer recognises the need to protect itself from the threat to security of its information and customer data from cyber-attacks. Risks to technology and cyber-security change rapidly and require continued focus and investment and the Issuer acts accordingly and takes appropriate steps on an on-going basis to combat such threats and minimise such risks. 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, Issuer has implemented a variety of 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 Issuer's reputation, business, results of operations, financial condition and prospects.

***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 certain such features:

*Notes subject to optional redemption by the Issuer*

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

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

#### *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 such 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 may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, 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 Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on other Notes.

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

The market values of securities issued at a substantial discount or premium to their nominal 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 Issuer's obligations under Subordinated Notes are subordinated and in the event that the Issuer is not solvent at the time of payment, the entitlement of holders of Subordinated Notes to receive any amounts under the Subordinated Notes could be affected*

The Issuer's obligations under the Subordinated Notes issued by it will be unsecured and will be subordinated to all unsubordinated payment obligations of the Issuer as set out in Condition 3(b).

Payments in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) by the Issuer are conditional upon:

- (a) the Issuer being solvent (as defined in Condition 3(b)) at the time of such payment; and
- (b) the Issuer being capable of making 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 being solvent immediately thereafter.

If the Issuer was wound up, liquidated or dissolved (or any other analogous action was taken), the Issuer's liquidator (or analogous insolvency official appointed in relation to the Issuer), would apply the assets of the Issuer to satisfy all claims of the Senior Creditors (as defined in Condition 3(b)). In such a situation, and if the condition as to solvency set out above is not satisfied, the holders of the Subordinated Notes shall not be entitled to receive any amounts under the Subordinated Notes.

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

*Set out below is a description of the principal risks which may be relevant to an investor in Notes denominated in Renminbi ("Renminbi Notes"):*

*Renminbi is not freely convertible; there are significant restrictions on the remittance of Renminbi into and out of the PRC and this may adversely affect the liquidity of the Renminbi Notes*

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar despite the significant reduction in control by it in recent years 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. However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, 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 developing gradually.

Although starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, the Issuer will need to source Renminbi offshore to finance its obligations under the Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi 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 (the "PBOC") has established Renminbi clearing and settlement mechanisms for participating banks in various countries, through settlement agreements on the clearing of Renminbi business (the "Settlement Agreements") with financial institutions in a number of financial centres and cities (each, a "Renminbi Clearing Bank"), 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 the PBOC. The RMB Clearing Banks only have access to onshore liquidity support from the 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 RMB Clearing 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 Agreements 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 Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

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

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

*Payments in respect of Renminbi Notes will only be made to investors in the manner specified in the terms and conditions of such Renminbi Notes*

Investors may be required to provide certification and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the RMB Settlement Centre(s) (as defined below). Except in the limited circumstances stipulated in Condition 7(i) (as set out in the RMB provisions below), all Renminbi payments to investors in respect of Renminbi Notes will be made solely: (i) for so long as such Notes are represented by a Temporary Bearer Global Note, a Permanent Bearer Global Note or a Global Certificate held with the common depository, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in the RMB Settlement Centre(s) in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures or those of such alternative clearing system; or (ii) for so long as such Notes are in definitive form, by transfer to a Renminbi bank account maintained in the RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than as described in the Conditions, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the RMB Settlement Centre.

*Gains on the transfer of Renminbi Notes may become subject to income taxes under PRC tax laws*

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax ("EIT") or PRC individual income tax ("IIT") if such gain is regarded as income derived from sources within the PRC. However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules.

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

### ***Risks related to Notes generally***

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

#### *Meetings of Noteholders*

The Conditions 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.

#### *Foreign Account Tax Compliance Act withholding may affect payments on the Notes*

Whilst the Notes are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, S.A. (together the "ICSDs"), in all but the most remote circumstances, it is not expected that the reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose their custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or

intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, the common depository for the ICSDs (as bearer or registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "IGA") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

#### *Change of law*

The Conditions are based on English law in effect as at the date of issue of the relevant Notes. 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 issue of the relevant 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 an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

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.

#### *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 certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

##### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of 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 Issuer. The Issuer cannot predict which 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 Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These

include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. 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 Fixed Rate Notes.

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to an issue of 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 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 included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out in the "*National Bank of Abu Dhabi P.J.S.C.*" section of this Base Prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

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The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the UK Listing Authority shall be incorporated in, and form part of, this Base Prospectus:

- (a) the unaudited condensed consolidated interim financial statements of the Issuer as at and for the six months ended 30 June 2016 and its review report;
- (b) the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2015, including the information set out at the following pages in particular:
  - Independent Auditor's Report ..... Page 2
  - Balance Sheet..... Page 4
  - Profit and Loss Account ..... Page 5
  - Accounting Principles and Notes ..... Pages 9 to 92
- (c) the audited annual consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2014, including the information set out at the following pages in particular:
  - Independent Auditor's Report ..... Pages 2 to 3
  - Balance Sheet..... Page 3
  - Profit and Loss Account ..... Page 4
  - Accounting Principles and Notes ..... Pages 8 to 87
- (d) the unaudited condensed consolidated interim financial statements of FGB as at and for the six months ended 30 June 2016 and its review report;
- (e) the audited consolidated financial statements of FGB as at and for the financial year ended 31 December 2015, including the information set out at the following pages in particular:
  - Independent Auditor's Report ..... Page 5
  - Balance Sheet..... Page 7
  - Profit and Loss Account ..... Pages 8 to 9
  - Accounting Principles and Notes ..... Pages 12 to 86
- (f) the "Terms and Conditions of the Notes" section contained in previous Base Prospectuses dated 5 December 2005, pages 15-34 (inclusive), 20 December 2006, pages 17-37 (inclusive), 28 April 2008, pages 18-39 (inclusive), 17 June 2009, pages 19-40 (inclusive), 15 June 2010, pages 19-40 (inclusive), 14 June 2011, pages 20-43 (inclusive), 28 June 2012, pages 21-44 (inclusive), 2 July 2013, pages 24-47 (inclusive), 18 June 2014, pages 24-48 (inclusive) and 16 June 2015, pages 24-48 (inclusive).

The Issuer maintains its accounts in AED and prepares its financial statements in accordance with IFRS.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. 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), 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.

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

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London and have been made available at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Any non-incorporated parts of a document referred to herein are either not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.



The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any subsequent issue of Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any such subsequent issue of Notes.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms or, as applicable, the relevant Pricing Supplement (as defined below), shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or, as applicable, the relevant Pricing Supplement, or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms or, as applicable, the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

*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 ("Unlisted Notes") and, accordingly, for which no base prospectus is required to be produced in accordance with 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 (the "Prospectus Directive"), a pricing supplement (a "Pricing Supplement") will be issued describing the final terms of such Tranche of Unlisted Notes. Each reference in these terms and conditions to "Final Terms" shall, in the case of a Tranche of Unlisted Notes, be read and construed as a reference to such Pricing Supplement unless the context requires otherwise.*

The Notes are issued pursuant to an agency agreement (as amended or supplemented as at the Issue Date, the "Agency Agreement") dated 1 September 2016 between the Issuer, Deutsche Bank AG, London Branch as fiscal agent and the other agents named in it and with the benefit of a deed of covenant (as amended or supplemented as at the Issue Date, the "Deed of Covenant") dated 18 June 2014 executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Fiscal Agent", the "Paying Agents" (which expression shall include the Fiscal Agent), the "Registrar", the "Transfer Agents" and the "Calculation Agent(s)". The Noteholders (as defined below), the holders of the interest coupons (the "Coupons") relating to interest bearing Notes in bearer form and, where such Notes have more than 27 interest payments remaining, talons for further Coupons (the "Talons") (the "Couponholders") are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these Conditions, "Tranche" means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended

### 1 Form, Denomination and Title

The Notes are issued in bearer form ("Bearer Notes", which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form ("Registered Notes") or in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

*All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.*

*So long as the Notes are represented by a temporary Global Note, permanent Global Note or Global Certificate and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided hereon and integral multiples in excess thereof provided in the relevant Final Terms.*

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis shown in the relevant Final Terms.

This Note may also be a Senior Note, or a Subordinated Note, as indicated in the relevant Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "holder" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## **2 Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes**

### **(a) Exchange of Exchangeable Bearer Notes**

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

### **(b) Transfer of Registered Notes**

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will

be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**

In the case of an exercise of any Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**

Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Exchange Free of Charge**

Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (ii) after any such Note has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

**3 Status of the Senior Notes and Subordinated Notes**

(a) **Status of the Senior Notes**

The Notes and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

(b) **Status of Subordinated Notes**

The Subordinated Notes and any Coupons relating to them constitute direct, conditional as described below and unsecured obligations of the Issuer and rank *pari passu* among themselves.

The payment obligations of the Issuer in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) will be subordinated to all unsubordinated payment obligations of the Issuer in the manner described below but will rank *pari passu* with all other subordinated payment obligations of the Issuer 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 Issuer. The rights of the holders of Subordinated Notes against the Issuer are subordinated in right of payment to the claims of all Senior Creditors of the Issuer. Accordingly, payments in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) by the Issuer are conditional upon the Issuer being solvent at the time of such payment. No payment shall be payable by the Issuer in respect of the Subordinated Notes except to the extent that the Issuer 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 Issuer shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its assets exceed its liabilities, and the "Senior Creditors" shall mean creditors of the Issuer (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 Issuer shall not secure the payment obligations under the Subordinated Notes.

#### **4 Negative Pledge**

This Condition 4 only applies to Senior Notes.

So long as any Note remains outstanding, the Issuer will not, and will ensure that none of its Principal Subsidiaries will create, or have outstanding any mortgage, charge, lien, pledge or other security interest (other than (i) arising solely by operation of law or (ii) a Permitted Security Interest) (each a "Security Interest"), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or payment under any guarantee or indemnity granted by the Issuer or any Principal Subsidiary in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

For the purpose of these Conditions:

- (i) "Excluded Subsidiary" at any time means a Subsidiary of the Issuer which is a special purpose company whose principal assets are constituted by a project or projects and none of whose indebtedness is directly or indirectly the subject of security or a guarantee, indemnity or any other form of assurance, undertaking or support from the Issuer or any of its Principal Subsidiaries;
  - (ii) "Group" means the Issuer and its Subsidiaries;
  - (iii) "Indebtedness" shall be construed so as to include any obligation for the payment or repayment of money, whether present or future, actual or contingent;
  - (iv) "Permitted Security Interest" means any Security Interest:
    - (a) in respect of any Relevant Indebtedness of any member of the Group incurred:
      - (A) to finance the ownership, acquisition, development, redevelopment or operation of any asset; or
      - (B) to finance or facilitate the receipt of any specified revenues or receivables
- in respect of which the person or persons to whom any such Relevant Indebtedness is or may be owed (for the purposes of this definition the "Lender") by such member of the Group (for the purposes of this definition the "Borrower") has or have no recourse whatsoever to any other member of the Group for the repayment thereof other than:

- (C) recourse to the relevant Borrower for amounts limited to the cash flow or the net cash flow from such asset, revenues or receivables, as the case may be; and/or
- (D) recourse to the proceeds of enforcement of any Security Interest (x) given by such Borrower over such asset, revenue or receivable or the income, cash flow or other proceeds deriving therefrom ("Relevant Property") and/or (y) given by any owner of voting equity interest in a Borrower over such equity interest ("Related Property") to secure such Relevant Indebtedness provided that the extent of such recourse to such Borrower is limited solely to the amount of any recoveries made in respect of such enforcement, or
- (b) securing Relevant Indebtedness of any person existing at the time that such person is acquired by or merged into or consolidated with any member of the Group, provided, however, that such Security Interest was not created in contemplation of such acquisition, merger or consolidation and does not extend to any assets or property of any member of the Group other than that of such person prior to such acquisition, merger or consolidation, as the case may be;
- (v) "Principal Subsidiary" means a Subsidiary of the Issuer (not being an Excluded Subsidiary):
  - (a) whose total assets represent not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole; or
  - (b) whose external turnover is more than 10 per cent. of the consolidated turnover of the Issuer and its Subsidiaries taken as a whole,
 all as calculated by reference to the then latest audited consolidated accounts of the Issuer; or
  - (c) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall immediately become a Principal Subsidiary but shall cease to be a Principal Subsidiary under this sub-paragraph (c) (but without prejudice to the provisions of sub-paragraph (a) or (b) above) upon publication of its next audited accounts.

A report by the Chief Executive and the General Manager and Chief Operating Officer (or any person who at any time carries out the equivalent function of any such person (regardless of such person's title)) of the Issuer that in their opinion a Subsidiary of the Issuer is or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

- (vi) "Relevant Indebtedness" means any Indebtedness having an original maturity of more than one year which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which (with the consent of the issuer thereof) are for the time being listed or traded on a stock exchange or other recognised securities market other than any notes, bonds or other debt securities issued by an acquired Subsidiary prior to the date of the acquisition and not issued in contemplation of such acquisition; and
- (vii) "Subsidiary" means any entity whose financial statements at any time are required by law or in accordance with relevant generally accepted accounting principles to be fully consolidated with those of the Issuer.

## 5 Interest and other Calculations

### (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note (other than where the Specified Currency is Renminbi and the relevant Final Terms specifies a Business Day Convention to be applicable) 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.

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.

If a Fixed Coupon Amount or a Broken Amount is specified hereon and except as otherwise specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

**(b) Interest on Floating Rate Notes**

**(i) Interest Payment Dates**

Each Floating 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. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

**(ii) Business Day Convention**

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

**(iii) Rate of Interest for Floating Rate Notes**

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

**(A) ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this subparagraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the day specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(i) the offered quotation; or

(ii) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being any of LIBOR, EURIBOR or EIBOR, as specified in the relevant Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Abu Dhabi time in the case of EIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) If the Relevant Screen Page is not available or if, sub-paragraph (x)(i) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(ii) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is EIBOR, the principal Abu Dhabi or Dubai office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is EIBOR, at approximately 11.00 a.m. (Abu Dhabi time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is EIBOR, at approximately 11.00 a.m. (Abu Dhabi time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is EIBOR, the United Arab Emirates inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits



in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is EIBOR, at approximately 11.00 a.m. (Abu Dhabi time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Fiscal Agent and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is EIBOR, the United Arab Emirates inter-bank market as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) **Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 7(i)).

(e) **Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding**

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(f) **Calculations**

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in

respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(g) ***Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts***

The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or any Optional Redemption Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(a) (in the case of Adjusted Renminbi Fixed Rate Notes) or Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) ***Definitions***

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

- (i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET2 system is operating (a "TARGET2 Business Day"); and/or
- (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); and/or
- (iv) in the case of a currency and/or one or more Business Centres specified in the relevant Final Terms (if any), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) specified in the relevant Final Terms (if any) or, if no currency is indicated, generally in each of the Business Centres;

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "Calculation Period"):

- (i) if "Actual/Actual" or "Actual/Actual – ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that 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);

- (ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified hereon, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the relevant Final Terms, the number of days in the Interest 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 Interest Period falls;

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

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

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

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 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 Interest 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;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the relevant Final Terms, the number of days in the Interest 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 Interest Period falls;

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

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

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

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest 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 Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the relevant Final Terms, the number of days in the Interest 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 Interest Period falls;

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

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

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

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case 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 Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

- (viii) if "Actual/Actual-ICMA" is specified hereon,
- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (b) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

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

"Determination Date" means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended;

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"Interest Amount" means the amount of interest payable, and in the case of Fixed Rate Notes (other than Adjusted Renminbi Fixed Rate Notes), means the Fixed Coupon Amount or Broken Amount, as the case may be;

"Interest Commencement Date" means the Issue Date or such other date as may be specified hereon;

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET2 Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Abu Dhabi prior to the first day of such Interest Accrual Period if the Specified Currency is United Arab Emirates dirhams;

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"Interest Period Date" means each Interest Payment Date;

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.;

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, and, in the case of a determination of EIBOR, the principal Abu Dhabi or Dubai office of four major banks in the United Arab Emirates inter-bank market, in each case selected by the Calculation Agent or as specified hereon;

"Reference Rate" means the rate specified as such hereon;

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon;

"RMB Settlement Centre(s)" means the financial centre(s) specified as such in the applicable 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.

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated;

"TARGET2 System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto; and

"Unlisted Notes" means Notes issued by the Issuer for which no base prospectus is required to be published under the Prospectus Directive.

(i) ***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 Fiscal 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 Fiscal 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.

(j) ***Calculation Agent***

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money or swap market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 6 Redemption, Purchase and Options

### (a) *Final Redemption*

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note shall be finally redeemed on the Maturity Date specified in the relevant Final Terms at its Final Redemption Amount specified in the relevant Final Terms.

### (b) *Early Redemption*

#### (i) Zero Coupon Notes

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

#### (ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount.

### (c) *Redemption for Taxation Reasons*

The Notes may (subject, in the case of Subordinated Notes, to the prior approval of the UAE Central Bank (the "Regulator", which expression shall include any successor thereto as the relevant regulator of banks in the UAE) where required) be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the relevant Final Terms to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the UAE 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, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is

entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer**

If Call Option is specified hereon, the Issuer may (subject, in the case of Subordinated Notes, to the prior approval of the Regulator where required), on giving not less than the minimum period nor more than the maximum period of notice specified in the relevant Final Terms to the Noteholders redeem all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

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

(e) **Redemption at the Option of Noteholders**

- (i) If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than the minimum period nor more than the maximum period of notice specified in the relevant Final Terms to the Issuer redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together (where applicable) with interest accrued to the date fixed for redemption.
- (ii) To exercise any option pursuant to paragraph (i) above, the holder must deposit (in the case of a Bearer Note) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of a Registered Note) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases**

The Issuer and any of its subsidiaries may, (subject, in the case of Subordinated Notes, to the prior approval of the Regulator where required) at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(g) **Cancellation**

All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

**7 Payments and Talons**

(a) **Bearer Notes**

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of

interest, save as specified in Condition 7(f)(v)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET2 System.

(b) **Registered Notes**

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Fiscal Laws**

All payments are subject in all cases (i) to any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 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 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or 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) **Appointment of Agents**

The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the relevant Final Terms. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities (including London) so long as the Notes are admitted to the official list of the Financial Conduct Authority in its capacity as competent authority and admitted to trading on the London Stock Exchange's Regulated Market and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.



Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and unexchanged Talons**

- (i) Upon the due date for redemption Bearer Notes which comprise Fixed Rate Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days**

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" in the relevant Final Terms and:

- (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency;
- (ii) (in the case of a payment in euro) which is a TARGET2 Business Day; or
- (iii) (in the case of Renminbi) on which the relevant RMB Settlement Centre(s) settle Renminbi payments.

(i) **RMB Currency Event**

If "RMB Currency Event" is specified as being applicable in the relevant Final Terms and a RMB Currency Event, as determined by the Issuer acting in good faith and in a commercially reasonable manner, exists on a date for payment of any amount in respect of any Note or Coupon, the Issuer's obligation to make a payment in RMB under the terms of the Notes may be replaced by an obligation to pay such amount in the Relevant Currency specified in the relevant Final Terms converted using the Spot Rate for the relevant Rate Calculation Date.

Upon the occurrence of a RMB Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 14 stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition:

"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;

"Relevant Currency" means the relevant currency specified 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);

"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;

"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 Issuer cannot obtain sufficient RMB in order to make a payment under the Notes, as determined by the Issuer 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 Issuer 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 Issuer 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 Issuer, 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 Issuer 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 Issuer 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 Issuer, due to an event beyond its control, to comply with such law, rule or regulation); and

"Spot Rate" means the spot CNY/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), or if no such rate is available, on a non-deliverable basis by reference to the Relevant Spot Rate Screen Page (Non-deliverable Basis). 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 CNY/Relevant Currency exchange rate in the PRC domestic foreign exchange market.

(j) ***RMB account***

Notwithstanding the foregoing, all payments in respect of any 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)).

**8 Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons 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 UAE or any emirate therein or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been receivable by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) ***Other connection***

to a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the UAE or any emirate therein other than the mere holding of the Note or Coupon; or

(b) ***Presentation more than 30 days after the Relevant Date***

presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(c) ***Presentation in the UAE or any emirate therein***

presented (or in respect of which the Certificate representing it is presented) for payment in the UAE or any emirate therein; or

(d) ***Payments subject to fiscal laws***

for or on account of any withholding or deduction required pursuant to any 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 any law in any jurisdiction implementing any intergovernmental approach thereto.

As used in these Conditions, "Relevant Date" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition.

**9 Prescription**

Claims against the Issuer for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10 Events of Default

### 10.1 Events of Default for Senior Notes

This Condition 10.1 only applies to Senior Notes.

If any of the following events ("Events of Default") occurs, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable:

(a) ***Non-Payment***

default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date, in the Specified Currency, of interest or principal in respect of any of the Notes; or

(b) ***Breach of Other Obligations***

the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) ***Cross-Default***

(i) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.\$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) ***Enforcement Proceedings***

a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 90 days; or

(e) ***Winding up or Dissolution***

any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or

(f) ***Cessation of Business***

the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(g) ***Liquidation proceedings etc.***

any court or other formal proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer or the relevant Principal Subsidiary, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon,

sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and in any case (other than the appointment of an administrator) is not discharged within 30 days; or

(h) **Consent to Proceedings**

the Issuer or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(i) **Analogous Events**

any event occurs which under the laws of the UAE or any emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (h) above; or

(j) **Authorisation and Consents**

any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of the UAE or any emirate therein is not taken, fulfilled or done; or

(k) **Illegality**

it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or any of the material obligations of the Issuer thereunder are not or cease to be legal, valid, binding or enforceable.

## 10.2 Events of Default for Subordinated Notes

This Condition 10.2 only applies to Subordinated Notes.

(a) **Non Payment**

If default is made in the payment, in the Specified Currency, of any principal or interest due under the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest, any Noteholder may institute proceedings in the UAE or any emirate therein (but not elsewhere) for the dissolution and liquidation of the Issuer.

(b) **Liquidation and Other Events**

If any one or more of the following events shall occur and be continuing:

- (i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or
- (ii) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (iii) (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of the Issuer and

- (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
- (iv) the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
  - (v) any event occurs which under the laws of the UAE or any emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (iv) above,
  - (vi) then the holder of any Note may give written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, that such Note is due and payable, whereupon the same shall, subject to Condition 2, become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind.

(c) **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 Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes or the Coupons, but the institution of such proceedings shall not have the effect that the Issuer shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

(d) **Other Remedies**

No remedy against the Issuer, other than the institution of the proceedings referred to in paragraph (a) or (c) above and the proving or claiming in any dissolution and liquidation of the Issuer, 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 Issuer of any other obligation, condition or provision binding on it under the Notes or the Coupons.

## 11 Meeting of Noteholders and Modifications

(a) **Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum Rate of Interest or Redemption Amount, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) **Modification of Agency Agreement**

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

**12 Replacement of Notes, Certificates, Coupons and Talons**

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent in London (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

**13 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue (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 that the same shall be consolidated and form a single series with such Notes, provided that the Issuer will not issue any additional Notes unless such additional Notes do not cause holders of Notes to become subject to any United States reporting obligation or any United States withholding tax which holders of Notes would otherwise not have been subject to had the Issuer not issued the further Notes, and references in these Conditions to "Notes" shall be construed accordingly.

**14 Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

**15 Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer as the case may be, to the extent of the amount in the currency of payment under the relevant Note or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note or Coupon, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence

granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon or any other judgment or order.

#### **16 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

#### **17 Governing Law and Dispute Resolution**

##### **(a) Governing Law**

The Notes, the Coupons and the Talons and any non-contractual obligation arising out of or in connection with the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

##### **(b) Agreement to Arbitrate**

Subject to Condition 17(c), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes, the Coupons and the Talons (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "Dispute") shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration ("LCIA") (the "Rules"), which Rules (as amended from time to time) are incorporated by reference into this Condition. For these purposes:

- (i) the place of arbitration shall be London, England and all hearings shall take place in London, England;
- (ii) the language of the arbitration shall be English;
- (iii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration and shall have no connection with any party thereto. The chairman of the arbitrators shall be a lawyer experienced in international securities transactions;
- (iv) within 15 days from receipt by the registrar of the LCIA of the response to the Request for Arbitration (as defined in the Rules), the claimant(s), irrespective of their number, shall nominate jointly one arbitrator and the respondent(s), irrespective of their number, shall nominate jointly the second arbitrator. The chairman of the arbitral tribunal shall be nominated by the two party nominated arbitrators within 15 days of the last of their appointments;
- (v) in the event that the claimant(s) and/or the respondent(s) fail to nominate an arbitrator or the party nominated arbitrators fail to agree the chairman of the arbitral tribunal within the time limits specified in this Condition, the LCIA court shall, at the written request of the claimant(s) or the respondent(s), make such appointments forthwith; and
- (vi) upon request of a party to a Dispute or any party to the Notes, which itself wishes to be joined to arbitration proceedings in relation to a Dispute, the arbitral tribunal may join any party to the Notes to arbitration proceedings in relation to that Dispute between them. Each of the parties to the Notes hereby consents to be joined to arbitration proceedings in relation to any Dispute at the request of a party to that Dispute, and to accept the joinder of a party requesting to be joined pursuant to this Condition 17(b)(vi).

##### **(c) Option to Litigate**

Notwithstanding Condition 17(b) above, any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (i) within 28 days of service of a written request for arbitration to the Registrar of the LCIA Court (a "Request for Arbitration" as described more particularly in the Rules); or
- (ii) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If any Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 17(d) and, subject as provided below, any arbitration commenced under Condition 17(b) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.



If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (iii) 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;
  - (iv) his entitlement to be paid his proper fees and disbursements; and
  - (v) 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 17(c) 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 Issuer submits to the exclusive jurisdiction of such courts;
- (ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary;
- (iii) this Condition 17(d) is for the benefit of the holders of the Notes only. As a result, and notwithstanding paragraph (i) above, any Noteholder may take proceedings relating to a Dispute ("Proceedings") in any other courts with jurisdiction. To the extent allowed by law, the holders may take concurrent Proceedings in any number of jurisdictions; and
- (iv) for the avoidance of doubt, any notice issued by a Noteholder to the Issuer pursuant to Condition 17(c) shall not bind any Noteholder other than the Noteholder or Noteholders that issued the Notice.

(e) **Service of Process**

The Issuer agrees that the process by which any Proceedings or Disputes in England are begun may be served on it by being delivered to the London branch of the Issuer at National Bank of Abu Dhabi P.J.S.C., London Branch, One Knightsbridge, London, SW1X 7LY 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 Issuer ceases to have a London branch which can accept service of process on the Issuer's behalf, the Issuer shall 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 Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent or the Registrar. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

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### **Initial Issue of Notes**

Upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the "Common Depository") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms or Pricing Supplement, as the case may be) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

So long as the Notes are represented by a temporary Global Note, permanent Global Note or Global Certificate and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and integral multiples in excess thereof specified in the relevant Final Terms or Pricing Supplement, as the case may be.

If a Global Note or a Global Certificate, as the case may be, may be exchanged for Definitive Notes in circumstances other than upon the occurrence of an Exchange Event (as defined in the relevant Global Note or Global Certificate, and as described further below under "*Exchange*"), only one Specified Denomination can be specified (or all Specified Denominations must be an integral multiple of the lowest Specified Denomination). When the "U.S.\$200,000 plus integral multiples of U.S.\$1,000" construct is used unless exchange of the Global Note or a Global Certificate, as the case may be, for Definitive Notes is limited to the occurrence of an Exchange Event.

### **Exchange**

#### ***Temporary Global Notes***

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms or Pricing Supplement, as the case may be, indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Overview of the Programme - Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms or Pricing Supplement, as the case may be, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

### ***Permanent Global Notes***

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "- Partial Exchange of Permanent Global Notes", in part for Definitive Notes or, in the case of paragraph (iii) below, Registered Notes:

- (i) by the Issuer giving notice to the Noteholders and the Fiscal Agent of its intention to effect such exchange, unless principal in respect of any Notes is not paid when due;
- (ii) if the relevant Final Terms or Pricing Supplement, as the case may be, provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Fiscal Agent of its election for such exchange;
- (iii) if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and
- (iv) otherwise, (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

The exchange of a Permanent Global Note for definitive Notes upon notice from Euroclear and/or Clearstream (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms or Pricing Supplement, as the case may be, if the Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.

### ***Permanent Global Certificates***

If the relevant Final Terms or Pricing Supplement, as the case may be, states that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Notes is not paid when due; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) or (iii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

### ***Partial Exchange of Permanent Global Notes***

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and

the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes if principal in respect of any Notes is not paid when due.

### **Delivery of Notes**

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. In this Base Prospectus, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### **Exchange Date**

"Exchange Date" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

### **Amendment to Conditions**

The temporary Global Notes, the permanent Global Notes and the Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Base Prospectus. The following is a summary of certain of those provisions:

#### **Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(f)(v) will apply to the Definitive Notes only.

Whilst the Notes are represented by a Global Note or a Global Certificate, "Business Day" in Condition 7(h) means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET2 system is operating; and/or
- (iii) in the case of a currency and/or one or more Business Centres specified in the relevant Final Terms or, Pricing Supplement, as applicable, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

Each payment in respect of a Global Certificate 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 Certificate is being held is open for business.

#### *Prescription*

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

#### *Meetings*

For the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate.

#### *Cancellation*

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

#### *Purchase*

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its Subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

#### *Issuer's Option*

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

#### *Noteholders' Option*

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

#### *Events of Default*

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 18 June 2014 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case

may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

*Notices*

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

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## **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 combination 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 30 June 2016, as if the merger has taken place as at 30 June 2016, and its Unaudited Pro forma Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six-month period ended 30 June 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 combination as at 30 June 2016 and on the historical consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 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 NBAD’s actual financial position and actual financial performance 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 2015 and the historical interim condensed consolidated financial statements of the two entities as at and for the six-month period ended 30 June 2016.

The Pro forma financial information has been prepared on figures extracted from the unaudited interim condensed consolidated financial statements of NBAD, and the unaudited interim condensed consolidated financial statements of FGB as at 30 June 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 2015 of FGB. The principles of 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 acquisition / combination. 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”) is not 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 30 JUNE 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                     | 73,004,515         | 19,474,888         | -                        |         | 92,479,403                |
| Investments at fair value through profit or loss         | 14,876,442         | 622,858            | (417,800)                | i       | 15,081,500                |
| Due from banks and financial institutions                | 14,834,458         | 7,757,534          | (110,638)                | i       | 22,481,354                |
| Reverse repurchase agreements                            | 13,367,962         | 3,689,823          | (1,255,263)              | i       | 15,802,522                |
| Derivative financial instruments                         | 15,086,986         | 2,081,659          | (225,274)                | i       | 16,943,371                |
| Loans and advances                                       | 202,912,617        | 153,412,138        | -                        |         | 356,324,755               |
| Non-trading investments                                  | 71,110,563         | 23,269,049         | -                        |         | 94,379,612                |
| Other assets   | 11,244,353         | 6,882,120          | (27,673)                 | i       | 18,098,800                |
| Investment properties                                    | 185,623            | 8,344,606          | -                        |         | 8,530,229                 |
| Property and equipment                                   | 2,759,446          | 1,523,027          | 219,640                  | ii      | 4,502,113                 |
| Goodwill and intangible assets                           | -                  | 183,757            | 16,087,898               | iv      | 16,271,655                |
| <b>Total assets</b>                                      | <b>419,382,965</b> | <b>227,241,459</b> | <b>14,270,889</b>        |         | <b>660,895,313</b>        |
| <b>LIABILITIES</b>                                       |                    |                    |                          |         |                           |
| Due to banks and financial institutions                  | 38,855,865         | 12,212,488         | (110,638)                | i       | 50,957,714                |
| Repurchase agreements                                    | 30,456,924         | 10,095,110         | (1,255,263)              | i       | 39,296,771                |
| Euro commercial paper                                    | 5,766,784          | 2,323,338          | -                        |         | 8,090,122                 |
| Derivative financial instruments                         | 18,625,377         | 2,675,697          | (225,274)                | i       | 21,075,800                |
| Customer accounts and other deposits                     | 243,335,109        | 139,633,458        | -                        |         | 382,968,567               |
| Term borrowings  | 24,448,319         | 17,167,941         | (417,800)                | i       | 41,198,460                |
| Other liabilities  | 14,454,621         | 4,282,929          | (27,673)                 | i       | 18,709,877                |
| Sukuk financing instruments                              | -                  | 4,223,950          | -                        |         | 4,223,950                 |
| Subordinated notes                                       | 416,281            | -                  | -                        |         | 416,281                   |
| <b>Total liabilities</b>                                 | <b>376,359,280</b> | <b>192,614,911</b> | <b>(2,036,649)</b>       |         | <b>566,937,542</b>        |
| <b>EQUITY</b>  |                    |                    |                          |         |                           |
| Share capital  | 5,254,546          | 4,500,000          | 1,143,000                | iii, v  | 10,897,546                |
| Additional paid-in capital                               | 278,839            | -                  | 51,455,704               | iii, v  | 51,734,543                |
| Treasury shares  | (53,623)           | -                  | -                        | iii, v  | (53,623)                  |
| Legal reserve  | 5,209,722          | 11,030,110         | (11,030,110)             | iii, iv | 5,209,722                 |
| Tier 1 capital notes                                     | 6,754,750          | 4,000,000          | -                        | iv, v   | 10,754,750                |
| Share option scheme                                      | 210,130            | -                  | -                        | iv, v   | 210,130                   |
| Convertible notes-equity component                       | 108,265            | -                  | -                        | iv, v   | 108,265                   |
| Revaluation reserve                                      | -                  | 280,601            | -                        |         | 280,601                   |
| Other reserves   | 20,247,889         | 689,543            | (20,247,889)             | v       | 689,543                   |
| Retained earnings  | 5,013,167          | 13,703,599         | (5,013,167)              | v       | 13,703,599                |
| <b>Equity attributable to equity holders of the Bank</b> | <b>43,023,685</b>  | <b>34,203,853</b>  | <b>16,307,538</b>        |         | <b>93,535,076</b>         |
| Non-controlling interests                                | -                  | 422,695            | -                        |         | 422,695                   |
| <b>Total equity</b>                                      | <b>43,023,685</b>  | <b>34,626,548</b>  | <b>16,307,538</b>        |         | <b>93,957,771</b>         |
| <b>Total liabilities and equity</b>                      | <b>419,382,965</b> | <b>227,241,459</b> | <b>14,270,889</b>        |         | <b>660,895,313</b>        |

*See notes to the Pro forma financial information.*

**PRO FORMA CONDENSED CONSOLIDATED  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX-MONTH PERIOD ENDED**

**30 JUNE 2016**

|   | NBAD             | FGB              | Pro forma<br>adjustments | Notes | Pro forma<br>Consolidated |
|---|------------------|------------------|--------------------------|-------|---------------------------|
|   | AED 000          | AED 000          | AED 000                  |       | AED 000                   |
| Interest income   | 4,766,133        | 3,996,042        | (32,071)                 | i     | 8,730,104                 |
| Interest expense  | (1,350,754)      | (950,668)        | 32,071                   | i     | (2,269,350)               |
| <b>Net interest income</b>                              | <b>3,415,379</b> | <b>3,045,374</b> | -                        |       | <b>6,460,753</b>          |
| Income from Islamic financing contracts                 | 264,517          | 232,808          | -                        |       | 497,325                   |
| Islamic financing expense                               | (12,177)         | (127,418)        | -                        |       | (139,595)                 |
| <b>Net income from Islamic financing contracts</b>      | <b>252,340</b>   | <b>105,390</b>   | -                        |       | <b>357,730</b>            |
| <b>Net interest and Islamic financing income</b>        | <b>3,667,719</b> | <b>3,150,764</b> | -                        |       | <b>6,818,483</b>          |
| Net fees and commission income                          | 1,180,986        | 827,385          | -                        |       | 2,008,371                 |
| Net foreign exchange gain                               | 648,278          | 92,592           | -                        |       | 740,870                   |
| Net gain on investments and derivatives                 | (101,748)        | 130,826          | -                        |       | 29,078                    |
| Other operating income                                  | 14,211           | 165,884          | -                        |       | 180,095                   |
| <b>Operating income</b>                                 | <b>5,409,446</b> | <b>4,367,451</b> | -                        |       | <b>9,776,897</b>          |
| General, administration and other operating expense     | (2,016,768)      | (923,639)        | -                        |       | (2,940,407)               |
| <b>Profit before net impairment charge and taxation</b> | <b>3,392,678</b> | <b>3,443,812</b> | -                        |       | <b>6,836,490</b>          |
| Net impairment charge                                   | (592,796)        | (774,086)        | -                        |       | (1,366,882)               |
| <b>Profit before taxation</b>                           | <b>2,799,882</b> | <b>2,669,726</b> | -                        |       | <b>5,469,608</b>          |
| Overseas income tax expense                             | (153,034)        | (12,350)         | -                        |       | (165,384)                 |
| <b>Net profit</b>                                       | <b>2,646,848</b> | <b>2,657,376</b> | -                        |       | <b>5,304,224</b>          |
| Other comprehensive (loss) / income                     | (379,300)        | 231,167          | -                        |       | (148,133)                 |
| <b>Total comprehensive income</b>                       | <b>2,267,548</b> | <b>2,888,543</b> | -                        |       | <b>5,156,091</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 30 June 2016 has been extracted from the unaudited interim condensed consolidated financial statements of NBAD. The consolidated statement of financial position of FGB at 30 June 2016 has been extracted from the unaudited interim condensed consolidated financial statements of FGB.

The consolidated statement of profit or loss and other comprehensive income of NBAD for the six-month period ended 30 June 2016 has been extracted from the unaudited interim condensed consolidated financial statements of NBAD. The consolidated statement of profit or loss and other comprehensive income of FGB for the six-month period ended 30 June 2016 has been extracted from the unaudited interim condensed 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 2015. The accounting policies used by FGB as described in its financial statements for the year ended 31 December 2015 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 AED220 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 2015, the fair value of investment properties approximates its carrying amounts and thus no adjustment has been recognised. As at 30 June 2016, the fair values of the investment properties have not changed significantly and therefore still approximate their carrying amounts.

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;
- c. FGB's net foreign exchange gain and net gain on investments and derivatives have been separately presented out of other operating income;

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.

### PRO FORMA ADJUSTMENTS

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

- i. To record elimination of intercompany balances and transactions 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        | 1,320,335             |
| <b>Difference</b> | <b><u>219,640</u></b> |

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

|                           |                |                |
|---------------------------|----------------|----------------|
|                           | <u>AED'000</u> | <u>AED'000</u> |
| Land (Dr.)                | 219,640        |                |
| Retained earnings (Dr.)   | 185,022        |                |
| Revaluation reserve (Cr.) |                | 404,662        |

**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 52.04% ownership interest of FGB shareholders in the Group and a 47.96% 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         | 52.04%         |
| Outstanding share capital of NBAD<br>(net of treasury shares)             | <b>5,200,923</b>  | 47.96%         |
| <b>Total shares of NBAD post combination<br/>(net of treasury shares)</b> | <b>10,843,923</b> | <b>100.00%</b> |

Accordingly, NBAD's share capital post combination amount to AED10,844 million which is presented as follows:

|                            | <b>AED'000</b>    |
|----------------------------|-------------------|
| Share capital              | 10,897,546        |
| Treasury shares            | (53,623)          |
| <b>Total share capital</b> | <b>10,843,923</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 52.04% and 47.96%, respectively, in the Group. The acquisition cost has been calculated on the basis of FGB's closing price of AED12.60 per share on Abu Dhabi Securities Exchange on 30 June 2016. The acquisition cost 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             | 52.04%            |
| <b>Total number of shares of the Group (units'000)</b>          | <b>8,647,467</b>  |
| Multiplied by: NBAD's percentage ownership in the Group         | 47.96%            |
| <b>Number of shares to be issued by FGB to NBAD (units'000)</b> | <b>4,147,467</b>  |
| Multiplied by: Share price of FGB                               | 12.60             |
| <b>Total consideration (AED'000)</b>                            | <b>52,258,078</b> |

A share premium of AED46,615 million arises on NBAD issuance of the new shares for this transaction, computed as follows:

|   | <b>AED'000</b>    |
|---|-------------------|
| Total consideration                       | 52,258,078        |
| Par value of shares issued by NBAD to FGB | 5,643,000         |
| <b>Additional paid-in capital</b>         | <b>46,615,078</b> |

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

**PRO FORMA ADJUSTMENTS (continued)**

- iv. To record AED16,088 million excess of total consideration over the net assets of NBAD as at 30 June 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                                  | 52,258,078        |
| Less: Adjusted net assets of NBAD as at 30 June 2016 | (36,170,180)      |
| <b>Goodwill / intangible</b>                         | <b>16,087,898</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 30 June 2016                 | 43,243,325        |
| Less: Other equity items                              |                   |
| Tier 1 capital notes                                  | (6,754,750)       |
| Share option scheme                                   | (210,130)         |
| Convertible notes-equity component                    | (108,265)         |
| <b>Adjusted net assets of NBAD as at 30 June 2016</b> | <b>36,170,180</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                       | 52,258,078        |
| <b>Capital post combination</b>           | <b>56,758,078</b> |
| Adjustment to retain NBAD's legal reserve | 5,820,388         |
| <b>Total paid-in capital</b>              | <b>62,578,466</b> |

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

|                              |                   |
|------------------------------|-------------------|
|                              | <b>AED'000</b>    |
| Share capital                | 10,897,546        |
| Additional paid-in capital   | 51,734,543        |
| Treasury Shares              | (53,623)          |
| <b>Total paid-in capital</b> | <b>62,578,466</b> |

## **USE OF PROCEEDS**

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The net proceeds from the issue of each Tranche of the Notes will be applied by the Issuer for general corporate purposes or for any other purpose specified in the applicable Final Terms or applicable Pricing Supplement, as applicable.



## **GENERAL**

The Issuer was incorporated pursuant to an Emiri Decree issued by H.H. Sheikh Zayed Bin Sultan Al Nahyan on 13 February 1968 with limited liability and is registered as a public joint stock company in accordance with the UAE Commercial Companies Law No. (8) of 1984 (as amended). On 1 April 2015, a new UAE Federal Law No. (2) for Commercial Companies was issued with effective date 1 July 2015 (the "New Law"). As per the transitional provisions of the new law, companies are to ensure compliance by 30 June 2017. In compliance with the New Law, the Issuer has adopted new articles of association and obtained the necessary approval of the SCA, the Abu Dhabi Department of Economic Developments and its shareholders. The Issuer is awaiting approval from the UAE Central Bank and will be fully compliant before the transitional provisions deadline. The Issuer operates in the UAE under a banking license (the "Banking License") granted by the UAE Central Bank. The Banking License was granted for an indefinite period of time and does not need to be renewed on a periodic basis. Its registered office address is P.O. Box 4, Abu Dhabi, United Arab Emirates (telephone number: +971 2 6111111).

The Issuer's combined credit ratings for senior debt are:

Fitch: (Long term) AA-, (Short term) F1+

Moody's: (Long term) Aa3, (Short term) P-1

S&P: (Long term) AA-, (Short term) A-1+

The above rating from Fitch has been given a 'stable' outlook, whilst S&P has placed the Issuer's long term and short ratings on "Creditwatch", with negative implications. Moody's has given its above mentioned rating a 'negative' outlook. 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.

The Issuer is one of the primary bankers to the Government of Abu Dhabi and public sector companies in the emirate. The Issuer is engaged primarily in retail, commercial, wholesale and private banking in the UAE and at selected overseas locations. It has a large international presence, with 45 international branches, cash offices, subsidiaries and representative offices in Bahrain, Brazil, China, Egypt, France, Hong Kong, Jordan, Kuwait, Lebanon, India, Malaysia, Oman, Sudan, Switzerland, the United Kingdom and the United States of America as at the date of this Base Prospectus.

As a result of the recent geopolitical uncertainty in Libya, the operations of the Issuer's Libyan representative office are in the process of being shut-down permanently. The Issuer is also in the process of liquidating NBAD Global Multi-Strategy Fund, Abu Dhabi Securities Brokerage Egypt and NBAD Trust Company Jersey.

The Issuer has multiple revenue streams and enjoys substantial fee income. The Issuer had total net loans of AED 202,913 million, AED 205,914 million and AED 194,279 million as at 30 June 2016, 31 December 2015 and 31 December 2014, respectively. The Issuer had total equity of AED 43,024 million, AED 43,219 million and AED 37,963 million as at 30 June 2016, 31 December 2015 and 31 December 2014, respectively, and achieved a net profit of AED 2,647 million for the six-month period ended 30 June 2016, AED 2,869 million for the six-month period ended 30 June 2015, AED 5,232 million for the year ended 31 December 2015 and AED 5,579 million for the year ended 31 December 2014.

## **Organisational Structure**

The Issuer's organisational structure is focused around three distinct business divisions: (i) Global Wholesale; (ii) Global Retail and Commercial; and (iii) Global Wealth, each with a focus on growth in the three core areas of: (i) the home market, with a focus on developing the Issuer's commercial and retail businesses in the UAE and across the Gulf region; (ii) the wholesale and wealth network markets, specifically targeting opportunities in the "West-East corridor" spanning Africa, the Middle East and Asia and seeking to integrate existing European and North American relationships into these markets; and (iii) new franchise markets, where the aim is to establish five international bank franchises in the largest and fastest growing economies in the West-East corridor. The Issuer's immediate focus is on further developing its retail and commercial businesses in the UAE and its wholesale banking and wealth networks.

## SHAREHOLDERS AND CAPITAL

The Issuer's ordinary shares have been listed on the Abu Dhabi Securities Exchange (the "ADX") since 2000. As of 30 June 2016, the Government of Abu Dhabi, through the ADIC, holds 69.89 per cent. of the Issuer's outstanding share capital. By virtue of such shareholding, the ADIC has the ability to influence the Issuer's business significantly, through its ability to control and/or block corporate actions or resolutions that require shareholder approval. However, the management of the Issuer does not expect that any conflict of interest is likely to arise with the ADIC. The remaining 30.11 per cent. of the Issuer's outstanding share capital is held by other investors, both retail and institutional.

Of the Issuer's 11 directors, six are directly elected by the ADIC, with the remaining five directly elected by the minority shareholders at the Issuer's annual general assembly meeting. Two of the Issuer's 11 directors are classified as independent directors (according to criteria set out by SCA) (see "*Directors, Management and Employees*" below). The ADIC plays no direct part in the day-to-day management of the business. The executive management of the Issuer is independent from the Board.

The paid-up share capital of the Issuer as at 30 June 2016 comprised 5,254,546 thousand ordinary shares of AED 1.00 each. The paid-up share capital of the Issuer as at 31 December 2015 comprised 5,209,723 thousand ordinary shares of AED 1.00 each (which included the 10 per cent. bonus share issue of 473,611 thousand ordinary shares approved by the Issuer's shareholders at the annual general meeting held on 10 March 2015), as compared to a paid-up share capital of 4,736,112 thousand ordinary shares of AED 1.00 each as at 31 December 2014, which included the 10 per cent. bonus share issue of 430,556 thousand ordinary shares approved by the annual general meeting held on 11 March 2014. Up to 25 per cent. of the Issuer's share capital can be held by non-UAE nationals.

## BANKING OPERATIONS

The Issuer is organised into the following three business divisions (in addition to the Issuer's Head Office function, which is classified as a business segment for financial reporting purposes) which also formed the basis of the primary segment reporting information in the Issuer's consolidated financial information for the six-month period ended 30 June 2016. The figures in the following table, which have been extracted (without material adjustment) from the Issuer's reviewed accounts for the six-month period ended 30 June 2016, set out the relative contribution (expressed as a percentage) made by each of the Issuer's three business divisions, in addition to the Head Office business segment, to the Issuer's total net profit during the six-month period ended 30 June 2016:

| Division                        | Contribution (%)<br>to the Issuer's<br>total net profit<br>during the six-<br>month period<br>ended 30 June<br>2016 |
|---------------------------------|---|
| Global Wholesale .....          | 75  |
| Global Retail & Commercial..... | 20  |
| Global Wealth.....              | 9   |
| Head Office .....               | (3)   |
|                                 | <b>100.0</b>  |

\* The sum of percentages may not necessarily total 100% due to rounding adjustments.

The consolidated financial statements of the Issuer also include the following wholly-owned subsidiaries as at 31 December 2015:

| Legal Name  | Country of<br>incorporation | Principal<br>activities | Holding %<br>2015 |
|---|-----------------------------|-------------------------|-------------------|
| NBAD Americas N.V. (formerly Abu Dhabi International Bank N.V.) ..... | Curacao                     | Banking                 | 100%              |
| NBAD Securities LLC .....   | United Arab<br>Emirates     | Brokerage               | 100%              |
| Abu Dhabi National Leasing LLC .....                                  | United Arab<br>Emirates     | Leasing                 | 100%              |
| Abu Dhabi National Properties PJSC.....                               | United Arab<br>Emirates     | Property<br>Management  | 100%              |
| NBAD Trust Company (Jersey) Limited <sup>(1)</sup> .....              | Channel<br>Islands          | Fund<br>Management      | 100%              |
| NBAD Private Bank (Suisse) SA   | Switzerland                 | Banking                 | 100%              |

|  |                      |                       |      |
|--|----------------------|-----------------------|------|
| Abu Dhabi National Islamic Finance Pvt.JSC.....                | United Arab Emirates | Islamic Finance       | 100% |
| Ample China Holdings Limited.....                              | Hong Kong            | Leasing               | 100% |
| National Bank of Abu Dhabi Malaysia Berhad.....                | Malaysia             | Banking               | 100% |
| NBAD Investment Management (DIFC) Limited <sup>(2)</sup> ..... | United Arab Emirates | Fund Management       | 100% |
| NBAD Employee Share Options Limited.....                       | United Arab Emirates | Shares and Securities | 100% |
| SAS 10 Magellan.....   | France               | Leasing               | 100% |
| NBAD Global Multi-Strategy Fund <sup>(3)</sup> .....           |                      | Fund Management       | 100% |
| National Bank of Abu Dhabi Representações Ltda.....            | Cayman Island        | Representative office | 100% |
| NBAD Financial Markets (Cayman) Limited.....                   | Brazil               |                       | 100% |
| Abu Dhabi Brokerage Egypt <sup>(4)</sup> .....                 | Cayman Islands       | Banking Securities    | 100% |
|  | Egypt                | Brokerage             | 96%  |

(1) Under liquidation  
(2) Liquidated as at 31 March 2016  
(3) Under liquidation  
(4) Under liquidation

## OVERALL PERFORMANCE

The Issuer reported net profits of AED 2,647 million for the six-month period ended 30 June 2016, as compared to AED 2,869 million for the six-month period ended 30 June 2015. Net interest income (including income from Islamic financing net of distribution to depositors) decreased by 1.1 per cent. to AED 3,668 million for the six-month period ended 30 June 2016 from AED 3,629 million for the six-month period ended 30 June 2015. Net non-interest income decreased by 1.7 per cent. to AED 1,742 million for the six-month period ended 30 June 2016 from AED 1,773 million for the six-month period ended 30 June 2015. Operating income was AED 5,409 million and operating costs were AED 2,017 million for the six-month period ended 30 June 2016 as compared to operating income of AED 5,402 million and operating costs of AED 2,026 million for the six-month period ended 30 June 2015. Annualised return on average equity was 12.3 per cent. and the cost to income ratio was at 37.3 per cent. for the six-month period ended 30 June 2016 (compared to 14.4 per cent. and 37.5 per cent., respectively, for the six-month period ended 30 June 2015).

The Issuer reported net profits of AED 5,232 million for the financial year ended 31 December 2015, as compared to AED 5,579 million for the year ended 31 December 2014. Net interest income (including income from Islamic financing net of distribution to depositors) rose by 4.1 per cent. to AED 7,307 million for the year ended 31 December 2015 from AED 7,018 million for the year ended 31 December 2014. Net non-interest income decreased by 4.4 per cent. to AED 3,249 million for the year ended 31 December 2015 from AED 3,397 million for the year ended 31 December 2014. This was mainly on account of the decrease in net investment income. Operating income was AED 10,556 million and operating costs were AED 4,083 million for the year ended 31 December 2015 as compared to operating income of AED 10,415 million and operating costs of AED 3,696 million for the year ended 31 December 2014. Annualised return on average equity was 12.9 per cent. and the cost to income ratio was at 38.7 per cent. for the year ended 31 December 2015 (compared to 15.4 per cent. and 35.5 per cent., respectively, for the year ended 31 December 2014).

The Group has generated less than 1 per cent. of its net profits, assets and liabilities in each of 2014 and 2015, respectively, through its operations in Sudan.

The following tables show the breakdown, by the division indicated, of the Issuer's net profit for the six-month period ended 30 June 2016, 30 June 2015 and the year ended 31 December 2015, respectively:

| Division                          | Net profit for the six-month period ended 30 June 2016 | Net profit for the six-month period ended 30 June 2015 | Net profit for the year ended 31 December 2015* |
|-----------------------------------|--|--|---|
|                                   | (unaudited)  | (unaudited)  | (audited)                                       |
|                                   | (AED million)  |  |   |
| Global Wholesale.....             | 1,985  | 1,572  | 3,021   |
| Global Retail and Commercial..... | 526  | 594  | 1,239   |
| Global Wealth.....                | 228  | 304  | 503   |
| Head Office.....                  | (92)   | 399  | 469   |
| <b>Total.....</b>                 | <b>2,647</b>   | <b>2,869</b>   | <b>5,232</b>                                    |

As per consolidated financial statements published for the financial year ended 31 December 2015, the net profit per division for the six-month period ended 30 June 2015, has been reclassified.

The Issuer's total loan portfolio (net of provisions) was AED 202,913 million as at 30 June 2016, a decrease of 1.5 per cent. from AED 205,914 million as at 31 December 2015 (AED 194,279 million as at 31 December 2014). The distribution of the corporate loan portfolio across economic sectors is oriented towards real estate, energy and banks and financial institutions, which is in line with the domestic economy.

The following table provides a breakdown of the Issuer's total loan portfolio by counterparty as at 30 June 2016, 31 December 2015 and 31 December 2014, respectively:

|  | <u>As at 30</u>    | <u>As at 31</u>      |                      |
|--|--------------------|----------------------|----------------------|
|  | <u>June 2016</u>   | <u>December 2015</u> | <u>December 2014</u> |
|  | <i>(unaudited)</i> | <i>(audited)</i>     |                      |
|  |                    | <i>(AED million)</i> |                      |
| Government.....                        | 19,067             | 20,320               | 23,435               |
| Public Sector .....                    | 45,976             | 44,130               | 41,285               |
| Banking Sector .....                   | 17,953             | 23,338               | 24,109               |
| Corporate/private Sector.....          | 89,840             | 89,918               | 81,019               |
| Personal/retail Sector .....           | 37,598             | 35,369               | 32,224               |
| <b>Gross loans and advances .....</b>  | <b>210,434</b>     | <b>213,075</b>       | <b>202,072</b>       |
| Less: interest suspended.....          | (1,091)            | (1,036)              | (1,125)              |
| Less: allowance of impairment.....     | (6,430)            | (6,125)              | (6,668)              |
| <b>Total (Net of Provisions) .....</b> | <b>202,913</b>     | <b>205,913</b>       | <b>194,279</b>       |

The Issuer's loan portfolio contains a high proportion of loans to the government and public sector entities. As at 30 June 2016, 31 per cent. of gross loans and advances was to government and public sector entities. This concentration of lending reflects the historically close relationship between the Issuer and government and public sector entities. However, over a period of time the Issuer has diversified its loan portfolio thereby reducing the concentration of loans to government and public sector entities from 63 per cent. in 1999 to 31 per cent. as at 30 June 2016. As at 30 June 2016, 31 December 2015 and 31 December 2014, the concentration of the Issuer's gross loan portfolio to its top 12 borrowers was 25.5 per cent., 23.49 per cent. and 27.25 per cent., respectively.

61 per cent. of the loan portfolio was denominated in foreign currency as at 30 June 2016. The Issuer has implemented risk management methods to mitigate and control these foreign currency risks along with other market risks to which the Issuer is exposed (see "Risk Management" below).

The Issuer maintains a securities portfolio (both trading and investment) of high credit quality. The Issuer 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.

The Issuer 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 Issuer's securities portfolio as at 30 June 2016, 31 December 2015 and 31 December 2014, respectively:

|                         | <u>As at 30</u>    | <u>As at 31</u>      |                      |
|-------------------------|--------------------|----------------------|----------------------|
|                         | <u>June 2016</u>   | <u>December 2015</u> | <u>December 2014</u> |
|                         | <i>(unaudited)</i> | <i>(audited)</i>     |                      |
|                         |                    | <i>(AED million)</i> |                      |
| Trading portfolio.....  | 14,876             | 12,291               | 15,426               |
| Available-for-sale..... | 63,846             | 57,003               | 61,958               |
| Held-to-maturity .....  | 7,265              | 6,791                | 5,536                |
| <b>Total .....</b>      | <b>85,987</b>      | <b>76,085</b>        | <b>82,920</b>        |

The Issuer has created Special Purpose Entities ("SPEs") with defined objectives to carry on fund management and investment activities on behalf of customers. The equity and investments managed by the SPEs are not controlled by the Issuer and the Issuer does not obtain benefits from the SPEs' operations, apart from commissions and fee income. In addition, the Issuer does not provide any guarantees or assume any liabilities of these entities. Consequently, the SPEs' assets, liabilities and results of operations are not included in the consolidated financial statements of the Issuer. The SPEs are as follows:

| <b>Legal name</b>          | <b>Activities</b>  | <b>Country of incorporation</b> | <b>Holding 2015</b> | <b>Holding 2014</b> |
|----------------------------|--------------------|---------------------------------|---------------------|---------------------|
| NBAD Private Equity 1..... | Fund management    | Cayman Islands                  | 58%                 | 58%                 |
| One Share PLC.....         | Investment company | Republic of Ireland             | 100%                | 100%                |
| NBAD (Cayman) Limited..... | Fund management    | Cayman Islands                  | 100%                | 100%                |

### Capital Adequacy

The Issuer calculates its capital ratios in accordance with Basel II guidelines established by the UAE Central Bank. As at 30 June 2016, 31 December 2015 and 31 December 2014, respectively, these ratios were as follows:

|                             | <b>As at 30</b>                                    | <b>As at 31</b>      |                      |
|-----------------------------|--|----------------------|----------------------|
|                             | <b>June 2016</b>                                   | <b>December 2015</b> | <b>December 2014</b> |
|                             | <i>(unaudited)</i>                                 | <i>(audited)</i>     |                      |
|                             | <i>(AED million other than percentage figures)</i> |                      |                      |
| Capital base.....           | 45,899   | 46,074               | 41,019               |
| Risk weighted assets:       |  |                      |                      |
| Credit Risk.....            | 235,112  | 236,977              | 209,665              |
| Market Risk.....            | 26,462   | 20,398               | 23,611               |
| Operational Risk.....       | 18,309   | 17,883               | 16,937               |
|                             | <b>279,883</b>                                     | <b>275,258</b>       | <b>250,213</b>       |
| Capital adequacy ratio..... | <b>16.40%</b>                                      | <b>16.74%</b>        | <b>16.39%</b>        |

### Funding

The Issuer's bank and customer deposits totalled AED 282,191 million, AED 273,317 million and AED 279,865 million as at 30 June 2016, 31 December 2015 and 31 December 2014, respectively. Customer deposits amounted to AED 243,335 million, 233,815 million and AED 243,185 million as at 30 June 2016, 31 December 2015 and 31 December 2014, respectively, and represented 86.2 per cent., 85.5 per cent. and 86.9 per cent., respectively, of total bank and customer deposits. The Issuer's customer deposits contain a high proportion of deposits from government and public sector entities. As at 30 June 2016, approximately 17.7 per cent. of the Issuer's customer deposits were from government entities and a further 21.0 per cent. were from public sector entities. The Issuer's funding needs are also met by equity reserves and retained earnings, interbank lines of credit, repurchase agreements and wholesale market funding in the form of Euro commercial paper and medium term note issues.

Since 7 December 2005, the Issuer has made several issuances in multiple currencies under the Programme, of which the outstanding amount as at 30 June 2016 is the equivalent of U.S.\$3.75 billion, with maturities ranging between 2017 and 2045.

The Issuer has a combined MYR 3 billion Medium Term Note and Trust Certificate issuance programme and also has an AUD 2 billion Australian and New Zealand domestic debt issuance programme. As at the date of this Base Prospectus, the total amount outstanding under the MYR programme was MYR1 billion (all issued as Trust Certificates), while the total amount outstanding under the AUD programme was AUD700 million.

In 2011, the Issuer launched a JPY 10 billion "Samurai" bond with a coupon of 2.6 per cent. per annum. In May 2013, the Issuer launched a U.S.\$500 million convertible bond with a coupon of 1 per cent. per annum. As of August 2016, the Issuer had bilateral loans outstanding of U.S.\$1.3 billion.

In June 2015, the Issuer launched its inaugural US\$750 million, Additional Tier 1 Perpetual Bond with a coupon of 5.25 per cent. per annum.

In September 2006, the Issuer established a U.S.\$2 billion euro commercial paper programme for the issuance of euro commercial paper. In July 2015, the programme size was increased to U.S.\$5 billion. These notes are denominated in various currencies and have maturities of less than 12 months.

In April 2016, the Issuer established a U.S.\$5 billion US commercial paper programme.

The Issuer also has three Certificate of Deposit issuance programmes established in each of London, Paris and Hong Kong.

The net proceeds received by the Issuer from the issuance of each of the instruments described in the above paragraphs, other than the net proceeds of the MYR issuances (part of which were used for capitalising its subsidiary in Malaysia, National Bank of Abu Dhabi Malaysia Berhad), were used for the Issuer's general corporate purposes.

The following table shows the sources of the Issuer's funding as at 30 June 2016, 31 December 2015 and 31 December 2014, respectively:

|  | <b>As at 30</b>    | <b>As at 31</b>      |                      |
|--|--------------------|----------------------|----------------------|
|  | <b>June 2016</b>   | <b>December 2015</b> | <b>December 2014</b> |
|  | <i>(unaudited)</i> | <i>(audited)</i>     |                      |
|  |                    | <i>(AED million)</i> |                      |
| Due to banks .....                     | 38,856             | 39,502               | 36,680               |
| Repurchase agreements with banks ..... | 30,457             | 30,551               | 13,876               |
| Euro commercial paper.....             | 5,767              | 8,720                | 5,484                |
| Customers' deposits .....              | 243,335            | 233,815              | 243,185              |
| Term borrowings.....                   | 24,448             | 21,047               | 14,999               |
| Derivative Financial Instruments ..... | 18,625             | 12,852               | 10,953               |
| Other liabilities .....                | 14,455             | 15,583               | 11,442               |
| Subordinated notes.....                | 416                | 1,275                | 1,517                |
| Equity .....                           | 43,024             | 43,219               | 37,963               |
|  | <b>419,383</b>     | <b>406,564</b>       | <b>376,099</b>       |

## THE MAJOR DIVISIONS

The three business divisions of Global Wholesale, Global Retail and Commercial and Global Wealth outlined on pages 67, 70 and 71 respectively of this Base Prospectus are further detailed below.

### GLOBAL WHOLESALE

The Global Wholesale Banking division ("GWB") is the Issuer's largest business division and comprises two product units and one client relationship unit. Working with these two product units and the client relationship unit, is a relationship team which focuses on the UAE Government and key Abu Dhabi based clients.

The two product units, Global Markets and Global Banking, are responsible for product strategies, development and sales across the full Group network and for delivery of GWB's financial performance. The client relationship unit is responsible for managing and developing GWB client relationships and maximising revenue and GWB customer return on equity through the cross-selling of products across multiple geographies within the Issuer's network. The client relationship teams are organised around six industry sectors which are financial institutions, aviation and transport, energy and resources, real estate and family conglomerates, traders, retailers and diversified portfolios and a specialised team focussing on UAE Government and key Abu Dhabi based clients.

The UAE Government and key Abu Dhabi based clients team focuses on developing strategic relationships with the Governments of the different Emirates to assist in delivery of the Abu Dhabi Economic Vision 2030, issued by the Government of Abu Dhabi in January 2009 (the "2030 Economic Vision") and addresses their requirements around investments and banking services. By virtue of the breadth of coverage and the significance of the relationships involved, the team has a direct reporting line to the Group chief executive officer (the "Chief Executive Officer"). The team covers all federal ministries and local government departments and related agencies which continue to be managed within their respective industry sector teams.

For the six month period ended 30 June 2016, the GWB recorded net profits of AED 1,985 million.

### Global Markets

Global Markets ("GM") acts as the access point for the Issuer and its clients to international financial markets in all the traded asset categories, including currencies, interest rate, fixed income, derivatives

and pools of liquidity. GM tailors its services and the offering of these products based on its clients individual risk appetite.

### ***Global Markets Sales***

GM's distribution capability is underpinned by a sales team that enables the Issuer to access pools of liquidity globally.

The coverage groups for GM sales are segmented by client type, namely institutional, corporate, commercial, and government clients.

The sales teams are supported by Global Markets Products, who assist in the provision of liquidity and market-making capabilities for the Issuer's clients.

### ***Global Markets Products***

Within Global Markets Products, Asset and Liability Management ("ALM") provides both short-term and long-term funding options for its clients. ALM established the region's first "repo" desk, which supports the Issuer's debt origination, distribution and trading activities.

The FX & Rates desk assists its clients in managing interest rate risks and acts as a market maker in GCC products, including loans, deposits, foreign exchange spot and foreign exchange forwards. The related derivatives are managed by the Non-Linear Products desk.

Through "Emerald", the E-Commerce desk manages a cross-asset class execution platform that assists clients in navigating their foreign exchange and money market requirements.

The Credit Trading desk trades fixed income instruments and derivatives, primarily related to MENA credit.

GM has significantly expanded its international presence and is currently operating across the UAE, Oman, Bahrain, Kuwait, India, Jordan, Egypt, Hong Kong, Malaysia and the United Kingdom.

### ***Global Banking***

Global Banking ("GB") is the largest revenue and profit generating division in the Group. GB product teams work with client relationship partners to offer a range of financing and advisory options for clients. The business units within GB consist of the following: Debt Origination and Distribution, Merchant Banking & Securities and Fund Administration Service, Global Project & Structured Finance and Global Transaction Banking.

In line with the GBW strategy, GB is deepening its product and service offerings while expanding its international footprint across Europe and Asia to take advantage of opportunities arising in the West-East corridor.

### ***Debt Origination and Distribution***

Combining Debt Capital Markets, Syndicated Finance, Islamic Structuring, Fixed Income Syndicate, Loan Distribution, Transaction Management and Loan Agency, Debt Origination and Distribution offers an integrated debt financing proposition to the Bank's wholesale clients across bonds, loans and Sukuk. Since 2014, the business has won more than 90 industry awards including "Rising Star Emerging Markets Bond House" from Global Capital and "Best Bond House in the Middle East", "Best Syndicated Loan House in the Middle East" and "Best Sukuk House" from EMEA Finance. As at the end of 2015, the Bank was ranked #2 Bookrunner of GCC Bonds and Sukuk, #2 Bookrunner of MENA Loans, #4 Bookrunner of GCC Loans and #5 Bookrunner of MENA Bonds and Sukuk by Bloomberg.

### ***Merchant Banking & Securities and Fund Administration Services ("MB & SFAS")***

The MB & SFAS team provides financial advisory and capital raising services to clients located principally in the UAE, the wider MENA region and selectively in Asia.

MB & SFAS has two main product lines: advisory services; and security services. On the advisory side, the team offers a range of services including mergers and acquisitions, private placements, equity capital markets and project finance advisory. On the securities side, the team offers IPO management, share registrar, and fund administration services.

In 2015 to 2016, the Issuer was mandated as a buy side financial advisor to a U.S.\$1.5 billion cross border M&A transaction, appointed as a sell side financial advisor to execute on a listed equity block

trade and retained as an advisor to a U.S.\$1.4 billion project finance for a petrochemical refinery in Egypt.

### ***Global Project and Structured Finance***

In 2015, the Issuer streamlined its specialised debt financing teams (Project Finance, Structured Trade Finance and Global Asset Finance) into Global Project and Structured Finance.

The Global Project and Structured Finance team is aligned with the Client Relationships Sector team enabling it to offer sector expertise and provides a wide range of customised financing solutions for (a) large projects across energy, infrastructure and real estate development sectors (including non-recourse or Limited recourse, PFI/PPP structures and export credit agency supported), (b) high value capital assets such as aircrafts, ships, oil tankers, manufacturing plant and machinery and heavy equipment used in construction (including fixed/variable rate leases, structured leases, step-up and step-down leases, upgrade leases, sale and lease back and hire purchase) and (c) other productive assets such as receivables, pre-export orders and inventory (including receivables-backed term loans, pre-payment/pre-export financing, inventory financing, and risk mitigated facilities).

### ***Global Transaction Banking***

The Global Transaction Banking ("GTB") team provides trade finance to its clients globally and cash management and custody services to its clients in the GCC region plus Egypt, Morocco, Tunisia and Jordan. At the start of 2016, the Issuer merged its Custody business (from Global Wealth) with GTB to enhance its overall product offering.

GTB's trade finance proposition includes products across the traditional trade and value added trade portfolios. The Issuer offers a full suite of traditional trade products including letters of credit (import and export), letters of guarantee (inward and outward), documentary credits and collections, standby letters of credit, bills for collection (inward and outward) and financing products. GTB also built expertise along the value added trade finance products by offering customised receivables financing and supply chain financing programs. GTB has won many awards for its trade finance offering, most recently the "Best Bank in UAE for Trade Finance" by GTR in 2016.

GTB's cash management offerings are built on highly integrated, secured web-based cash and treasury management solutions. Cash management products offered by the GTB team include account services, collections and receivables, payment services, highly secure channels including internet banking, "host 2 host" and SWIFT as well as structured liquidity management. GTB won many awards for cash management most recently the "Best Treasury & Cash Management Bank in the Middle East" by The Global Finance in 2016.

The Issuer is the only UAE bank licensed to provide custody services. The Issuer's custody offering includes settlement and clearing of securities and cash, safe keeping of securities and associated cash, reporting, asset servicing, cash management, direct custody services for the Abu Dhabi Securities Exchange, the Dubai Financial Market and NASDAQ Dubai, with a geographical spread that extends to cover the GCC and Middle East markets in addition to international markets through its sub-custodian network, servicing assets under custody. The Issuer also offers non-discretionary portfolio management services, portfolio restructuring and asset allocation, whereby the portfolio is traded at the sole discretion of the client.

### ***Client Relationships***

For five of the industry sectors covered by the relationship management team (financial institutions, aviation and transport, energy and resources, real estate and family, traders, retailers and diversified), the objective of the client relationships team is to service the Issuer's chosen clients in these industry sectors. A dedicated team also covers relationships with governments and government sector entities of the individual emirates.

### ***Financial Institution***

Financial institution ("FI") clients represent one of the main sectors within the GWB division for the Issuer in terms of volume, profitability and growth potential. This sector encompasses both bank and non-bank FIs and covers commercial banks, wholesale banks, investment banks, central banks (together with ministry of finance), export-import banks, finance companies, insurance companies, sovereign wealth funds, and pension funds. The Issuer's FI coverage team aims to be the first port of call for those FI clients wanting to grow their business in the West-East Corridor.



### ***Aviation and Transport***

Aviation and Transport clients represent one of the fastest growing industrial sectors in the Middle East and wider West-East corridor. The Issuer's client portfolio in this industry sector is diverse, with key clients operating across the airline, shipping, transport and logistics and aerospace sectors in addition to covering defence and military equipment manufacturers. Many of the Issuer's key clients are global brands, which are particularly active in the emerging markets. The Issuer has close relationships with leading manufacturers across these industry sectors such as Boeing, Airbus and Rolls Royce. As a result of these close relationships, the Issuer has been appointed on a number of prominent financing transactions for these clients in addition to providing industry and product expertise on an on-going basis to hedge clients' interest rate and commodity risks in such transactions.

### ***Energy and Resources***

The Energy and Resources sector is an integral part of the UAE economy. Accordingly, the Issuer has a dedicated client relationship sector focussed team to meet the particular needs of clients in the sector. The team focuses on the following areas: oil, gas, power, petrochemicals, renewables, utilities and hydro-electric projects.

### ***Real Estate and Family Conglomerates***

The Real Estate sector is one of the key non-oil-related economic drivers of nominal GDP growth in the UAE and, together with family conglomerates and specialised government related entity vehicles, represent the other significant participants in the real estate industry. In addition to operating in its local markets, the Real Estate and Family team provides industry and product expertise on an on-going basis in the European, Asian and US markets in order to support its clients in their international investment activities. Given the additional stimuli of Expo 2020 and the 2030 Economic Vision, the Real Estate sector is expected to continue to be an integral part of the UAE economy.

### ***Traders, Retailers and Diversified***

The Traders, Retailers and Diversified clients sector represents a wide range of corporates across the automotive, garments, food and beverage, commodities, home appliances, electronics, telecommunications, manufacturing, contracting, and healthcare and education industries. The Retail and Trading sectors are becoming one of the most important domestic markets in the UAE. Given the current and planned developments in the domestic consumer goods sector ahead of hosting Expo 2020 in Dubai, it is anticipated that this sector will experience continued growth in the years preceding Expo 2020. The "Diversified" sector covers industries such as telecommunications, contractors, manufacturing, and healthcare which support the key sectors of Abu Dhabi's 2030 Economic vision.

### ***Government***

The Issuer has also actively supported the 2030 Economic Vision and other strategic initiatives implemented by the Government of Abu Dhabi through key government-related entities, as well as governments of other Emirates in the UAE. Additionally, within the GCC, the Issuer has successfully penetrated highly competitive markets by participating in major transactions across the GCC. Outside the GCC, the Issuer has also been involved in international transactions in the energy industry for key international clients.

## **GLOBAL RETAIL AND COMMERCIAL**

Global Retail and Commercial ("GRC") covers the full international retail and commercial network, in addition to the Issuer's Islamic financing subsidiary, Abu Dhabi National Islamic Finance Private Joint Stock Company ("ADNIF").

For the six-month period ended 30 June 2016, the GRC recorded net profits of AED 526 million.

### ***Consumer and Elite Gold Banking***

As at 30 June 2016, the Issuer offers its retail customers a wide choice of products and services through approximately 108 branches and cash offices, over 547 ATMs/CDMs, a 24/7 call centre and online and mobile banking facilities. This is further supplemented by a growing range of electronic banking services and a direct sales team of more than 996 employees. Customers also have access to a variety of loans, deposits, cards, transaction accounts, investment and insurance products.

The Elite Gold Banking unit provides personal banking services for high net worth clients resident in the UAE who: (i) have a monthly income of AED 75,000 or above; (ii) have a total relationship balance

of AED 370,000 or above; (iii) have a mortgage of AED five million or above; or (iv) have an insurance policy of USD 2,000 per month.

### ***Commercial Banking***

Commercial Banking's strategy is to provide comprehensive product coverage to the fast growing small and medium enterprise ("SME") and mid-corporate segments in the UAE, Oman, Egypt and Jordan. Through a team of relationship managers, supported by the resources of the Issuer's network, the Commercial Banking team is able to offer a range of products and services in trade finance, cash services, foreign exchange and lending. The Commercial Banking team also provides commercial banking services on a local level to many multi-national corporations to whom the Issuer provides other banking services across its network.

### ***Abu Dhabi National Islamic Finance***

ADNIF offers a range of Islamic financial services to retail and corporate customers. ADNIF is headquartered in Abu Dhabi and the Issuer plans for ADNIF to have offices throughout the UAE. The Issuer expects there to be growth in Islamic finance in the UAE and is positioning itself to take advantage. ADNIF's paid-up capital as of 30 June 2016 is AED 500 million of which the Issuer owns 4,999,980 shares (AED 499,998,000) with the remaining two shareholders holding 10 shares each (AED 1,000 each). As at 30 June 2016, ADNIF had six branches in operation.

## **GLOBAL WEALTH**

Global Wealth ("GW") focuses on the wealth of private and institutional investors through the Issuer's Private Banking, Global Asset Management and Brokerage business. Its core clients are:

- Ultra High Net Worth Individuals (greater than U.S.\$25 million in investable assets);
- High Net Worth Individuals (greater than U.S.\$1 million in investable assets or sophisticated investors);
- Institutional investors across the GCC (such as corporate and pension funds); and
- Intermediaries (such as banks, brokers and other issuers).

The Global Private Banking unit forms part of the Global Wealth Division together with the Global Asset Management and Brokerage (NBAD Securities) offerings unit. The Global Asset Management, Brokerage are core to the Private Banking offering but also provide services to the Issuer's institutional clients and focus on the development of new products and services tailored towards Private Banking's clients.

For the six-month period ended 30 June 2016, GW recorded net profits of AED 228 million.

### ***Global Private Banking***

The Global Private Banking business provides onshore private banking services in the UAE through the UAE Private Banking office. The unit also provides offshore private banking services through the Issuer's wholly owned Swiss subsidiary, NBAD Private Bank (Suisse) SA.

The Global Private Banking business leverages on a wide range of both Group and external products and services to offer clients a complete private banking service, with key services including: (i) discretionary and advisory investment mandates; (ii) deposits; (iii) lending (property and securities); (iv) wealth protection; and (v) through NBAD Private Bank (Suisse) SA, foreign exchange trading.

The Issuer believes that the rapid growth in private individuals' wealth offers significant opportunities for its Global Private Banking business. Currently, a large proportion of wealth generated in the UAE is managed by foreign institutions. Furthermore, the Issuer believes that its existing strengths, including its well respected brand, its local presence and established client relationships provide it with a firm base to continue to expand its Global Private Banking business. NBAD Private Bank (Suisse) SA operates as a fully independent Swiss private bank and is subject to Swiss laws and regulations, including those on confidentiality. NBAD Private Bank (Suisse) SA focuses on offering high net worth individuals tailor-made private banking and wealth management services. The Global Private Banking business also offers onshore UAE private banking services through its dedicated private banking offices in Abu Dhabi and Dubai. The GW London office provides clients with various real estate financing opportunities. Client introductions are handled by both the Group network referring clients, as well as the new business brought in by the division's own private banking team.

Within the UAE, the Global Private Banking business complements the services offered by the Elite Gold Banking unit (see "*Global Retail and Commercial*" above). The Elite Gold Banking unit focuses on providing UAE clients with prestige retail banking products and services whereas the Global Private Banking business focuses on providing UAE and global clients with wealth management advice and products.

The Issuer's strategy for its Global Private Banking business is to become a first choice provider of sophisticated and tailor-made wealth management solutions to ultra-high net worth individuals in the UAE and overseas. In order to achieve this, the Issuer offers an open architecture investment approach (including the GAM (as defined below) funds where appropriate) as part of the tailor-made investment and wealth structuring services it offers its clients. As indicated above, the Global Private Banking business offers its broad range of products both through an on-shore platform in the UAE and its off-shore platforms (including NBAD Private Bank (Suisse) SA).

The Issuer's UAE Private Banking function was awarded "Private Bank of the Year UAE" for 2015 in the Annual Global Private Banking Awards hosted by The Banker and Professional Wealth Management Magazine.

### ***Global Asset Management Group***

The Global Asset Management Group ("GAM") is a wealth-oriented business composed of an asset management function and an investments, products and solutions unit servicing primarily the Global Private Bank. Through GAM, the Issuer is currently one of the largest local asset managers in the UAE with assets under management in excess of AED 10.2 billion as at 30 June 2016. GAM provides access to multiple investment strategies to clients through two investment vehicles: mutual funds and segregated mandates. Strategies offered are differentiated by risk (defensive versus aggressive), markets (UAE, MENA and broader markets), asset class (equities and fixed income) and Shariah compliance. In terms of clients, GAM primarily services ultra-high net worth individuals, sovereign wealth funds and financial institutions.

The investments, products and solutions unit includes several sub-functions that service the Issuer's Global Private Bank. The investment strategy team formulates the "NBAD House View" and publishes regular investment views, including macro-economic and asset class specific views (on asset classes including equities, fixed income and commodities) which are then disseminated throughout the business of the Issuer. The aim is to ensure that client facing businesses receive a unified and consistent flow of information and opinion. The "NBAD House View" is used to guide investment advisors, relationship managers and clients across the Issuer's operations and particularly within the Global Private Banking business and the GRC division, in addition to assisting with the management of the strategic and tactical asset allocation that governs the Issuer's model portfolios and asset allocation funds.

The investment products team is responsible for the sourcing and the selection of investment products and solutions (either in-house or from external providers), which are then marketed by the appropriate client facing businesses (including the Global Private Banking and GRC). The investment products team utilises the "NBAD House View" in addition to obtaining input from the Issuer's network of internal investment advisors and relationship managers in the sourcing and selection of investment products. The investment products steering committee facilitates the sourcing, evaluation and selection of investment ideas which align with the "NBAD House View". The investment products team works closely with various stakeholders to ensure that products are established and managed in line with both internal and external guidelines and regulations.

The investment advisory team has responsibility for GAM's investment advisory function, with investment advisors operating within the Global Private Banking business. Working with select clients, investment advisors tailor investment ideas to client risk/return profiles and aim to provide clients with a holistic view of their investments and allocations. For clients who wish to simply trade through the Issuer, GAM's trade execution desk executes transactions in respect of multiple asset classes (including, but not limited to, equities, fixed income products, foreign exchange and funds) on behalf of clients of the Global Private Banking business and the GRC division. Operational in Switzerland and the UAE, the desk aims to provide clients with efficient access to global markets.

The Issuer's GAM was awarded "Best ETF Provider" by MENA Fund Manager 2016; "Best Asset Management" by International Takaful Award 2016, "Best Fixed Income Fund" by the Banker Middle East Awards 2016.

## **NBAD Securities LLC**

NBAD Securities LLC ("NBADS"), a wholly-owned subsidiary of the Issuer which is licensed by the SCA. NBADS is one of the largest brokerage service providers in the UAE with a market share of 7.8 per cent., for 30 June 2016 servicing 4,500 active accounts through four active branches across the UAE in addition to its own dedicated e-trading platform. NBADS trades across the ADX, the DFM, NASDAQ Dubai and selected markets in the GCC (through various third party partners).

NBADS is a market-focused, process centred institution that delivers innovative and consistent services, including various brokerage services in the UAE and the regional markets alike. In addition, NBADS provides research services for institutional and retail clients covering UAE and selected Saudi, Qatar and Egyptian public listed companies.

The Issuer's strategy for NBADS is to maintain its position as one of the primary brokerage service providers in the UAE and to develop it 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. In order to achieve this strategy, the Issuer has segregated retail, high net-worth individuals and institutional brokers in order to better serve the needs of clients and to ensure that confidentiality is maintained at all times. NBADS is currently diversifying its product breadth (for example by offering margin trading services). All of the necessary support units required to deliver a quality service to its customers have been put in place with an emphasis on compliance and technology. In this regard, the Issuer believes that NBADS offers a unique service to its clients and UAE investors, as a whole, in addition to providing channels of investing regionally using the latest technology and by providing them with the latest fundamental and technical research tools to enable them to make informed investment decisions which minimise the risks inherent in foreign and regional markets.

The Issuer was honoured with several accolades in 2015, with an award for the "Highest Percentage of Emiratization" by the Abu Dhabi Securities Exchange, the "Best Brokerage House in the UAE" (for the third consecutive year) and the "Best Research Company" by International Finance Magazine.

### **Key Clients Management**

The Key Clients Management Department provides global relationship management for the Abu Dhabi royal family, government entities and other key dignitaries including diplomats, members of various boards of directors, high-net worth individuals and business communities to service their banking needs and to maintain the Issuer's reputation as a leading financial institution.

## **HEAD OFFICE SUPPORT AND OTHER BUSINESSES**

### **HEAD OFFICE**

The Issuer provides centralised human resources, information technology, finance, investor relations, corporate communications, property, legal, operations and administrative support to all of its businesses.

### **GROUP TREASURY**

The Group Treasury department is a Head Office function whose role is to ensure that the Group always has sufficient liquidity and capital to support the Board's medium and long-term strategic objectives which incorporate balance sheet, geographical and financial performance growth. More specifically, its responsibilities include the following at the Group level: management of the Group's liquidity position (which considers all domestic and international regulatory requirements), management of the Group's structural asset and liability position, management of the Group's capital position (including meeting requirements for newly established branches or subsidiaries), management of the investment of the Group's excess liquidity/capital, management of the global debt platform (including responsibility for all issuance including capital products) and management of the Group's internal funds transfer pricing platform.

### **RISK MANAGEMENT**

The Board has overall responsibility for the establishment and oversight of the Issuer's risk management framework and they are assisted by two Board committees, the Risk Management Committee and the Audit Committee; and by two management committees, the Group Risk Committee and the Group Assets and Liabilities Committee.

The Issuer manages risk on three levels through its business units, control units and Group Internal Audit ("GIA"). Business units identify and manage risk in their day-to-day activities by ensuring that

activities are within the Issuer's risk appetite and remain compliant with relevant internal policies and processes. The Risk group (comprising the Head Office risk function and the embedded risk functions in the various business divisions) and the Group Legal and Compliance Division jointly establish risk controls comprising policies, frameworks, processes and analytical tools whilst providing oversight and independent review of the first line. GIA provides assurance to management and the Board of the effectiveness of the Group's risk management practices.

## Liquidity Risk

Liquidity risk is the risk that the Issuer is unable to meet its financial obligations as and when they fall due or that it can only do so at an excessive cost. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to cease to be available. To mitigate this risk, senior management of the Issuer has diversified funding sources and monitors liquidity on a daily basis to ensure adequate liquidity is maintained. In addition, the Issuer maintains a statutory cash reserve with central banks and maintains an adequate balance of cash, cash equivalents and readily marketable securities.

The table below summarises the maturity profile of the Issuer's assets and liabilities based on the contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. The maturity profile is monitored by senior management to ensure that adequate liquidity is maintained.

The following table (which has been extracted from the Issuer's 2015 Financial Statements) shows the maturity profile of assets, liabilities and shareholders' equity as at 31 December 2015:

|  | Total              | Up to 3 months     | 3 months to 1 year | 1 to 3 years      | 3 to 5 years      | Over 5 years      | Unspecified maturity |
|--|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|----------------------|
|  | <i>AED'000</i>     |                    |                    |                   |                   |                   |                      |
| <b>Assets</b>  |                    |                    |                    |                   |                   |                   |                      |
| Cash and balances with central banks.....              | 76,382,109         | 75,844,493         | 537,616            | -                 | -                 | -                 | -                    |
| Investments at fair value through profit or loss ..... | 12,291,138         | 1,760,823          | 3,607,247          | 3,272,508         | 622,175           | 3,028,385         | -                    |
| Due from banks and financial institutions .....        | 10,891,768         | 10,632,741         | 258,309            | 718               | -                 | -                 | -                    |
| Reverse repurchase agreements .....                    | 13,330,186         | 10,671,882         | 2,658,304          | -                 | -                 | -                 | -                    |
| Derivative financial instruments .....                 | 10,574,091         | 972,618            | 1,382,894          | 2,828,035         | 1,508,624         | 3,881,920         | -                    |
| Loans and advances .....                               | 205,913,553        | 42,993,900         | 19,996,303         | 37,620,046        | 46,069,522        | 59,233,782        | -                    |
| Non-trading investments.....                           | 63,794,151         | 4,488,104          | 2,484,621          | 8,313,096         | 16,076,948        | 32,431,382        | -                    |
| Other assets .....                                     | 10,550,483         | 7,912,863          | 2,637,620          | -                 | -                 | -                 | -                    |
| Investment properties.....                             | 190,546            | -                  | -                  | -                 | -                 | -                 | 190,546              |
| Property and equipment .....                           | 2,645,782          | -                  | -                  | -                 | -                 | -                 | 2,645,782            |
|  | <b>406,563,807</b> | <b>155,277,424</b> | <b>33,562,914</b>  | <b>52,034,403</b> | <b>64,277,269</b> | <b>98,575,469</b> | <b>2,836,328</b>     |
| <b>Liabilities and equity</b>                          |                    |                    |                    |                   |                   |                   |                      |
| Due to banks and financial institutions .....          | 39,502,515         | 35,932,138         | 3,351,702          | 18,873            | 199,802           | -                 | -                    |
| Repurchase agreements ....                             | 30,550,652         | 27,963,532         | 2,587,120          | -                 | -                 | -                 | -                    |
| Euro commercial paper .....                            | 8,720,597          | 7,125,622          | 1,594,975          | -                 | -                 | -                 | -                    |
| Derivative financial instruments .....                 | 12,852,358         | 1,270,786          | 1,161,440          | 2,856,894         | 2,199,441         | 5,363,797         | -                    |
| Customer accounts and other deposits .....             | 233,814,558        | 209,805,846        | 19,503,593         | 3,490,452         | 634,750           | 379,917           | -                    |
| Term borrowings.....                                   | 21,046,668         | -                  | 3,305,700          | 6,960,540         | 7,605,842         | 3,174,586         | -                    |
| Other liabilities .....                                | 15,582,508         | 11,686,881         | 3,895,627          | -                 | -                 | -                 | -                    |
| Subordinated notes .....                               | 1,275,298          | 914,205            | -                  | -                 | -                 | 361,093           | -                    |
| Equity .....   | 43,218,653         | -                  | -                  | -                 | -                 | -                 | 43,218,653           |
|  | <b>406,563,807</b> | <b>294,699,010</b> | <b>35,400,157</b>  | <b>13,326,759</b> | <b>10,639,835</b> | <b>9,279,393</b>  | <b>43,218,653</b>    |
| Undrawn commitments to extend credit .....             | 29,790,338         | 2,661,071          | 6,740,535          | 10,013,062        | 6,255,392         | 4,120,278         | -                    |
| Financial guarantees .....                             | 995,631            | 202,015            | 57,217             | 562,400           | 173,999           | -                 | -                    |

The following table (which has been extracted from the Issuer's 2015 Financial Statements) shows the maturity profile of assets, liabilities and shareholders' equity as at 31 December 2014:

|   | Total          | Up to 3 months | 3 months to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Unspecified maturity |
|---|----------------|----------------|--------------------|--------------|--------------|--------------|----------------------|
|   | <i>AED'000</i> |                |                    |              |              |              |                      |
| <b>Assets</b>                             |                |                |                    |              |              |              |                      |
| Cash and balances with central banks..... | 55,452,341     | 51,914,495     | 3,537,846          | -            | -            | -            | -                    |
| Investments at fair value                 | 15,425,662     | 2,546,859      | 3,643,831          | 6,097,025    | 572,182      | 2,565,765    | -                    |

|   | Total              | Up to 3 months     | 3 months to 1 year | 1 to 3 years      | 3 to 5 years      | Over 5 years      | Unspecified maturity |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|----------------------|
|   | <i>AED'000</i>     |                    |                    |                   |                   |                   |                      |
| through profit or loss .....                    |                    |                    |                    |                   |                   |                   |                      |
| Due from banks and financial institutions ..... | 11,134,262         | 10,475,464         | 658,798            | -                 | -                 | -                 | -                    |
| Reverse repurchase agreements .....             | 15,844,377         | 14,525,319         | 1,319,058          | -                 | -                 | -                 | -                    |
| Derivative financial instruments .....          | 7,422,828          | 1,546,297          | 941,943            | 1,393,080         | 1,099,799         | 2,441,709         | -                    |
| Loans and advances .....                        | 194,279,352        | 44,544,174         | 18,756,573         | 27,686,168        | 44,319,741        | 58,972,696        | -                    |
| Non-trading investments.....                    | 67,493,122         | 2,893,227          | 4,871,748          | 15,720,286        | 9,713,627         | 34,294,234        | -                    |
| Other assets .....                              | 6,370,981          | 4,778,236          | 1,592,745          | -                 | -                 | -                 | -                    |
| Investment properties .....                     | 177,533            | -                  | -                  | -                 | -                 | -                 | 177,533              |
| Property and equipment .....                    | 2,498,254          | -                  | -                  | -                 | -                 | -                 | 2,498,254            |
|   | <b>376,098,712</b> | <b>133,224,071</b> | <b>35,322,542</b>  | <b>50,896,559</b> | <b>55,705,349</b> | <b>98,274,404</b> | <b>2,675,787</b>     |
| <b>Liabilities and equity</b>                   |                    |                    |                    |                   |                   |                   |                      |
| Due to banks and financial institutions .....   | 36,679,504         | 35,865,125         | 796,028            | 18,351            | -                 | -                 | -                    |
| Repurchase agreements .....                     | 13,875,917         | 13,875,917         | -                  | -                 | -                 | -                 | -                    |
| Euro commercial paper .....                     | 5,484,176          | 3,540,073          | 1,944,103          | -                 | -                 | -                 | -                    |
| Derivative financial instruments .....          | 10,953,124         | 1,455,819          | 1,154,224          | 1,124,491         | 1,622,594         | 5,595,996         | -                    |
| Customer accounts and other deposits .....      | 243,184,652        | 229,147,733        | 11,634,192         | 1,400,368         | 785,906           | 216,453           | -                    |
| Term borrowings .....                           | 14,998,716         | 2,768,851          | 502,628            | 3,192,007         | 6,745,751         | 1,789,479         | -                    |
| Other liabilities .....                         | 11,442,600         | 8,581,950          | 2,860,650          | -                 | -                 | -                 | -                    |
| Subordinated notes .....                        | 1,516,641          | -                  | -                  | 1,037,047         | -                 | 479,594           | -                    |
| Equity .....                                    | 37,963,382         | -                  | -                  | -                 | -                 | -                 | 37,963,382           |
|   | <b>376,098,712</b> | <b>295,235,468</b> | <b>18,891,825</b>  | <b>6,772,264</b>  | <b>9,154,251</b>  | <b>8,081,522</b>  | <b>37,963,382</b>    |
| Undrawn commitments to extend credit .....      | 22,100,064         | 3,203,400          | 4,245,812          | 5,272,667         | 5,145,619         | 4,232,566         | -                    |
| Financial guarantees .....                      | 1,031,799          | 462,484            | 73,460             | 257,110           | 238,745           | -                 | -                    |

## Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises in respect of financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham. The Board has set limits on positions by currency. At the Group level, the Issuer has set limits for the pegged and unpegged currencies which have been calculated using net open positions (a risk methodology which the Issuer uses to calculate its foreign exchange exposures). Once the Issuer's exposures have been calculated, they are checked against the net open position limits set at the Group level. Positions are closely monitored and hedging strategies are used to ensure positions are maintained within established limits.

The following table (which has been extracted from the Issuer's 2015 Financial Statements) shows the significant net exposures denominated in foreign currencies to which the Issuer was exposed as at 31 December 2015:

| Currency                | Net spot position (short)/long | Forward position (short)/long | Total 2015 (short)/long | Total 2014 (short)/long |
|-------------------------|--------------------------------|-------------------------------|-------------------------|-------------------------|
|                         | <i>(AED'000)</i>               |                               |                         |                         |
| US Dollar .....         | 36,696,915                     | (16,547,815)                  | 20,149,100              | 10,020,237              |
| UK Sterling pound ..... | (9,462,720)                    | 9,297,239                     | (165,481)               | 212,434                 |
| Euro .....              | 5,141,779                      | (5,472,359)                   | (330,581)               | 189,181                 |
| Kuwaiti Dinar .....     | (907,613)                      | 857,960                       | (49,653)                | (526,251)               |
| Chinese Yuan .....      | (1,041,858)                    | 1,043,328                     | 1,470                   | (2,750)                 |
| Saudi Riyal .....       | (607,351)                      | (5,694,882)                   | (6,302,232)             | (2,327,591)             |
| Japanese Yen .....      | 1,721,515                      | (1,701,947)                   | 19,568                  | 40,441                  |
| Swiss Franc .....       | 221,468                        | (205,495)                     | 15,973                  | 470,466                 |
| Qatari Riyal .....      | (66,289)                       | 1,742,903                     | 1,676,614               | 1,361,069               |
| Bahraini Dinar .....    | 220,175                        | (432,717)                     | (212,542)               | 79,843                  |
| Egyptian Pound .....    | (6,302)                        | (48,139)                      | (54,441)                | 375,877                 |
| Jordanian Dinar .....   | 533,025                        | (234,402)                     | 298,623                 | 266,422                 |
| Malaysian Ringgit ..... | (585,852)                      | 562,711                       | (23,141)                | 133,456                 |

## Market Risk

The Issuer's business exposes it to market risks, which is the potential for adverse changes in the market value of portfolio and positions due to fluctuations in interest rates, exchange rates, equity prices, commodity prices, as well as in their correlation and implied volatility.

The Issuer segregates market risk from two sources: trading and non-trading portfolios. Trading portfolios are mainly held by the GM, while the non-traded market risk resides primarily in the investment portfolios, interest rate gaps in the banking book and the Group's overall foreign exchange positions.

### **Credit Risk**

Credit is the risk that a customer or counterparty will fail to meet a commitment, thereby resulting in financial loss to the Issuer. Credit risks could arise from a deterioration in the credit quality of specific counterparties, from a general deterioration in local or global economic conditions or from systemic risks with the financial systems, all of which could affect the recoverability and value of the assets of the Issuer and which could cause an increase in the provisions for the impairment of its assets and other credit exposures. The Issuer's Credit Risk Management framework includes policies and procedures to monitor and manage these risks. The Group Risk Management function ensures centralised oversight for credit risk management including:

- Establishment of authorisation structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers. Review and renewal of facilities are subject to the same process;
- Diversification of lending and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Ensuring periodic monitoring of credit risk in its portfolio by the:
  - Monitoring of risk quality (Obligor Level): the Issuer has a process of periodic review of credit based on internal rating grades. More frequent reviews are made for the weaker credits and less frequent reviews for the superior credits. The Issuer has a process of defining and reporting all the potential problem accounts. The consumer banking portfolio is monitored based on delinquency buckets, which are calculated based on the number of instalments due from the relevant customer;
  - Monitoring of risk quality (Portfolio Level): the Issuer monitors the existing portfolio based on the relevant economic sectors, industry, geography, ratings and business lines. These portfolio reports are prepared periodically and circulated to senior management;
  - Monitoring of amounts of principal and interest which are past due: all past due amounts of principal and interest on loans and advances are reported periodically to senior management. Measures to realise such past due amounts are initiated with continuous follow up thereafter;
  - Monitoring of excess over limits: the Issuer has a policy for monitoring of all excesses over limits. The monitoring reports are submitted to senior management and processes are initiated to realise and regularise such excesses;
  - Monitoring of potential loss accounts (Watch-list): this category comprises accounts where either contractual principal or interest are past due or when the accounts show weakness in the borrower's financial position and creditworthiness and requires more than normal attention. Such weakness is specifically monitored to ensure that the quality of the asset does not further deteriorate;
  - Traded credit risk: the Issuer has internally designed and implemented the methodology to estimate the potential future exposure (the "PFE") associated with FX, interest rate and commodity over-the-counter derivatives. The PFEs are used by the Issuer to set the risk limit as well as to monitor counterparty exposure on daily basis; and
  - Collateral management: the Issuer has adopted a rigorous system of controls, reviews and approvals to ensure effective collateral management. This includes a minimum loan to value ratio requirement for each facility, specific collateral requirements for lending against shares and for loans in the real estate portfolio,

margin calls for treasury products and ensuring legal enforceability of contracts including perfection of security interests.

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 UAE local government and their ..... | No cap for UAE local government; 25% for each non-commercial entity | 100%                           | Exempt                          | Exempt           |
| Commercial entities of UAE federal government and UAE local government....                  | 25%   | 100%                           | 25%                             | None             |
| Commercial or other (non-commercial) private sector entities and individuals .....          | 25% max   | None                           | 7%                              | None             |
| Shareholders who own 5 per cent. or more of the bank's capital and related entities .....   | 20%   | 50%                            | 7%                              | None             |
| Exposure to bank's subsidiaries and affiliates .....  | 10%   | 25%                            | 20%                             | 60%              |
| Board members .....   | 5%  | 25%                            | 5%                              | 25%              |

### **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 Issuer. 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 Issuer to help manage its balance sheet risks in an efficient manner and is also offered to the Issuer's clients with back-to-back transactions executed with other financial institutions. The majority of the Issuer's derivative contracts are entered into with other FIs who enjoy investment grade credit ratings from the main credit rating agencies.

### **Interest Rate Risk**

By the nature of its business, the Issuer is exposed to interest rate risk which primarily arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the Issuer's financial instruments and related income. The Issuer is exposed to this risk both in its trading book and banking book.

All business units are directed to transfer Interest Rate Risk to the GM unit and to the Group Treasury function. Interest rate risk in the Issuer's trading portfolio is managed by the GM unit and within the limits approved by the Risk Management Committee. Interest rate risk generated by the Issuer's banking portfolio is managed by the Group Treasury function within the limits approved by the Risk Management Committee. GM and Group Treasury manage this risk principally through monitoring interest sensitivities created by the asset and liability mismatches along various parts of the interest rate curve.

A substantial portion of the Issuer's assets and liabilities are re-priced within one year. Accordingly, the Issuer's exposure to interest rate risk is limited. The GM risk team conducts assessment of the interest rate risk exposure by measuring the impact of likely changes in interest rate movements.

### **Operational Risk Management**

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, and systems and from external factors other than credit, market and liquidity risks. This includes legal and regulatory requirements and generally accepted standards of corporate behaviour but excludes strategic and reputational aspects. However, reputational risk is addressed via various operational risk management tools.



The Board has oversight responsibilities for operational risk management in the Group. These responsibilities are exercised through the GRC with an established framework of policies and procedures to identify, assess, monitor, control, manage and report risks. The GRC employs clear internal policies and procedures to reduce the likelihood of any operational risk related losses and to minimise the consequent impact. These measures include a unique and effective process of assessing associated risks and approving residual risks of new and/or significant change initiatives within the Group and an "Internal Loss Data Collection Process" which the Issuer uses to capture operational risk events or incidents. The Internal Loss Data collected is reconciled with the General Ledger (the internal accounting records of the Issuer's finance team).

The Issuer has in place an effective operational risk management framework with a defined operational risk management cycle that comprises four major stages: (i) risk identification; (ii) risk assessment and measurement; (iii) risk control; and (iv) risk monitoring and reporting. The operational risk cycle is achieved through the use of one or more tools. The Group operational risk management framework seeks to embed operational risk management elements into its day-to-day activities and processes, through a strategic adoption of operational risk management tools across all business units.

Day-to-day management of operational risk is conducted by the management of the respective business unit in compliance with the operational risk framework established at the Group level. In accordance with the Group level operational risk management policies, the relevant business units are required to conduct periodic risk assessments, report operational losses on a periodic basis, adopt a monitoring framework and effect suitable mitigating measures for operational risk in their units. Operational risk management coordinators have been designated for all business units, overseas branches and subsidiaries, who act as the primary source for facilitating operational risk management within their respective areas of responsibility. The individual business lines in the Group are responsible for ensuring compliance with the different regulations of the various local and overseas regulators under which the Group operates and are assisted in the fulfilment of their responsibilities by the Legal and Compliance Division in the UAE.

The primary responsibility to ensure compliance with policies and procedures resides with the respective business lines and is supported by periodic reviews undertaken by GIA. The results of these reviews are discussed with the management of the relevant business unit to which they relate, with summaries submitted to the Audit Committee and the senior management of the Issuer.

## **Basel II**

The Issuer's capital adequacy ratio was 16.40 per cent. as at 30 June 2016, 16.74 per cent. as at 31 December 2015 and 16.39 per cent. as at 31 December 2014, thus complying with the current minimum regulatory requirements of 12 per cent. as per the Basel II capital adequacy guidelines as stipulated by the UAE Central Bank.

## **Basel III**

The Issuer tracks compliance with the UAE Central Bank's two liquidity ratios (the Eligible Liquid Asset Ratio (the "ELAR") and the Advances to Stable Resources Ratio) and remains compliant as at 30 June 2016. The Issuer also monitors its compliance with the main Basel III liquidity guidelines (including the Liquidity Coverage Ratio (the "LCR") and the Net Stable Funding Ratio).

## **Credit Approval Procedures**

The Issuer's credit approval process follows a tiered approach with approvals for small retail credits being undertaken at the branch and regional levels. Larger credits are referred upwards through to the risk group headed by the Group Chief Risk Officer. The Issuer has established a risk based discretionary power for approving single Group exposures. This discretionary power is linked to internal risk ratings which ensure that sanctioning decisions on lower rated transactions undergo more stringent credit reviews, and are submitted to higher approval authorities.

Retail lending business is governed by product programmes vetted by the Risk Group and employs credit scoring techniques to process small scale, large volume credit decisions. The scores are combined with management judgments to ensure an effective on-going process of approval and review. The majority of the retail credit origination process has been automated which significantly reduces operational risk arising out of the credit approval and monitoring process.

## Non-Performing Loans

Non-performing loans ("NPLs") decreased from AED 5,847 million as at 31 December 2015 to AED 5,765 million as at 30 June 2016 (excluding suspended interest). NPLs have decreased by AED 82 million in absolute terms between 31 December 2015 and 30 June 2016. NPLs as a percentage to gross loans decreased from 2.76 per cent. to 2.75 per cent. The Issuer's NPLs are well covered with a provision coverage (including collective impairment allowances) of 111.53 per cent. as at 30 June 2016. The decrease in NPLs is a reflection of the improvement in the credit cycle in the UAE as well as write-offs. Private sector credit exposures primarily to major business groups in the UAE and to infrastructure and real estate projects that are currently underway. NPLs (excluding impaired government and public sector loans) to gross loans (excluding all public sector and government loans) other than government and public sector loans were 3.80 per cent. as at 30 June 2016, 3.64 per cent. as at 31 December 2015 and 4.51 per cent. as at 31 December 2014, respectively.

The 20 largest NPL exposures comprised 58.16 per cent. of NPLs as at 30 June 2016 and 64.8 per cent. of NPLs as at 31 December 2015 (net of IIS). Restructured loans amounted to AED 3.11 billion as at 30 June 2016 and 2.67 billion. as at 31 December 2015, respectively.

The following tables provide a breakdown of NPLs as a percentage of gross loans made and the loan-loss reserves and charges made to NPLs and gross loans, respectively, each as at 30 June 2016, 31 December 2015 and 31 December 2014, respectively, and the movement in NPLs for the six-month period ended 30 June 2016 and the years ended 31 December 2015 and 31 December 2014, respectively:

|   | <b>As at 30</b>     | <b>As at 31</b>         |                         |
|---|---------------------|-------------------------|-------------------------|
|   | <b>June 2016</b>    | <b>December 2015</b>    | <b>December 2014</b>    |
|   | <i>(unaudited)</i>  | <i>(audited)</i>        |                         |
|   |                     | <i>(Percentage)</i>     |                         |
| NPLs/gross loans .....  | 2.75                | 2.76                    | 3.07                    |
| NPLs (excluding impaired government and public sector loans)/gross loans (excluding all public sector and government loans) ..... | 3.80                | 3.64                    | 4.51                    |
| Loan-loss reserves/NPLs.....  | 111.53              | 104.76                  | 108.24                  |
| Impairment charges (net)/gross loans .....  | 0.57                | 0.44                    | 0.43                    |
| <b>Movement in NPLs for the period ended</b>  |                     |                         |                         |
|   | <b>30 June 2016</b> | <b>31 December 2015</b> | <b>31 December 2014</b> |
|   | <i>(unaudited)</i>  | <i>(audited)</i>        |                         |
|   |                     | <i>(AED million)</i>    |                         |
| NPLs at the beginning of the year.....  | 5,846               | 6,160                   | 6,013                   |
| Less recoveries .....   | 514                 | 224                     | 388                     |
| Less written off .....  | 280                 | 1,293                   | 547                     |
| Add net additions.....  | 713                 | 1,203                   | 1,082                   |
| NPLs at the end of the period .....   | 5,765               | 5,846                   | 6,160                   |

Please note that all figures and ratios in the above section on non-performing loans with respect to NPLs and gross loans exclude interest suspended.

## Related Party Exposure

Financial assets to related parties amounted to 175 per cent. of total equity as at 30 June 2016 and 155 per cent. as at 31 December 2015. Related party financial liabilities were lower by AED 17 billion than related party financial assets at 30 June 2016.

## INFORMATION TECHNOLOGY

The Issuer's Information Technology ("IT") department delivers an effective, efficient and sustainable management of information assets and technology.

The Issuer's IT department is focused on utilising advanced IT systems to serve the Issuer's customers and ensure that customers' data is well protected and secured against unauthorised access. To improve responsiveness to the needs of the business, the IT department is organised into six main units, namely: (i) IT Strategy, Governance and Control; (ii) IT Business Services and International; (iii) IT Infrastructure Services; (iv) IT Business Applications Support Services; (v) IT Solution Design; and (vi) IT Solution Delivery.

The Issuer has implemented new business systems to offer enhanced services to the Issuer's customers and eliminate geographical barriers. These new browser-based and mobile-based systems offer hardware independence, eliminates downtime during end-of-day processing and supports the latest automatic failover and clustering technologies. Moreover, the systems use open technologies that are more resilient against technology obsolescence. In addition, the Issuer is continually enhancing and renewing existing applications, and implementing new systems to improve the Issuer's ability to leverage its information assets to better serve its customers.

## **GROUP SECURITY**

To ensure the Issuer is protected against threats to the security of its data, physical information and assets, a new, independent Group Security Office ("GSO") has been established to create an end-to-end security program for the Issuer. The GSO is responsible for developing, implementing and managing the Group Security strategy, and ensures proper planning, clear accountability and alignment for Issuer-wide security initiatives including security governance and control. In addition to liaising with Information Technology, Group Compliance, Group Internal Audit and Risk Management functions for all security related matters, the GSO will also be accountable and responsible for conducting security awareness training and continuously strengthening all aspects of the Issuer's security posture, including digital and physical security, as follows:

- Digital Security (Information and Cyber) covers all aspects of security related to the unauthorised access, use, disclosure, disruption, modification, perusal, inspection, recording and destruction of information.
- Physical Security covers the protection of the Issuer's employees and assets from physical circumstances and events that could cause serious loss or damage to the Issuer. This includes (but is not limited to) protection from fire, natural disasters, burglary, theft, vandalism, and other physical security related threats.

## **GROUP INTERNAL AUDIT**

GIA acts as the 'third line of defence' for the Group enterprise responsible for providing the Board and the senior management of the Bank with an independent opinion on the effectiveness of corporate governance, risk management and internal control arrangements of the Group. This includes, *inter alia*:

- confirming business activities are aligned to the Group's strategy and business plans;
- confirming the Group is conducting business in accordance with all applicable regulatory requirements and the Issuer's own policies and procedures;
- reviewing the information systems used by the Issuer to ensure that they comply with regulatory requirements and meet industry standards; and
- conducting audit assignments across the Group enterprise including all overseas branches and subsidiary companies, with access to all critical outsource service providers.

GIA currently employs 62 staff and comprises the following sub-units:

- Group Retail and Wealth Banking Audit, which is primarily responsible for the audit of these business lines across the Group including Retail Islamic Finance and the supporting infrastructure;
- Group Wholesale & Commercial Banking Audit, which is responsible for the audit of these business lines across the Group including supporting infrastructure;
- Group Technology, Operations and Shared Services Audit, which is responsible for the audit of the Technology, Operations and Strategic Projects activities across the Group, either on a standalone basis or in support of the business audit teams above;
- Group Enablement Audit, which is primarily responsible for the audit of the Finance, Risk Management, Human Resources and Group Legal and Compliance functions, either on a standalone basis or in support of business audits; and
- Group Corporate Governance Audit, which is primarily responsible for the audit of corporate governance activities across the group including Group and country governance arrangements.

Of the 64 budgeted full-time employees, GIA employs 14 resident internal auditors in jurisdictions where a local regulator requires a local audit presence. GIA staff in the respective geographical locations report to a regional head of audit (MENA, Europe, America and Asia), who in turn reports to the Head of Audit Corporate Governance.

Where appropriate GIA works with outsourced audit service providers.

In order to ensure independence and objectivity, the Group Chief Audit Officer reports to the Board Audit Committee. GIA has unrestricted access to all of the Group's records, premises and staff including outsourced suppliers through contractual arrangements.

## **GROUP LEGAL AND COMPLIANCE DIVISION**

The Issuer's legal and compliance functions are contained within a single division (the "Legal and Compliance Division") in order to provide a single point of contact on all legal and compliance matters for senior management and employees whilst retaining separate legal and compliance teams within the Legal and Compliance Division to facilitate day to day legal and compliance work.

## **DIRECTORS, MANAGEMENT AND EMPLOYEES**

### **Administrative, management and supervisory bodies**

The members of the Board and general management of the Issuer and their functions within the Group and the principal activities of the directors and members of general management outside the Group are as follows:

| <b>Name</b>   | <b>Citizenship</b> | <b>Principal Activities outside the Group</b>  |
|---|--------------------|--|
| H.E. Nasser Ahmed Alsowaidi<br>Chairman<br><br>(Date of birth: 1 January 1961)                          | UAE                | <ul style="list-style-type: none"> <li>• Chairman – Etihad Rail Company</li> <li>• Board Member – Mubadala Development Company P.J.S.C.</li> <li>• Board Member – International Petroleum Investment Company P.J.S.C.</li> </ul>   |
| H.E Sultan Nasser Al Suwaidi<br>Board Member<br><br>(Date of birth: 26 June 1953)                       | UAE                | <ul style="list-style-type: none"> <li>• Former UAE Central Bank Governor</li> </ul>   |
| Sheikh Ahmed Bin Mohammed Sultan Al Dhaheri<br>Board Member<br><br>(Date of birth: 3 May 1971)          | UAE                | <ul style="list-style-type: none"> <li>• Member of Abu Dhabi National Consultative Council</li> <li>• Board Member – Etisalat</li> <li>• Deputy Chairman – National Hotels Company</li> <li>• Deputy Chairman – Abu Dhabi Aviation</li> </ul>                                |
| Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan<br>Board Member<br><br>(Date of birth: 19 October 1978) | UAE                | <ul style="list-style-type: none"> <li>• Chairman – Abu Dhabi National Insurance Company</li> </ul>  |
| H.E Hareb Masood Al Darmaki<br>Board Member<br><br>(Date of birth: 12 January 1948)                     |                    | <ul style="list-style-type: none"> <li>• Executive Director of the Private Equities department at the Abu Dhabi Investment Authority ("ADIA")</li> <li>• Chairman – Gulf Capital</li> <li>• Chairman, Investment Committee - AXA Green Crescent Insurance Company</li> </ul> |

| Name   | Citizenship | Principal Activities outside the Group  |
|--|-------------|---|
| H.E. Sultan Bin Rashed Al Dhaheri<br>Board Member<br>(Date of birth: 31 December 1932) | UAE         | <ul style="list-style-type: none"> <li>• Chairman, Investment Committee - The Zayed Bin Sultan Al Nahyan Charitable &amp; Humanitarian Foundation</li> <li>• Vice Chairman – ADIA Investment Committee</li> <li>• Member – ADIA Strategy Committee</li> <li>• Board Member – AXA Green Crescent Insurance Company</li> </ul>  |
| Mr. Khalifa Sultan Al Suwaidi<br>Board Member<br>(Date of birth: 11 April 1974)        | UAE         | <ul style="list-style-type: none"> <li>• Executive Director – Direct Investment Department, Abu Dhabi Investment Council</li> <li>• Board Member – Union National Bank</li> <li>• Board Member – Abu Dhabi National Insurance Company</li> </ul>  |
| Mr. Hashim Fawwaz Al Kudsi<br>Board Member<br>(Date of birth: 13 January 1967)         | UAE         | <ul style="list-style-type: none"> <li>• Executive Director, Active Investment Strategies – Abu Dhabi Investment Council</li> <li>• Board Member – Al Wathba Company for Central Services</li> </ul>  |
| Mr. David Beau<br>Board Member<br>(Date of birth: 9 July 1970)                         | French      | <ul style="list-style-type: none"> <li>• Chief Investment Officer – Abu Dhabi Investment Council</li> <li>• Investment Committee member – Abu Dhabi National Insurance Company</li> <li>• Board Member – Abu Dhabi Investment Company</li> </ul>  |
| Mr. Matar Hamdan Al Ameri<br>Board Member<br>(Date of birth: 7 February 1967)          | UAE         | <ul style="list-style-type: none"> <li>• Board Member – National Drilling Company</li> <li>• Board Member – Abu Dhabi National Tanker Company</li> <li>• Finance Director – Abu Dhabi National Oil Company ("<b>ADNOC</b>")</li> <li>• Board Member – Excel London (subsidiary of ADNEC)</li> <li>• Manager of Finance and Control Abu Dhabi Onshore Oil Operating Company</li> </ul> |
| Ms. Mariam Saeed Ghobash<br>Board Member   | UAE         | <ul style="list-style-type: none"> <li>• Senior investment professional in the Direct Investments Department at Abu Dhabi Investment Council</li> </ul>   |

| Name                              | Citizenship | Principal Activities outside the Group  |
|-----------------------------------|-------------|---|
| (Date of birth: 16 November 1983) |             | <ul style="list-style-type: none"> <li data-bbox="868 277 1407 338">• Board Member - Emirates Development Bank</li> <li data-bbox="868 353 1407 412">• Board Member - Abu Dhabi Investment Company</li> </ul> |

The business address of each of the directors is National Bank of Abu Dhabi, P.O. Box 4, Abu Dhabi, United Arab Emirates. None of the directors have any actual or potential conflict between their duties to the Issuer and their private interests and other duties.

## General Management

### **Acting Group Chief Executive Officer**

*Abhijit Choudhury (date of birth: 4 February 1955)*

Mr. Choudhury joined the Issuer as the Chief Risk Officer in December 2006. Mr. Choudhury started his banking career with ANZ Grindlays Bank in India. During his thirty eight years of banking experience, the last 17 of which were with the Arab Banking Corporation in Bahrain, he has served in various fields of banking, concentrating in the latter years on the progress and growth of the Risk Control function associated with different business segments in banking. In recent years, Mr. Choudhury has been an active contributor to Risk Management initiatives in the region, sponsored by regional bodies such as UAE Central Banks, the Union of Arab Banks and the International Institute of Finance (the "IIF"). He currently serves as a member of the IIF's Steering Committee on Regulatory Capital.

Mr. Choudhury was also a Senior Managing Director and Group Chief Risk Officer of the Issuer, and was vested with oversight responsibilities for both deal adjudication relating to all segments of a bank's business, as well as the independent risk management of the diverse risks arising from the Issuer's general activities. Mr. Choudhury stepped-down from his role as Senior Managing Director and Group Chief Risk Officer following his appointment to acting Group Chief Executive Officer. Mr. Choudhury holds a Masters Degree in Economics from the Jawaharlal Nehru University, New Delhi, India.

Mr. Choudhury was appointed acting Group Chief Executive Officer on 15 August 2016 after the former Group Chief Executive Officer, Alex Thursby, stepped-down with immediate effect on the same date.

### **Deputy Group Chief Executive Officer**

*Abdulla Mohammed Saleh AbdulRaheem (date of birth: 20 March 1961)*

Mr. Abdulla Mohammed Saleh AbdulRaheem joined the Issuer in 1982 and held various positions prior to being appointed Chief Financial Officer and Deputy Chief Operating Officer in June 2002. In January 2003 he was appointed Group Chief Operating Officer. On 1 July 2012, Mr. Abdulla Saleh was promoted to Deputy Group Chief Executive Officer.

In his current position, Mr. Abdulla Saleh works closely with the Group Chief Executive Officer ("CEO") in setting and driving the implementation of the strategy. He deputises for the CEO and in his absence, runs the Group with full delegated authority.

Mr. Abdulla Saleh oversees all the strategic, operational, and technological plans of the Issuer and leads its Digital Advisory Committee. He is responsible for executive oversight of Group Marketing and Corporate Communication and on an interim basis, has executive oversight of the Group Human Resources function. Mr. Abdulla Saleh is a member of several committees that assist in the overall management of the Group at various levels.

Mr. Abdulla Saleh holds a Bachelor's degree in Accounting and Business Administration from United Arab Emirates University. He was certified as a Certified Public Accountant by the Washington State Board of Accountancy in June 1998.

### **Group Chief Operating Officer**

*Khalaf Al Dhaheri (date of birth: 6 November 1974)*

Mr. Al Dhaheri joined the Issuer in 1997. Mr. Al Dhaheri initially held various positions in the Issuer prior to being appointed secretary to the Risk Management Committee in April 2003. He was

appointed Deputy General Manager and Group Chief Risk Officer in June 2006 and General Manager and Group Chief Risk Officer in August 2009. In July 2012, he was promoted to his current role of Group Chief Operating Officer.

In his current position, Mr. Al Dhaheri supervises a range of functions such as operations, IT, enterprise projects and architecture, and Group general services which include procurement, administration and property management.

Mr. Al Dhaheri also serves as Deputy Chairman of ADNIF, Chairman of Massar Solutions PJSC, and as a Board member of Masraf Al Rayan, and Drake & Scull. He also serves as a board member of the Emirates Institution of Banking and Financial studies.

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.

### ***Managing Director***

*Mr. Khalifa Sultan Al Suwaidi (Date of birth: 11 April 1974)*

Mr. Khalifa Sultan Al Suwaidi is an Executive Director at the Direct Investment Department of ADIC and a board member of Union National Bank and Abu Dhabi National Insurance Company. Prior to this, he was the Deputy Director of the External Funds (Americas) Department at ADIA. Mr. Al Suwaidi holds a degree in Business Administration (Finance) and MSC in Finance from Seattle University, USA and is a Chartered Financial Analyst.

Mr. Khalifa Sultan Al Suwaidi was appointed Managing Director, following an announcement by the Issuer on 15 August 2016. Mr. Khalifa Sultan Al Suwaidi is also a non-executive member of the Board, being a member since 19 March 2006.

### ***Acting Group Chief Risk Officer***

*George Yazbek (date of birth: 31 May 1958)*

Mr. George Yazbek joined NBAD in 2010 and has, since January 2013, occupied the position of Group Chief Credit Officer. As of August 2016, he also occupies the position of acting Group Chief Risk Officer.

Mr. Yazbek has 35 years of experience in the banking sector. His career includes 15 years of experience in Canada, during which he occupied several positions in credit and risk management with the Canada Deposit Insurance Corporation and The Bank of Scotia. More recently, and prior to joining NBAD, he was Head of Corporate Credit for Al Khalij Commercial Bank in Qatar.

Mr. Yazbek's current responsibilities include oversight of the credit portfolio, market risk and operational risk of NBAD's Wholesale Banking and International Businesses. He is also Secretary of the Board of Directors' Risk Management Committee.

Mr. Yazbek has a degree of Master of Business Administration from the American University of Beirut and holds the Certified General Accountant designation from Ontario.

### ***Group Chief Financial Officer***

*James Burdett (date of birth: 31 May 1968)*

Mr. Burdett became the Group Chief Financial Officer of the Issuer on 30 April 2014, joining from ANZ where he was 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 ten 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, strategy, treasury and investor relations 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.

### **Senior Managing Director and Group Chief Audit Officer**

*Malcolm Walker (date of birth: 17 November 1959)*

Mr. Walker joined the Issuer in 2010. Prior to joining the Issuer, Mr. Walker worked for Standard Chartered Bank for 20 years, spending 15 years in the bank's Audit and Investigations function and most recently serving as Chief Operating Officer and Managing Director. Mr. Walker holds an MBA from Henley Management College as well as a Master of Science and a Bachelor of Laws degree.

### **Senior Managing Director and Group General Counsel – Legal and Compliance Division**

*Samer Abdelhaq (date of birth: 9 August 1975)*

Mr. Abdelhaq joined the Issuer in June 2008 as Deputy General Counsel, and subsequently was appointed as General Counsel and Head of the Legal Department in January 2010. He holds an LLB from the University of Jordan, an LLM in International Banking and Finance Law from Boston University and a post graduate diploma in law from Nottingham Trent University. Prior to joining the Issuer, Mr. Abdelhaq practised banking and finance law with Allen & Overy LLP and Simmons & Simmons. Mr. Abdelhaq is a member of the Law Society of England & Wales.

In April 2012 Mr. Abdelhaq was appointed Group Board Secretary and Head of Corporate Governance to the Issuer. Mr. Abdelhaq is also responsible for the Group Compliance function.

### **Senior Managing Director and Chief Executive Officer – Gulf & International Division**

*Qamber Ali Al Mulla (date of birth: 5 November 1960)*

Mr. Al Mulla holds a Masters Degree in Business Administration. His career with the Issuer spans a period of 30 years. Mr. Al Mulla has had roles within the Issuer that have included retail operations (Manager-Foreign Exchange, Current Accounts, Personal Instalment Loans, Trade Finance Operations), Audit and Compliance (Financial Auditor), Credit and Marketing (Assistant Vice President, Area Manager and Head of International Banking).

In April 2005, Mr. Al Mulla was appointed General Manager, International Banking Division and, in July 2007 was promoted to Senior General Manager. In September 2013, Mr. Al Mulla was assigned the role of Senior Managing Director and Chief Executive Officer – Gulf & International Division. In addition to his immediate remit, he is also the Chairman on the Board of Supervisory Directors for NBAD Americas N.V., a board member of NBAD Private Bank (Suisse) SA and a director of NBAD Malaysia Berhad.

### **Senior Managing Director and co-Head of GWB**

*Akram-Mark Yassin (date of birth: 12 January 1955)*

Mr. Yassin joined the Issuer in May 2008 as the Senior General Manager of the former Corporate & Investment Banking division. Prior to joining the Issuer, Mr. Yassin held senior and executive positions in a number of international banks, consulting firms and regional banks with a career which has spanned over more than 24 years covering assignments in Bahrain, the Kingdom of Saudi Arabia, Canada and the United States and predominantly covering corporate finance, global project and structured finance, financial and strategic advisory, infrastructure and project debt advisory/debt arranging, syndications, trade finance, private equity and corporate banking. Additionally, Mr. Yassin also has five years of experience in the field of engineering and project management. Prior to joining the Issuer, Mr. Yassin's last position was as the Global Head of Corporate Finance in Arab Bank. Since January 2013, Mr. Yassin has been entrusted to head the Issuer's GB function in addition to his responsibility as Co-Head of GWB. Mr. Yassin has also contributed and written several articles in various publications including Euromoney Yearbook, Project Finance International, Middle East Economic Digest and Emerging Markets Investors. Mr. Yassin holds a Masters Degree in Business Administration from Southern Methodist University in Dallas, Texas and a Masters Degree in Engineering from the University of Surrey in the United Kingdom.

### **Senior Managing Director and co-Head of GWB**

*Mahmood Al Aradi (date of birth: 22 May 1959)*

Mr. Al Aradi is the Senior Managing Director and head of the Issuer's GM division, a role that he has held since joining the Issuer in May 2007. In April 2014, Mr. Al Aradi was appointed Co-Head of the GWB division, in addition to his role as Senior Managing Director of the Issuer's GM division. Prior to joining the Issuer, Mr. Al Aradi held senior and executive positions in a number of international and regional banks with a career which has spanned more than 27 years covering assignments in



Bahrain, Kuwait, Singapore, New York, and London. Immediately prior to joining the Issuer he was the Head of Treasury of the Gulf Investment Corporation in Kuwait from 2004. Mr. Al Aradi graduated from the Gulf Technical College in Bahrain and attended the Executive Program at the Darden Business School of the University of Virginia.

**Senior Managing Director, GWB**

*Rüdiger von Wedel (date of birth: 16 December 1967)*

Mr. von Wedel joined the Issuer in June 2010 as the Senior General Manager of the Global Wealth division. Mr. von Wedel has more than two decades of experience in private and wholesale banking. Before joining the Issuer, he worked at ABN AMRO, where in his last position he was the chief executive of the bank's global private banking business managing a significant portfolio of assets.

Mr. von Wedel worked for ABN AMRO for more than 18 years, where he served the bank in several different capacities, including executive roles in investment and corporate banking as well as heading the group's central strategy and performance management department. He worked for ABN AMRO in Austria, Germany, France, the Netherlands and the UK. Mr. von Wedel holds an MBA from the European Institute of Business Administration and a bachelor's degree in economics from London School of Economics.

**Senior Managing Director, Group Head, GRC**

*Abdulla Al Otaiba (date of birth: 24 February 1973)*

Mr. Al Otaiba is the Senior Managing Director and Group Head of Global Retail & Commercial Gulf, leading the Group's business in the UAE, GCC countries, Jordan and Egypt .

With over 13 years of experience in the financial services industry, Mr. Al Otaiba has held several senior positions within the Group since he joined in 2003. In the past he served as the Deputy Senior General Manager of the Issuer's Corporate and Investment Banking Divisions managing both the Corporate Banking and Investment Banking businesses. Since June 2012, he has taken on the role of Senior Managing Director of the Global Retail and Commercial Division ("GRC").

GRC is responsible for serving the mass, affluent, commercial and Islamic segments. GRC product offerings cover all segments and are distributed across banking channels. GRC is also responsible for identifying business innovation opportunities within current businesses, and developing quick win solutions across various segments to enhance service and delivery. Mr. Al Otaiba has also proven to be a distinguished UAE national entrepreneur managing different arms of his own family private business.

Mr. Al Otaiba is the Chairman of ADNIF and a board member of Abu Dhabi National Properties, both fully-owned subsidiaries of the Issuer. He also serves on the boards of Abu Dhabi National Insurance Company PSC and Master Card Advisory Board.

He graduated from the University of South Carolina in the United States with a Bachelors of Finance. He also holds a Master of Business Administration from Concordia University, Canada.

**Senior Managing Director, UAE Government and key Abu Dhabi based clients**

*Saif Ali Munakhas Al Shehhi (date of birth: 15 May 1966)*

Mr. Al Shehhi obtained a B.S. in Management Technology, New England College, USA in 1987 and attended Core State Advanced Management Program for Overseas Banker at Wharton School, University of Pennsylvania in 1996. He joined the UAE Central Bank's Banking Supervision and Examination Department in 1987 where he worked until April 1994 when he joined the Audit and Compliance Division of the Issuer. Mr. Al Shehhi became Head of Audit and Compliance at the Issuer in April 2000, a role he held until April 2005 when he was appointed as the General Manager of the former Domestic Banking Division. In July 2013, he was named Senior Managing Director of UAE Government relations and key Abu Dhabi based clients.

**Committees**

The Issuer's management system is structured around a collaborative approach, with an emphasis on empowerment. Committees are formed at two levels, as detailed below, to ensure that adequate checks and balances are in place for the effective and efficient running of the Issuer's business:

**Group Board Level**

1. Risk Management Committee

2. Audit Committee
3. Corporate Governance and Nominations Committee
4. Human Resources Committee
5. Strategy and Transformation Committee

**Group Executive Management Level**

1. Executive Committee
2. Assets and Liabilities Committee
3. Operations, Technology and Projects Committee
4. Group Risk Committee

A brief description of the Issuer's committees is set out below:

| Committee                                   |   | Chairman/Members                                | Function   |
|---|---|---|--|
| <b>Group Board Level Committees</b>         |   |   |  |
| Risk Management Committee                   | Chairman  | H.E. Sultan Nasser Al Suwaidi                   | The main objective of the Risk Management Committee is to advise the Board on risk appetite and tolerance. In preparing this advice to the Board, the Committee shall satisfy itself that the risk appetite is aligned to the Group's strategy and takes into account the current and prospective macroeconomic and financial environment. The Committee shall approve the methodology, measures, targets, and tolerances associated with the risk appetite, along with stress test results, if any. |
|   | Members   | H.E. Hareb Masood Al Darmaki                    |  |
|   |   | H.E. Sultan Bin Rashed Al Dhaheri               |  |
|   |   | Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan |  |
|   |   | Mr. Hashim Fawwaz Al Kudsi                      |  |
| Sheikh Ahmed Bin Mohammed Sultan Al Dhaheri |   |   |  |
| Audit Committee                             | Chairman  | Mr. Matar Hamdan Al Ameri                       | The Audit Committee reports directly to the Board.   |
|   | Members   | Ms. Mariam Saeed Ghobash                        | The Audit Committee is responsible for establishing adequate formal and transparent disclosure arrangements for the fair and full presentation of the financial affairs of the Group, the adequacy and effectiveness of internal controls and maintaining an appropriate relationship with the Issuer's external auditors.   |
|   |   | Mr. Khalifa Sultan Al Suwaidi                   |  |
| Mr. David Beau                              | The Audit Committee is authorised by the Board to review any activity within the business, to seek any information it requires from, and require attendance at any of its meetings of, any officer, or member of staff. |   |  |
|   |   |   | All employees are required to cooperate with any request   |

| <u>Committee</u>                               |          | <u>Chairman/Members</u>   | <u>Function</u>  |
|--|----------|---|--|
| Corporate Governance and Nominations Committee | Chairman | H.E Hareb Masood Al Darmaki   | made by the Audit Committee. The Audit Committee is authorised by the Board to obtain, at the Issuer's expense, outside legal or other independent professional advice with relevant experience and expertise as it considers necessary from time to time.   |
|  | Members  | Ms. Mariam Saeed Ghobash<br>Mr. Khalifa Sultan Al Suwaidi<br>Hashem Fawwaz Al Kudsi | <p>The main objectives of the Corporate Governance and Nominations Committee are to review and assess the adequacy of NBAD's Corporate Governance policies, practices and organisation charts and related material.</p> <p>Specifically, the Corporate Governance and Nominations Committee has responsibility for the following:</p> <ul style="list-style-type: none"> <li>• Review and assess the Board's policies and practices to ensure the Board's effectiveness and recommend any proposed changes for the Board's approval.</li> <li>• Review the Issuer's business practices, particularly as they relate to preserving the good reputation of the Bank.</li> <li>• Review the appropriateness of the size of the Board relative to its various responsibilities and make recommendations to the Board.</li> <li>• Develop appropriate criteria regarding the independence of the directors and nominees for the Board's Committees and make recommendations to the Board.</li> <li>• Make recommendations to the Board to name a Secretary to the Board, and suggest formation of Committees, their charters, duties and responsibilities,</li> </ul> |

| <u>Committee</u>          |          | <u>Chairman/Members</u>                         | <u>Function</u>  |
|---------------------------|----------|---|--|
|                           |          |   | <ul style="list-style-type: none"> <li>nominating their chairpersons, members and secretaries.</li> <li>Review the adequacy of the charters adopted by each committee of the Board, and recommend changes as necessary.</li> <li>Name members of the Board and managers of NBAD's subsidiaries, specifying their allowances.</li> <li>Annually review the remuneration of the Board members and the attendance fees of the Committee members and make recommendations to the Board.</li> </ul>   |
| Human Resources Committee | Chairman | Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan | <p>The Human Resources Committee is mandated by the Board to determine the high level policy for succession planning at the Issuer. The Human Resources Committee has the following specific functions:</p> <ul style="list-style-type: none"> <li>approve the appointment, promotion, remuneration, retirement and dismissal of senior managers;</li> <li>oversee the development and implementation of the Issuer's Emiratisation strategy and consider setting specific targets in terms of numbers, grades and gender in fulfilment of this objective;</li> <li>high level succession planning;</li> <li>review of Senior Management performance against key performance indicators; and</li> <li>headcount budgets and HR related expenditure above delegated authorities.</li> </ul> |
|                           | Members  | Mr. Matar Hamdan Al Ameri                       |  |
|                           |          | H.E. Mohamed Omar Abdulla                       |  |
|                           |          | Mr. Khalifa Sultan Al Suweidi                   |  |
|                           |          | Mr. David Beau                                  |  |
|                           |          | Ms. Mariam Saeed Ghobash                        |  |

| <b>Committee</b>                      |          | <b>Chairman/Members</b>  | <b>Function</b>   |
|---------------------------------------|----------|--|---|
| Strategy and Transformation Committee | Chairman | Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan  | The Strategy and Transformation Committee is responsible for assisting the Issuer's Board in fulfilling its strategic plan. The Strategy and Transformation Committee has the following specific functions: <ul style="list-style-type: none"> <li>assist the Board in relation to the implementation of the Issuer's strategy;</li> <li>the Issuer's expansion and acquisition strategy including identifying potential acquisitions; and</li> <li>review and evaluate major unbudgeted expenditure, external developments and factors.</li> </ul> |
|                                       | Members  | H.E Sultan Nasser Al Suwaidi<br>Mr. Khalifa Sultan Al Suweidi<br>H.E Hareb Masood Al Darmaki |   |

**Group Executive Management Level Committees**

|                                  |                 |  |  |
|----------------------------------|-----------------|--|--|
| Executive Committee              | Chairman        | Abhijit Choudhury  | The Executive Committee of NBAD ("EXCO") is responsible for directing the Group towards the achievement of the Issuer's overall strategic vision. To this end, EXCO ensures NBAD's strategic leadership, financial soundness, governance, management supervision and control. <p>In addition to individual functional responsibilities, each member of EXCO has collective responsibility for the performance of the Group. This requires each EXCO member to have a deep understanding of how the Group operates and to undertake a leadership role, driving proactive management and engagement of stakeholders and staff both in the UAE and internationally where appropriate.</p> |
|                                  | Deputy Chairman | Abdulla M.S. Abdul Raheem  |  |
|                                  | Members         | Qamber Ali Al Mulla<br>Saif Ali Munakhas Al Shehhi<br>George Yazbek<br>Mahmood Al Aradi<br>Akram-Mark Yassin<br>Khalaf Al Dhaheri<br>Abdulla Al Otaiba<br>Rüdiger von Wedel<br>Samer Abdelhaq<br>Malcolm Walker<br>James Burdett<br>Omar Al Shamsi |  |
| Assets and Liabilities Committee | Chairman        | James Burdett  | The Assets and Liabilities Committee ("ALCO") has responsibility for the following functions: <ul style="list-style-type: none"> <li>review and recommend to the Board's Risk</li> </ul>   |
|                                  | Deputy Chairman | Abhijit Choudhury  |  |
|                                  | Members         | George Yazbek  |  |

| <u>Committee</u>   | <u>Chairman/Members</u>   | <u>Function</u>  |
|--------------------|---|--|
|                    | Abdulla M.S. Abdul Raheem<br>Qamber Ali Al Mulla<br>Mahmood Al Aradi<br>Stephen Jordan<br>Akram-Mark Yassin<br>Abdulla Al Otaiba<br>Rüdiger von Wedel     | Management Committee the Group's Liquidity, Contingent Funding, Funding Strategy and capital management policy in addition to the risk framework around the Group's balance sheet positions (including capital, liquidity, total size of the debt platform and total Group portfolio limit);   |
| Permanent Invitees | Malcolm Walker<br>Hussam Arabiat<br>Michael Bencsik<br>Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan<br>Azzam Anani<br>Ahmed Al Naqbi<br>Omar Al Shamsi | <ul style="list-style-type: none"> <li>• review Group Treasury proposals on market risk limits (which are reviewed in turn by the Risk Management Committee and the Group Risk Committee);</li> </ul>  |
| Secretary          | Martyn Hoccom   | <ul style="list-style-type: none"> <li>• ensure adequate risk management systems around the Group's balance sheet positions and approve all methodologies, behavioural assumptions and reporting formats;</li> <li>• ensure that all policy and limit documents in relation to liquidity and market risk are aligned to the Risk Management Committee defined risk appetite and the Group's strategic objectives;</li> <li>• govern all regulatory capital and liquidity issues and interact and provide guidance / recommendations to the UAE Central Bank or other UAE Central Banks;</li> <li>• review and approve Group Treasury macro hedging strategies and manage the allocation of capital and liquidity;</li> </ul> |

| <u>Committee</u>                              |                 | <u>Chairman/Members</u>  | <u>Function</u>  |
|---|-----------------|--|--|
|   |                 |  | <ul style="list-style-type: none"> <li>• monitor the rolling performance of the Group / relevant Division / relevant jurisdiction against budget and against competitor performance and also measure the impact (current and projected) on profitability by factors;</li> <li>• manage the Group liquidity, funding and capital position under current, projected and stressed scenarios and address potential threats;</li> <li>• review and approve the annual debt issuance plan submitted by Group Treasury;</li> <li>• review all limit breaches and deal with these in a timely manner; and</li> <li>• ensure international branch/subsidiary ALCO's follow the Group level ALCO charter and address any issues arising in such compliance.</li> </ul> |
| Operations, Technology and Projects Committee | Chairman        | Khalaf Al Dhaheri  | <p>The Operations, Technology and Project Committee have responsibility for the following functions:</p> <ul style="list-style-type: none"> <li>• reviewing, prioritising and determining the allocation of the resources and services of the Operations and IT departments based on requests from the various business divisions;</li> <li>• ensuring the efficient, effective and transparent delivery of IT and Operations-related changes to facilitate the realisation of the annual and three-year business targets; and</li> </ul>  |
|   | Deputy Chairman | James Burdett<br>Abdulla M.S. Abdul Raheem   |  |
|   | Members         | Rüdiger von Wedel<br>Mahmood Al Aradi<br>George Yazbek<br>Mike Austin<br>Akram-Mark Yassin<br>Saher Arar<br>Abdulla Al Hosani<br>Rawhi Saffarini |  |
|   |                 |  |  |
|   | Observer        | Malcolm Walker   |  |

| <b>Committee</b>     |                    | <b>Chairman/Members</b>            | <b>Function</b>   |
|----------------------|--------------------|------------------------------------|---|
|                      | Secretary          | Shadi Set-Abouha<br>Mohammad Hamza | and improve all IT & Operations services provided to lines of business and support functions Group-wide.  |
| Group Risk Committee | Chairman           | George Yazbek                      | The primary objectives of the Group Risk Committee are to define and develop the Group risk appetite statement, and recommend the same to the Risk Management Committee for approval. The Group Risk Committee has responsibility for approving the methodology, parameters, targets, and tolerances associated with the Group's risk appetite with the following specific functions: |
|                      | Deputy Chairman    | Abhijit Choudhury                  |   |
|                      | Members            | Abdulla Al Otaiba                  |   |
|                      |                    | Rüdiger von Wedel                  |   |
|                      |                    | Mahmood Al Aradi                   | <ul style="list-style-type: none"> <li>advising the Risk Management Committee on risk aspects of the Group's strategy and planning;</li> </ul>  |
|                      |                    | Akram-Mark Yassin                  |   |
|                      |                    | Qamber Ali Al Mulla                | <ul style="list-style-type: none"> <li>reviewing and approving and, as appropriate, recommending to the Risk Management Committee the Group's risk management policies, risk framework and risk management systems;</li> </ul>  |
|                      |                    | James Burdett                      |   |
|                      |                    | Samer Abdelhaq                     | <ul style="list-style-type: none"> <li>overseeing and periodically evaluating the efficacy and quality of the credit approval process and the remedial function (specifically collections and recovery efforts) through reports generated by Group risk; and</li> </ul>   |
|                      | Permanent Invitees | Malcolm Walker                     |   |
|                      |                    | George Yazbek                      | <ul style="list-style-type: none"> <li>advising the Risk Management Committee on anti-money laundering, compliance and regulatory risk matters.</li> </ul>  |
|                      |                    | Antoine Sokhn                      |   |
|                      |                    | Graeme Woods                       |   |
|                      |                    | Narayanan Santhanam                |   |
|                      | Secretary          | Rohit Kumar                        |   |

The business address of each of the members of General Management and the various committees as described above is National Bank of Abu Dhabi, P.O. Box 4, Abu Dhabi, United Arab Emirates.

None of the members of General Management have any conflict or potential conflict between their duties to the Issuer and their private interests and other duties.

#### **CORPORATE CITIZENSHIP**



The Issuer considers citizenship to be the integrated management of economic, social and environmental performance, with the aim of enhancing value for all stakeholders. The Issuer seeks to understand and manage the impacts of its actions in terms of economic, social and environmental contributions to the development of Abu Dhabi, the UAE and wherever globally that it conducts its business. The Issuer considers that its commitment to being a responsible corporate citizen will help it to tackle the full scope of risks and opportunities which it faces and as a result, the Issuer expects to see greater engagement with all of its stakeholders, increased customer and employee satisfaction, greater innovation in products and services and greater shared value.

The Issuer's two citizenship flagship programmes take a strategic approach to address issues that have global significance, are regionally relevant and can be effectively addressed locally. From an environmental perspective the Issuer is taking a leading role in new energy solutions by exploring and understanding how the financial sector can help shape a more sustainable future. From a social and economic perspective, the Issuer has committed to supporting the growth of the UAE's SME sector as a powerful engine of wealth generation and sustainable livelihoods.

Some of the Issuer's achievements and initiatives that contribute to the citizenship strategy during the previous twelve months include:

- **Future of Energy report:** launching the research report "Financing the Future of Energy" which addresses opportunities for the Gulf region's financial services sector.
- **Equator Principles:** becoming a signatory to the "Equator Principles" in October 2015, being the first UAE bank to do so.
- **Sustainable business:** establishing a team within the Wholesale Banking Group to identify and drive funding towards renewable energy and energy efficiency projects. The Issuer has also committed to invest USD 10 billion over the next 10 years in sustainable finance.
- **SME skills building:** launching the NBAD SME Academy, which has allowed more than 500 SME executives in the UAE to attend free skills building workshops delivering essential skills training such as corporate governance, being bankable, basic accountancy, marketing and customer service;
- **Greenhouse gas reporting:** being the only bank in the Gulf region submitting annual greenhouse gas performance data to the Carbon Disclosure Project;
- **Sustainability reporting:** winning the Abu Dhabi Sustainability Group Leadership Awards "Best Sustainability Report" award.
- **S&P/Hawkamah Pan Arab ESG Index:** remaining in the top 10 of companies for the fifth consecutive year.

## EMPLOYEES

As at 30 June 2016, the Issuer employed 5,469 employees.

The following table shows the geographical distribution of employees by location as at 30 June 2016:

| Country                  | Number of Employees |
|--------------------------|---------------------|
| United Arab Emirates     | 4,218               |
| Egypt                    | 600                 |
| Oman                     | 168                 |
| United Kingdom           | 83                  |
| Sudan                    | 72                  |
| Jordan                   | 55                  |
| Switzerland              | 53                  |
| Malaysia                 | 50                  |
| Kuwait                   | 41                  |
| Hong Kong                | 38                  |
| United States of America | 25                  |
| France                   | 20                  |
| India                    | 20                  |
| Bahrain                  | 16                  |
| Brazil                   | 4                   |
| China                    | 3                   |
| Lebanon                  | 3                   |
| <b>Grand Total</b>       | <b>5,469</b>        |

The Issuer's overall human resources strategy is to attract, select and retain the highest quality of employees across all of its businesses.

### **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 Issuer 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 Issuer is already broadly in compliance with these requirements. The Issuer has established a Corporate Governance and Nominations Committee (see "*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 Issuer's corporate governance policies and practices.

### **EMIRATISATION**

The Issuer's "Emiratisation" strategy is to attract the highest number of talented UAE Nationals to work for the Issuer and developing existing UAE national employees across different levels of the hierarchy and critical roles.

In 1999, UAE nationals comprised 12.1 per cent of the staff of the Issuer and as at 30 June 2016 this figure has increased to 30.1 per cent, being a total of 1,236 UAE nationals. The Issuer plans to continue to attract talented UAE nationals in line with the "Emiratisation" strategy. The training, development and recruitment of UAE nationals for managerial positions is a major strategic objective for the Issuer.

UAE nationals with limited or no business experience, after having passed recruitment assessments, are placed in career roles in which they are allowed develop into more senior positions. Throughout the course of their employment, UAE nationals are also supported by banking related technical development programmes in addition to an education assistance scheme, enabling employees to continue pursuing their further education.

### **INSURANCE**

The Issuer has various insurance policies in place, including a Banker's Blanket Bond Insurance Policy. The Issuer's Blanket Bond Insurance Policy covers, among other risks, loss of its property whilst on the Issuer's premises and whilst in transit; forgery of cheques, securities and other documents; and employee frauds, errors and negligence. The Issuer believes that these insurance policies provide it with comprehensive insurance coverage against the various risks to which the Issuer is exposed. The Issuer's insurance policies are reviewed and agreed by the Insurance Committee in consultation with an international insurance broker. The Issuer's Insurance Committee currently comprises eleven members representing various units within the Issuer and is chaired by the General Manager and Group Chief Compliance Officer.

### **NBAD'S SUSTAINABILITY POLICY**

People, planet and profit are the central pillars of NBAD's sustainability strategy and are fundamental to NBAD's wider objectives to deliver long-term profitable growth to its shareholders. NBAD's sustainability objectives are aligned with the Government of Abu Dhabi's sustainability and economic plans. The Bank's sustainability policy sets out broad principles for taking a precautionary and responsible approach to operations and business.

NBAD has been publishing sustainability reports annually since 2009. The first four reports were aligned with the Global Reporting Initiative ("GRI") reporting guidelines at Level B. In 2013, NBAD started to use the GRI G4 guidelines in accordance with the "core" option.

Within its own operations and facilities, NBAD 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 2014, NBAD participated in a climate change pilot programme with the Carbon Disclosure Project ("CDP"), which required the Bank to disclose and submit data on its direct and indirect emissions. The Bank reported its carbon emissions data to CDP in 2015. Over the next

few years, NBAD plans to conduct annual climate and carbon reporting as the next step in quantifying and strengthening its sustainability performance.

In 2015, NBAD became the first bank in the UAE 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", NBAD 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 guidelines.

NBAD has identified renewable energy and the energy efficiency arena as a fundamental global issue with particular local relevance, given the escalation in energy demand across the Middle East, and has sponsored thought leadership research into the topic. In 2014, NBAD commissioned the University of Cambridge and PricewaterhouseCoopers to produce a research report entitled "Financing the Future of Energy" which identified the increasingly significant role of renewable energy in the future energy mix and ways in which the financial community could support the sector. An updated report was published in March 2016 which broadly re-affirmed the findings of the 2015 edition and pointed towards the accelerating pace of development in renewables.

In response to the opportunities set out in the "Financing the Future of Energy" report, NBAD established a Sustainable Business practice to bridge between NBAD's product and coverage teams to promote socially and environmentally sound banking practices.

### ***NBAD's Green Bond Framework***

From time to time, NBAD intends to issue of securities whose net proceeds would be used to fund or refinance, in whole or in part, eligible projects within eligible categories set out set out in NBAD'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 NBAD Green Bond Framework will not be considered as the use of proceeds of a green bond issued under this framework.

NBAD has defined the categories eligible broadly in accordance with the "Green Bond Principles" set out by the International Capital Market Association. Eligible categories include:

- Renewable energy;
- Energy efficiency;
- Green real estate and energy-efficient buildings;
- Sustainable waste management;
- Clean transportation;
- Sustainable water management;
- Climate change adaptation; and
- Decarbonising 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 NBAD. NBAD 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 NBAD's business and the international operations of many of NBAD's clients, the proceeds of any NBAD green bond issue may be applied globally without geographical restriction. Where any portion of the proceeds of a NBAD green bond issue has not been applied to finance eligible projects within eligible sectors, proceeds may be invested according to local liquidity management guidelines.

### ***Green Bond Committee***

NBAD has established the Green Bond Committee whose members consist of NBAD's senior management. The role of the Green Bond Committee is to:

- review and evaluate all new proposed use of proceeds of each green bond issue and approve or reject as eligible projects, as appropriate, in accordance with the standards and process set out in NBAD's Green Bond Framework;
- review and certify amounts transferred to/from the green bond proceeds portfolio;

- monitor the ongoing use of proceeds to confirm continued compliance with the NBAD Green Bonds Framework and review any issues raised by the sub-committee; and
- Review and certify the annual green bond report.

## **PROPOSED MERGER**

It was announced on 3 July 2016 that the board of directors of FGB and the Issuer had voted unanimously to recommend to shareholders a merger of the two Abu Dhabi-listed banks (the "Merger").

The Merger will create the largest bank in the MENA region by assets. It will also benefit from an international network of offices and branches that spans 19 countries. For further information, please see "*Unaudited Pro Forma Condensed Consolidated Financial Information*"

The Merger is intended to be effected by way of a merger pursuant to Article 283(1) of UAE Federal Law No. 2 of 2015 concerning Commercial Companies. Subject to the satisfaction of the conditions to the Merger, upon the effective date of the Merger the assets and liabilities of FGB will be assumed by the Issuer in consideration for the issue of new Issuer shares to FGB shareholders. Upon the Merger becoming effective, shareholders of FGB will become shareholders in the Issuer, the FGB shares will be delisted from the Abu Dhabi Securities Exchange and FGB will be dissolved.

If effected, the Merger will result in new Issuer shares (which will be listed on the Abu Dhabi Securities Exchange) being issued to FGB shareholders on the basis of 1.254 Issuer shares for each FGB share they hold.

Following the issue of the new Issuer shares, FGB shareholders would own approximately 52 per cent. of the combined company and Issuer shareholders would own approximately 48 per cent. The Government of Abu Dhabi and related entities consequently will own approximately 37 per cent.

Upon completion of the Merger, the Issuer will retain the name "National Bank of Abu Dhabi".

The Merger remains subject to a number of conditions including the following:

- resolutions approving the Merger and certain ancillary matters having been passed by the requisite majority of the shareholders of FGB and the Issuer respectively; and
- all consents that have been identified by each of the FGB and Issuer boards of directors as necessary to the implementation of the Merger (including all required regulatory consents) having been obtained.

Following satisfaction of the conditions listed above, the FGB and Issuer boards of directors will apply for a resolution of the UAE Minister of Economy approving the Merger and the associated steps required to implement the Merger including the dissolution of FGB, the increase in the share capital of the Issuer and the amendments to the Issuer's articles of association. It is currently anticipated that, subject to the satisfaction of these conditions, the Merger will become effective in Q1 2017. This timeframe is indicative only and is subject to change.

Upon the Merger becoming effective, the board of directors of the Issuer will comprise four members nominated by FGB and four members nominated by the Issuer. His Highness Sheikh Tahnoon Bin Zayed Al Nahyan is proposed to be the Chairman, and Mr. Abdulhamid M. Saeed is proposed to be the Group Chief Executive of the Issuer. The remaining board members will be announced in the shareholder circular.

## OVERVIEW OF THE UAE 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 data published by the IMF in April 2016, the UAE is estimated to be the second largest economy in the Gulf region after the Kingdom of Saudi Arabia, based on nominal GDP. It has a more diversified economy than most of the other countries in the GCC. According to OPEC data, at 31 December 2014, 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 34.3 per cent. of the UAE's GDP and 30.1 per cent. of the total value of the UAE's exports (including re-exports) in 2014.

Based on IMF October 2015 data, real GDP growth in the UAE increased by 1.6 per cent. in 2010, 4.9 per cent. in 2011, 7.2 per cent. in 2012 and 4.3 per cent. in 2013. Based on the same source, the IMF estimated that real GDP in the UAE increased by 4.6 per cent. in 2014.

Based on IMF April 2016 data, real GDP growth in the UAE increased by, 7.2 per cent. in 2012 and 4.3 per cent. in 2013 by 4.6 per cent. in 2014 and is estimated to increase by 3.93 per cent. in 2015 and by 2.4 per cent. in 2016.

On 14 May 2016, Moody's Investors Service Singapore Pte. Ltd. ("Moody's Singapore") confirmed the UAE's long term credit rating of Aa2, assigning a negative outlook. Reasons cited for this high investment grade rating includes the Government's very large fiscal buffers in the form of diversified offshore investments, which support economic and fiscal resilience during a period of low oil prices and subdued growth. The UAE is not rated by any other rating agency.

The MSCI Emerging Markets Index classifies the UAE as an "emerging market" economy with nine UAE companies, including Arabtec, being added to the benchmark index.

### Abu Dhabi

Abu Dhabi is the richest of the seven Emirates based on nominal GDP (*source*: FCSA) and the largest based on population as at the date of this Base Prospectus (*source*: FCSA and SCAD). The city of Abu Dhabi is also the capital of the UAE

According to ADNOC, Abu Dhabi has approximately 94 per cent. of the UAE's total oil reserves and, according to SCAD, produced 2.7 million barrels of oil per day in the year ended 31 December 2014.

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. In total, the UAE has 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 201,139 billion standard cubic metres (according to OPEC at 31 December 2014).

The table below shows Abu Dhabi's crude oil production, exports and average selling prices for each of the years indicated.

|   | 2014  | 2013  | 2012  | 2011  |
|---|-------|-------|-------|-------|
| Crude oil production (million b/d).....         | 2.7   | 2.7   | 2.6   | 2.5   |
| Crude oil exports (million b/d) .....           | 2.2   | 2.5   | 2.4   | 2.3   |
| Crude oil exports (U.S.\$ billions).....        | 103.7 | 100.5 | 97.9  | 91.2  |
| Average selling price (U.S.\$ per barrel) ..... | 103.5 | 109.2 | 112.1 | 109.5 |

Source: SCAD.

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. A national census has been carried out in 2015 but, as at the date of this Base Prospectus, the results of the census records have not been published. At the end of 2015, the IMF estimated the population of the UAE to be approximately 9.6 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.

|                            | 2005      | 2001      | 1995      | 1985      | 1980      | 1975    |
|----------------------------|-----------|-----------|-----------|-----------|-----------|---------|
| Abu Dhabi population ..... | 1,399,484 | 1,170,254 | 942,463   | 566,036   | 451,848   | 211,812 |
| Total UAE population ..... | 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 SCAD.

Since 2005, Abu Dhabi's population has grown by 89.8 per cent. to 2,656,448 in 2014, according to mid-year estimates from SCAD.

In 2014, and based on SCAD mid-year estimates, Abu Dhabi had a predominantly young population with 0.6 per cent. being 65 years and over and 11.6 per cent. being under the age of 15. According to the same data, between 2005 and 2014, Abu Dhabi's average annual population growth rate was 7.6 per cent. The population mix in 2014 is estimated by SCAD to have comprised 19.1 per cent. UAE nationals and 80.9 per cent. non-nationals.

According to SCAD, Abu Dhabi's nominal GDP per capita was approximately U.S.\$97,645 in 2014, which makes it one of the highest in the GCC region. The oil and gas industry dominates Abu Dhabi's economy and contributed 51.0 per cent. of nominal GDP in 2014. 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 June 2014, when the monthly average OPEC Reference Basket price per barrel was approximately U.S.\$108, crude oil prices have fallen sharply, by approximately 68.8 per cent. to a monthly average price of U.S.\$33.64 in December 2015. For the month of July 2016, the average price of the OPEC Reference Basket was U.S.\$42.68 per barrel. This sharp decline in international prices for hydrocarbon products from mid-2014 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, data for Abu Dhabi's nominal GDP during 2015 is not available. However, when these figures are published, it is expected that they will reflect a further reduction in growth, in response to 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 2013 and 2014, the non-oil sector accounted for approximately 45.0 per cent. and 49.0 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.

|  | 2014   | 2013    | 2012    |
|--|--|---------|---------|
|  | <i>(AED billions, except for percentage)</i> |         |         |
| Abu Dhabi nominal GDP (current price) .....      | 952.7  | 953.2   | 909.7   |
| Percentage change in Abu Dhabi nominal GDP ..... | 2.2  | 4.8     | 7.4     |
| UAE nominal GDP (current prices) .....           | 1,467.0                                      | 1,477.6 | 1,409.5 |
| Abu Dhabi as a percentage of U.A.E .....         | 64.9   | 64.5    | 64.5    |

Sources: SCAD (for Abu Dhabi nominal GDP) and FCSA (for UAE nominal GDP).

Abu Dhabi's GDP is dominated by the oil and gas sector, which contributed 57.0 per cent. of nominal GDP in 2012, 55.0 per cent. in 2013 and 51.0 per cent. in 2014. As per preliminary estimates published by SCAD, outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2012, 2013 and 2014 have been: construction; manufacturing; real estate; financial and insurance sector; transportation and storage; public administration and defence and compulsory social security; and wholesale, retail trade and repair of motor vehicles and motorcycles, which together accounted for 34.2 per cent. of nominal GDP in 2012, 34.7 per cent. in 2013 and 36.1 per cent. in 2014.

In terms of growth, the fastest growing sectors between 2005 and 2014 were human health and social work; real estate; public administration and defence and compulsory social security; transportation and storage; construction; financial and insurance; and activities of households as employers, with compound annual growth rates ("CAGRs") of 26.3 per cent., 17.4 per cent., 20.5 per cent., 18.6 per cent., 14.8 per cent., 16.0 per cent. and 17.8 per cent., respectively.

The following table shows Abu Dhabi's nominal GDP by economic activity and by percentage contribution, as well as the year-on-year growth rate, for each of the years indicated.

| Sector  | 2014*           |             |                                   | 2013            |             |                                   | 2012            |             |                                   |
|---|-----------------|-------------|-----------------------------------|-----------------|-------------|-----------------------------------|-----------------|-------------|-----------------------------------|
|   | (AED million s) | (%)         | (2014 compared to 2013, % change) | (AED million s) | (%)         | (2013 compared to 2012, % change) | (AED million s) | (%)         | (2012 compared to 2011, % change) |
| Agriculture, forestry and fishing.....                                    | 5,991           | 0.6         | 3.5                               | 5,784           | 0.6         | 7.8                               | 5,365           | 0.6         | 4.5                               |
| Mining and quarrying (includes crude oil and natural gas).....            | 485,714         | 50.9        | (4.9)                             | 511,093         | 54.8        | (1.5)                             | 518,861         | 57.0        | 7.0                               |
| Manufacturing.....  | 51,997          | 5.4         | 7.0                               | 48,567          | 5.2         | 0.7                               | 48,208          | 5.3         | 0.5                               |
| Electricity, gas and water supply; waste management.....                  | 23,496          | 2.4         | 5.1                               | 22,344          | 2.4         | 1.1                               | 22,100          | 2.4         | 16.3                              |
| Construction.....   | 91,286          | 9.6         | 6.5                               | 85,672          | 9.1         | 3.0                               | 83,153          | 9.1         | (0.4)                             |
| Wholesale and retail trade; repair of motor vehicles and motorcycles..... | 42,143          | 4.4         | 18.3                              | 35,617          | 3.8         | 12.5                              | 31,639          | 3.5         | 12.7                              |
| Transportation and storage.....   | 40,535          | 4.2         | 16.2                              | 34,881          | 3.7         | 8.7                               | 32,083          | 3.5         | 9.7                               |
| Accommodation and food services.....                                      | 9,928           | 1.0         | 11.4                              | 8,910           | 0.9         | 2.8                               | 8,665           | 1.0         | 2.2                               |
| Information and communication.....  | 19,995          | 2.0         | 4.0                               | 19,223          | 2.0         | 2.6                               | 18,736          | 2.1         | (3.1)                             |
| Financial and insurance.....  | 68,597          | 7.2         | 22.6                              | 55,928          | 6.0         | 37.2                              | 40,742          | 4.5         | 23.9                              |
| Real estate.....  | 44,005          | 4.6         | 9.5                               | 40,174          | 4.3         | (0.4)                             | 40,334          | 4.4         | 16.3                              |
| Professional, scientific and technical.....                               | 20,007          | 2.1         | 6.1                               | 18,847          | 2.0         | 2.6                               | 18,356          | 2.0         | (4.2)                             |
| Administrative and support services.....                                  | 10,806          | 1.1         | 7.9                               | 10,007          | 1.0         | 2.3                               | 9,777           | 1.1         | 1.4                               |
| Public administration and defence; compulsory social security.....        | 55,463          | 5.8         | 15.5                              | 48,016          | 5.1         | 19.1                              | 40,293          | 4.4         | 20.3                              |
| Education.....  | 12,012          | 1.2         | 6.8                               | 11,237          | 1.2         | 5.4                               | 10,660          | 1.2         | 17.7                              |
| Human health and social work.....   | 12,258          | 1.2         | 13.9                              | 10,761          | 1.1         | 34.3                              | 8,011           | 0.9         | 41.9                              |
| Arts, recreation and other services.....                                  | 2,648           | 0.2         | 9.6                               | 2,416           | 0.2         | (14.3)                            | 2,822           | 0.3         | 13.7                              |
| Activities of households as employers.....                                | 3,995           | 0.4         | 24.2                              | 3,216           | 0.3         | 54.3                              | 2,084           | 0.2         | 16.6                              |
| Less: Imputed Bank Service Charge.....                                    | (48,199)        | (5.0)       | 17.7                              | (40,921)        | (4.3)       | 27.3                              | (32,123)        | (3.5)       | (16.1)                            |
| <b>Total GDP</b> .....  | <b>952,676</b>  | <b>100.</b> | <b>—</b>                          | <b>931,773</b>  | <b>100.</b> | <b>—</b>                          | <b>909,721</b>  | <b>100.</b> | <b>—</b>                          |
|   | <b>0</b>        |             |                                   | <b>0</b>        |             |                                   | <b>0</b>        |             |                                   |

\* Preliminary estimates.

Source: SCAD.

The Government's long-term ratings were confirmed at Aa2 (with a negative outlook) and its short-term ratings were affirmed at Prime-1 (with a stable outlook) by Moody's on 14 May 2016. Reasons cited for these high investment grade ratings include the Government's very large fiscal buffers in the form of diversified offshore investments, which support economic and fiscal resilience during a period of low oil prices and subdued growth. On the other hand, Moody's decision to assign a negative outlook to the rating is based on the Government's large deficits and the deterioration in the net asset position created by lower oil prices which, if left unchecked, will erode Abu Dhabi's 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 S&P on 5 February 2016. S&P commented that the ratings are anchored by the Emirate's strong fiscal and external positions. S&P 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, S&P 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 S&P's ratings. Further, and on the basis of S&P's assumptions that the oil price will remain low for the foreseeable future, S&P anticipates that the Government's fiscal balance will turn to a deficit in the period from 2016 to 2019. However, S&P 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 2 February 2016. 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 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 other significant companies and institutions, including ADNOC, Abu Dhabi Investment Authority ("ADIA"), International Petroleum Investment Company P.J.S.C. ("IPIC"), Abu Dhabi Investment Council ("The Council"), Mubadala Development Company ("Mubadala") and Tourism Development and Investment Company ("TDIC"). Each of these companies and institutions are wholly-owned by the Government.

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.

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. Two of the Company's board members sit on the ADIA board of directors.

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, a member of the ruling family of Abu Dhabi, the Deputy Prime Minister of the U.A.E. and the U.A.E. Minister of Presidential Affairs.



The Council started its operations in 2007. The Council is another investment arm of the Government and is also responsible for investing the Government's financial resources. The Council 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. Two of the Company's board members sit on The Council's board of directors.

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. Two of the Company's board members sit on the Mubadala board of directors.

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.

### **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 the Company 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 the Company 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. The Company is specifically identified in the 2030 Economic Vision as playing a key role in executing certain of these initiatives.

### **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 multi-lateral 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 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 enjoys good relations with the other states in the GCC. However, 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 UN 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

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### SUMMARY

According to data published by the UAE Central Bank there were a total of 49 banks (23 locally incorporated banks and 26 foreign banks) licensed to operate in the UAE as at 31 December 2015 (excluding the Dubai International Financial Centre (the "DIFC")) (source: UAE Central Bank), to serve a national population of approximately 9.1 million people at the end of 2014 (source: the World Bank). As a result, the UAE could be viewed as an over-banked market. The UAE's membership of the WTO will require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to 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 preliminary estimates published by the SCAD, the financial and insurance sectors in Abu Dhabi contributed approximately AED 68.6 billion to (or 7.2 per cent. of) Abu Dhabi's nominal GDP in 2014. Within the UAE as a whole, the financial sector was estimated to have contributed approximately 6.9 per cent. of real GDP in 2014 (according to preliminary estimates published by 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 Interim Marginal Lending Facility ("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

#### ***Lack of Consolidation***

The UAE may be seen as being over-banked with 49 different banks as at 31 December 2015. Traditionally there has been little impetus for consolidation. The federal structure of the UAE has, to some extent, encouraged 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 hampered the process of consolidation. However, in October 2007, the UAE's then second and fourth largest banks at the time, Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C., merged to become Emirates NBD P.J.S.C.

The relatively small size of most UAE banks has occasionally hindered them from competing for large financing transactions in the region. It also means that they have comparatively small franchises with which to absorb capital costs, such as information technology system development. 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.

With a large number of banks, competing for a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging 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.

### **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 preliminary estimates published by the SCAD (Statistical Yearbook of Abu Dhabi 2015), the oil and gas industry contributed approximately 51.0 per cent to nominal GDP in Abu Dhabi in 2014 as compared with a contribution of 55.0 per cent. in 2013.

### **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 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 federal government on financial and monetary issues;
- maintain the federal government's reserves of gold and foreign currencies;
- act as a bank for the federal government and other banks operating in the UAE; and
- act as the federal government's financial agent with the IMF, the World Bank and other international financial organisations.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the UAE Central Bank to issue 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.

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. The UAE Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

### ***Lack of Developed Capital Markets***

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the ADX (both of which were established in 2000), have grown over recent years and have benefitted from the inclusion of the UAE in the MSCI Emerging Markets Index in 2014, they continue to experience bouts of volatility.

The 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 the 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 80 per cent. of the workforce according to estimates published by the SCAD in mid-2015. 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 "Emiratization", banks were instructed, in 1999, to increase the percentage of UAE nationals on their payroll to 40 per cent. by 2009. Generally, banks have been moving closer to, or have met, this target, providing better training and compensation for UAE nationals.

### ***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 are 23 as at 31 December 2015 (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 are 26 as at 31 December 2015 (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 2015, 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 4,307.4 at 31 December 2015, 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 3,160.9 at 31 December 2015 (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.

However, according to the IMF country report for the UAE in 2014, profitability of UAE banks, in terms of return on assets, has grown from around 1.3 per cent. in 2010 to around 1.7 per cent. in 2014.

### ***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 advances to stable resources 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 64.7 per cent. of total deposits of the UAE banking sector as at 31 December 2015. The UAE federal government and the public sector constituted approximately 23.6 per cent. of total deposits within the UAE banking sector as at 31 December 2015. Non-resident and other sources contributed approximately 11.7 per cent. as at the same date (source: UAE Central Bank Statistical Bulletin December 2015).

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, could 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: National Bank of Abu Dhabi P.J.S.C., 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 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 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 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 > =10%)                  | 1 January 2013 – 30 June 2015 |
|                   | Eligible Liquid Assets Ratio (ELAR > = 10%)      | 1 July 2015 – December 2017   |
|                   | Advances to Stable Resources Ratio (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 liquid assets ratio ("LAR") was an interim ratio designed to apply until the liquidity coverage ratio ("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 eligible liquid assets ratio ("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 includes the option for UAE banks to apply to the UAE Central Bank to move to assessment of bank liquidity as against the LCR (and away from assessment against the interim ELAR), with effect from 1 January 2016. Any UAE banks taking up this option were required to comply with the ELAR until 1 January 2016, after which date they are required to move to compliance with the LCR (subject to receipt of UAE Central Bank approval). The Issuer has chosen to take up this option and, once it has received the approval of the UAE Central Bank (which remains pending as at the date of this Base Prospectus), will have its liquidity assessed by the UAE Central Bank as against the LCR.

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 eligible liquid assets 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 liquid assets for this purpose by January 2019.

The Advances to Stable Resources Ratio (the "ASRR") is a measure that recognises both the actual uses as well as the likely uses of funds in terms of 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 UAE 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 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital.

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 or one grade less favourable in case of claims in foreign currency and

claims on GCC government non-commercial public sector entities are risk-weighted at zero per cent or one grade less favourable in case of claims in foreign currency. 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:

- (a) 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;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a).

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 relating to Notes 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 a draft consultation document entitled "Capital Adequacy Regulation" (the "Consultation Document"), detailing the Basel III requirements expected to be followed by banks operating in the UAE, once the applicable legislation has been implemented in the UAE. In particular, the Consultation Document outlines the general quantitative requirements expected to be followed by UAE banks, with regards to Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital ("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.

### **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 specifies 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 local government;<br>25% for each non-commercial entity | 100%                           | Exempt                          | Exempt           |
| Commercial entities of UAE federal government and UAE local government..... | 25%  | 100%                           | 25%                             | None             |

|   | <u>Individual</u> | <u>New Limit<br/>Aggregate</u> | <u>Old Limit<br/>Individual</u> | <u>Aggregate</u> |
|---|-------------------|--------------------------------|---------------------------------|------------------|
| Commercial or other (non-commercial) private sector entities and individuals.....         | 25% max           | None                           | 7%                              | None             |
| Shareholders who own 5 per cent. or more of the bank's capital and related entities ..... | 20%               | 50%                            | 7%                              | None             |
| Exposure to bank's subsidiaries and affiliates .....                                      | 10%               | 25%                            | 20%                             | 60%              |
| Board members .....   | 5%                | 25%                            | 5%                              | 25%              |

### ***Provisions for Loan Losses***

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 Issuer 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

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### UK Taxation

*The following is a general summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice relating only to the United Kingdom withholding tax treatment of payments of interest in respect of the Notes and is not intended to be exhaustive. It is based on current law and published HMRC practice which may be subject to change, sometimes with retrospective effect. It relates only to persons who are the absolute beneficial owners of Notes and related Coupons and may not apply to certain classes of persons. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future.*

*Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should seek independent professional advice without delay.*

#### *Payments of interest on the Notes*

Payments of interest on the Notes that do not have United Kingdom source may be made without withholding or deduction for or on account of United Kingdom income tax.

The references to "interest" above means "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Conditions or any related documentation.

### 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 in force at the date of this Base Prospectus, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change.*

There is currently in force in the emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Abu Dhabi taxation in respect of payments of interest or principal on debt securities (including the Notes). In the event of the imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject as described under Condition 8 (Taxation) of the Conditions.

The Constitution of the UAE specifically reserves to the UAE Federal Government the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE have entered into "Double Taxation Arrangements" with certain other countries, but these are not extensive in number.

### THE PROPOSED FINANCIAL TRANSACTIONS TAX

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common financial transactions tax (the "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 the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the 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 (a) by transacting with a

person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However the FTT proposal remains subject to negotiation between 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.

### **Foreign Account Tax Compliance Act**

FATCA imposes a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA; and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "Recalcitrant Holder"). The Issuer is classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of: (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date; and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "FATCA Withholding") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

The United States and the UAE have entered into an agreement (the "US-UAE IGA") based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the US-UAE IGA it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. The Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are**

**subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

## **SUBSCRIPTION AND SALE**

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### **Summary of Dealer Agreement**

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 1 September 2016 (the "Dealer Agreement") between the Issuer, the Permanent Dealers named therein (meaning all Dealers other than those appointed as such solely in respect of one or more specified Tranches) and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### **Selling Restrictions**

#### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 as amended and United States Treasury regulations promulgated thereunder.

Each Dealer has agreed and each additional Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period 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. 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 is not applicable. Terms used in this paragraph have the same meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an 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.

#### **Public Offer Selling Restriction under the Prospectus Directive**

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 additional 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 this 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 Notes to the public in that Relevant Member State:



- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) 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 Issuer for any such offer; or
- (c) 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 above shall require the Issuer 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 (which includes the amendments made by Directive 2010/73/EU), and includes any relevant implementing measure in a Relevant Member State.

#### **United Kingdom**

Each Dealer has represented and agreed, and each additional Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any such Notes in, from or otherwise involving the United Kingdom.

#### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each additional 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 additional 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 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"); 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 Notes pursuant to any offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the "Offer 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 1-28-2008 dated 18 August 2008 (the "KSA Regulations") through a person authorised by the Capital Market Authority ("CMA") to carry on the securities activity of arranging and following a notification to the CMA 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 10 of the KSA Regulations or by way of a limited offer under Article 11 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 the Notes will comply with 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 17 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 10 or Article 11 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; (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 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:

- (i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy and sell shares or debentures (whether as principal or agent); (ii) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “Companies Ordinance”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the 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.

### **The PRC (excluding Hong Kong, Macau and Taiwan)**

Each of the Dealers 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 Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the Act No. 25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each additional Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption

from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the relevant subscription agreement or Dealer accession letter, as the case may be, or in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering material or any Final Terms or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each additional Dealer appointed under the Programme will be required to agree, that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms or any Pricing Supplement and neither the Issuer nor any other Dealer shall have responsibility therefor.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer 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 Unlisted Notes, Pricing Supplement.

## FORM OF FINAL TERMS

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The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

**Final Terms dated [●]**

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

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

**under the**

**U.S.\$7,500,000,000**

**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 1 September 2016 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] 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 (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of 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 such supplement[s]] [is/are] available for viewing via the website of the London Stock Exchange and copies may be obtained from National Bank of Abu Dhabi P.J.S.C., One NBAD Tower, Sheikh Khalifa Street, P.O. Box 4 Abu Dhabi, United Arab Emirates. The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the London Stock Exchange, the relevant Final Terms will also be published on the website of the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date. N.B. when using a post – 1 July 2012 approved Base Prospectus to tap a previous issue under a pre – 1 July 2012 approved Base Prospectus, the final terms in the post – 1 July 2012 Base Prospectus will take a different form due to the more restrictive approach to final terms. The Conditions of the original issue being tapped should be reviewed to ensure that they would not require the final terms documenting the further issue to include information which is no longer permitted in final terms. Where the final terms documenting the further issue would need to include such information, it will not be possible to tap using final terms and a drawdown prospectus (incorporating the original Conditions and final terms) will instead need to be prepared.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated [original date] which are incorporated by reference in the Base Prospectus dated [current date] and are attached hereto. 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 (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 (the "Prospectus Directive") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement[s] to it dated [date] [and [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [current date] [and the supplement[s] to it dated [date] [and [date]]. The Base Prospectus [and the supplement[s] to it dated [date] [and [date]] [is/are] available for viewing via the website of the London Stock Exchange and copies may be obtained from National Bank of Abu Dhabi P.J.S.C., One NBAD Tower, Sheikh Khalifa Street, P.O. Box 4 Abu Dhabi, United Arab Emirates. The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the London Stock Exchange, the relevant Final Terms will also be published on the website of the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

|    |  |   |
|----|--|---|
| 1  | Issuer:  | National Bank of Abu Dhabi P.J.S.C.   |
| 2  | (i) Series Number:   | [●]   |
|    | (ii) Tranche Number:   | [●]   |
|    | (iii) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [ <i>identify earlier Tranches</i> ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below, which is expected to occur on or about [date]][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 [●]]  |
| 6  | Specified Denominations:   | [●]   |
| 7  | (i) Issue Date:  | [●]   |
|    | (ii) Interest Commencement Date:   | [●]/[Issue Date]/[Not Applicable]   |
| 8  | Maturity Date:   | [●]   |
| 9  | Interest Basis:  | [[●] per cent. Fixed Rate]<br>[[●] month [LIBOR/EURIBOR/EIBOR] +/- [●] per cent. Floating Rate]<br>[Zero Coupon]<br>(see paragraph [14]/[15]/[16] below)  |
| 10 | Redemption/Payment Basis:  | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount  |
| 11 | Change of Interest Basis:  | [●][Not Applicable]   |
| 12 | Put/Call Options:  | [Investor Put]<br>[Issuer Call]<br>[(see paragraph [17]/[18]/[19] below)]   |
| 13 | (i) Status of the Notes:   | [Senior/Subordinated]   |
|    | (ii) Date [Board] approval for issuance of Notes obtained:                   | [●] [and [●], respectively]   |

**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 in arrear on each Interest Payment Date                       |
|    | (ii) Interest Payment Date(s):  | [●] [and [●]] in each year up to and including the Maturity Date                              |
|    | (iii) Fixed Coupon Amount[(s)]: | [[●] per [●] in Nominal Amount][Not Applicable]   |
|    | (iv) Broken Amount(s):          | [[●] per [●] in Nominal Amount, payable on the Interest Payment Date falling [in/on] [●]][Not |

|    |   |  |
|----|---|--|
|    |   | Applicable]  |
|    | (v) Day Count Fraction:   | [30/360] [Actual/Actual (ICMA/ISDA)][Actual/365 (Fixed)]   |
|    | (vi) Determination Dates:   | [[●] in each year][Not Applicable]   |
|    | (vii) Business Day Convention:  | [Not Applicable] [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]  |
| 15 | Floating Rate Note Provisions   | [Applicable/Not Applicable]  |
|    | (i) Interest Period(s):   | [●]  |
|    | (ii) Specified Interest Payment Dates:  | [●], subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable] |
|    | (iii) First Interest Payment Date:  | [●][Issue Date]  |
|    | (iv) Business Day Convention:   | [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]   |
|    | (v) 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/or Interest Amount(s) (if not the Agent): | [●][Not Applicable]  |
|    | (viii) Screen Rate Determination:   |  |
|    | — Reference Rate:   | [●] month [LIBOR/EURIBOR/EIBOR]  |
|    | — Interest Determination Date(s):   | [●]  |
|    | — Relevant Screen Page:   | [●]  |
|    | (ix) ISDA Determination:  |  |
|    | — Floating Rate Option:   | [●]  |
|    | — Designated Maturity:  | [●]  |
|    | — Reset Date:   | [●]  |
|    | (x) Linear Interpolation  | [Not Applicable/Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]  |
|    | (xi) Margin(s):   | [[+/-] [●] per cent. per annum][Not Applicable]  |
|    | (xii) Minimum Rate of Interest:   | [[●] per cent. per annum][Not Applicable]  |
|    | (xiii) Maximum Rate of Interest:  | [[●] per cent. per annum][Not Applicable]  |
|    | (xiv) Day Count Fraction:   | [Actual/Actual (ISDA)][Actual/Actual]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360][360/360][Bond Basis]<br>[30E/360][Eurobond Basis]<br>[30E/360 (ISDA)]                   |

|  |  |   |
|--|--|---|
| 16                                       | Zero Coupon Note Provisions<br>Amortisation Yield:   | [Applicable/Not Applicable]<br>[●] per cent. per annum  |
| <b>PROVISIONS RELATING TO REDEMPTION</b> |  |   |
| 17                                       | Notice periods for Condition 6(c):   | Minimum period: [●] days<br>Maximum period: [●] days  |
| 18                                       | Call Option  | [Applicable/Not Applicable]   |
|  | (i) Optional Redemption Date(s):   | [●]   |
|  | (ii) Optional Redemption Amount(s) of each Note:   | [●] per Note of [●] specified denomination  |
|  | (iii) If redeemable in part:   |   |
|  | (a) Minimum Redemption Amount:   | [●]   |
|  | (b) Maximum Redemption Amount:   | [●]   |
|  | (iv) Notice periods:   | Minimum period: [●] days<br>Maximum period: [●] days  |
| 19                                       | Put Option   | [Applicable/Not Applicable]   |
|  | (i) Optional Redemption Date(s):   | [●]   |
|  | (ii) Optional Redemption Amount(s) of each Note:   | [●] per Note of [●] specified denomination  |
|  | (iii) Notice periods:  | Minimum period: [●] days<br>Maximum period: [●] days  |
| 20                                       | Final Redemption Amount of each Note:  | [●] per Note of [●] specified denomination  |
| 21                                       | Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption: | [[●] per Note of [●] specified denomination]/[As calculated in accordance with Condition 6(b)(i)] |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

|    |   |   |
|----|---|---|
| 22 | Form of Notes:  | [Bearer Notes:<br>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/upon an Exchange Event as specified in the Permanent Global Note]<br>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]<br>[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/upon an Exchange Event as specified in the Permanent Global Note]<br>[Registered Notes;<br>Registered Global Certificate registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg] |
| 23 | Financial Centre(s):  | [Not Applicable/[●]]  |
| 24 | Talons for future Coupons to be attached to Definitive Notes: | [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made /No.]  |

- |    |   |   |
|----|---|---|
| 25 | RMB Settlement Centre(s)  | [●]/[Not Applicable]  |
| 26 | RMB Currency Event:   | [Applicable/Not Applicable]   |
| 27 | Relevant Currency for Condition 7(i):                               | [●][Not Applicable]   |
| 28 | Relevant Spot Rate Screen Pages for Condition 7(i):                 | (i) Relevant Spot Rate Screen Page (Deliverable Basis): [●][Not Applicable]<br>(ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): [●][Not Applicable] |
| 29 | Party responsible for calculating the Spot Rate for Condition 7(i): | [[●] (the "Calculation Agent")][Not Applicable]   |

**THIRD PARTY INFORMATION**

[[●] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced inaccurate or misleading.][Not Applicable]

Signed on behalf of the Issuer:

By:

*Duly authorised*



## PART B – OTHER INFORMATION

### 1 LISTING AND ADMISSION TO TRADING

- (i) Listing: Application [has been made] [is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange plc and admitted to the official list of the UK Listing Authority with effect from [●].
- (ii) Estimate of total expenses related to admission to trading: [●]

### 2 RATINGS

- Ratings: The Notes to be issued have been rated:  
[S&P: [ ]]  
[Moody's: [ ]]  
[Fitch: [ ]]

### 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 Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealer] and [their/its] 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 YIELD (Fixed Rate Notes only) – Indication of yield:

[●] per cent. per annum [on a [[quarterly] [semi-annual] basis]

### 5 [REASON[S] FOR THE OFFER]

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

### 6 OPERATIONAL INFORMATION

- ISIN Code: [●]  
Common Code: [●]  
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  
Names and addresses of additional Paying Agent(s) (if any): [●][Not Applicable]

### 7 DISTRIBUTION

- Method of distribution: [Syndicated/Non-syndicated]  
If syndicated, names of Managers: [Not Applicable/give names]  
Date of Subscription Agreement: [●]  
If non-syndicated, name of relevant Dealer: [Not Applicable/give name]  
U.S. Selling Restrictions: [Reg. S Compliance Category [1/2]; TEFRA D/TEFRA C/TEFRA not applicable]

## FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Unlisted Notes, whatever the denomination of those Notes, issued under the Programme.

**NO BASE PROSPECTUS IS REQUIRED TO BE PROVIDED IN ACCORDANCE WITH 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 (THE "PROSPECTUS DIRECTIVE") FOR THE ISSUE OF NOTES DESCRIBED BELOW AND AS SUCH THE NOTES ISSUED AS DESCRIBED BELOW ARE NOT REQUIRED TO, AND DO NOT COMPLY WITH DIRECTIVE 2003/71/EC AS SO AMENDED. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THE INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT.**

**Pricing Supplement dated [●]**

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

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

**under the**

**U.S.\$7,500,000,000**

**Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

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 Issuer 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.

This document constitutes the Pricing Supplement for the Notes described herein and must be read in conjunction with the Base Prospectus dated 1 September 2016 [and the supplement[s] to it dated [date] [and [date]] (the "Base Prospectus"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained from National Bank of Abu Dhabi P.J.S.C., One NBAD Tower, Sheikh Khalifa Street, P.O. Box 4 Abu Dhabi, United Arab Emirates.

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 1 September 2016.

- |   |  |   |
|---|--|---|
| 1 | Issuer:  | National Bank of Abu Dhabi P.J.S.C.   |
| 2 | (i) Series Number:   | [●]   |
|   | (ii) Tranche Number:   | [●]   |
|   | (iii) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [ <i>identify earlier Tranches</i> ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below, which is expected to occur on or about [date]][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 [●]]  |
| 6 | Specified Denominations:   | [●]   |
| 7 | (i) Issue Date:  | [●]   |

|    |      |   |  |
|----|------|---|--|
|    | (ii) | Interest Commencement Date:                           | [●]/[Issue Date]/[Not Applicable]  |
| 8  |      | Maturity Date:  | [●]  |
| 9  |      | Interest Basis:                                       | [[●] per cent. Fixed Rate]<br>[[●] month [LIBOR/EURIBOR/EIBOR] +/- [●] per cent. Floating Rate]<br>[Zero Coupon]<br>(see paragraph [14]/[15]/[16] below) |
| 10 |      | Redemption/Payment Basis:                             | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount   |
| 11 |      | Change of Interest Basis:                             | [●][Not Applicable]  |
| 12 |      | Put/Call Options:                                     | [Investor Put]<br>[Issuer Call]<br>[(see paragraph [17]/[18]/[19] below)]  |
| 13 | (i)  | Status of the Notes:                                  | [Senior/Subordinated]  |
|    | (ii) | Date [Board] approval for issuance of Notes obtained: | [●] [and [●], respectively]  |

#### 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 in arrear on each Interest Payment Date  |
|    | (ii)   | Interest Payment Date(s):  | [●] [and [●]] in each year up to and including the Maturity Date   |
|    | (iii)  | Fixed Coupon Amount(s):  | [[●] per [●] in Nominal Amount][Not Applicable]  |
|    | (iv)   | Broken Amount(s):  | [[●] per [●] in Nominal Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]  |
|    | (v)    | Day Count Fraction:  | [30/360] [Actual/Actual (ICMA/ISDA)][Actual/365 (Fixed)]   |
|    | (vi)   | Determination Date(s):   | [[●] in each year][Not Applicable]<br>[30/360] [Actual/Actual (ICMA/ISDA)][Actual/365 (Fixed)]   |
|    | (vii)  | Business Day Convention:   | [Not Applicable] [Floating Rate Convention/<br>Following Business Day Convention/<br>Modified Following Business Day Convention/<br>Preceding Business Day Convention]                                       |
|    | (viii) | Others terms relating to the method of calculating interest for Fixed Rate Notes which are Unlisted Notes: | [●][Not Applicable]  |
| 15 |        | Floating Rate Note Provisions  | [Applicable/Not Applicable]  |
|    | (i)    | Interest Period(s):  | [●]  |
|    | (ii)   | Specified Interest Payment Dates:  | [●], subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable] |
|    | (iii)  | First Interest Payment Date:   | [●][Issue Date]  |

|    |        |   |  |
|----|--------|---|--|
|    | (iv)   | Business Day Convention   | [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]                               |
|    | (v)    | 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/or Interest Amount(s) (if not the Agent):   | [●][Not Applicable]  |
|    | (viii) | Screen Rate Determination:  |  |
|    |        | — Reference Rate:   | [●] month [LIBOR/EURIBOR/EIBOR]  |
|    |        | — Interest Determination Date(s):   | [●]  |
|    |        | — Relevant Screen Page:   | [●]  |
|    | (ix)   | ISDA Determination:   |  |
|    |        | — Floating Rate Option:   | [●]  |
|    |        | — Designated Maturity:  | [●]  |
|    |        | — Reset Date:   | [●]  |
|    | (x)    | Linear Interpolation:   | [Not Applicable/Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]  |
|    | (xi)   | Margin(s):  | [[+/-] [●] per cent. per annum][Not Applicable]  |
|    | (xii)  | Minimum Rate of Interest:   | [[●] per cent. per annum][Not Applicable]  |
|    | (xiii) | Maximum Rate of Interest:   | [[●] per cent. per annum][Not Applicable]  |
|    | (xiv)  | Day Count Fraction:   | [Actual/Actual (ISDA)][Actual/Actual]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360][360/360][Bond Basis]<br>[30E/360][Eurobond Basis]<br>[30E/360 (ISDA)] |
|    | (xv)   | Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Unlisted Notes, if different from those set out in the Conditions: | [●][Not Applicable]  |
| 16 |        | Zero Coupon Note Provisions   | [Applicable/Not Applicable]  |
|    | (i)    | Amortisation Yield:   | [●] per cent. per annum  |
|    | (ii)   | Any other formula/basis of determining amount payable for Zero Coupon Notes which are Unlisted Notes:   | [●][Not Applicable]  |

## PROVISIONS RELATING TO REDEMPTION

- 17 Notice periods for Condition 6(c): Minimum period: [●] days  
Maximum period: [●] days
- 18 Call Option: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Note of [●] specified denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●]
- (b) Maximum Redemption Amount: [●]
- (iv) Notice periods: Minimum period: [●] days  
Maximum period: [●] days
- 19 Put Option: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Note of [●] specified denomination
- (iii) Notice periods: Minimum period: [●] days  
Maximum period: [●] days
- 20 Final Redemption Amount of each Note: [●] per Note of [●] specified denomination
- 21 Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption: [[●] per Note of [●] specified denomination]/[As calculated in accordance with Condition 6(b)(i)]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22 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/upon an Exchange Event as 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/upon an Exchange Event as specified in the Permanent Global Note]  
[Registered Notes;  
Registered Global Certificate registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg]
- 23 Financial Centre(s): [Not Applicable/[●]]
- 24 Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments

- are still to be made /No.]
- 25 RMB Settlement Centre(s): /[Not Applicable]
- 26 RMB Currency Event: [Applicable/Not Applicable]
- 27 Relevant Currency for Condition 7(i) [Not Applicable]
- 28 Relevant Spot Rate Screen Pages for Condition 7(i): (i) Relevant Spot Rate Screen Page (Deliverable Basis): [Not Applicable]  
(ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): [Not Applicable]
- 29 Party responsible for calculating the Spot Rate for Condition 7(i)  (the "Calculation Agent")][Not Applicable]
- 30 Other terms or special conditions [Not Applicable/*give details*]

### THIRD PARTY INFORMATION

has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced inaccurate or misleading.][Not Applicable]

Signed on behalf of the Issuer:

By:

*Duly authorised*

## PART B – OTHER INFORMATION

- 1 LISTING AND ADMISSION TO TRADING**
- (i) Listing: [Not Applicable]
- (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:  
[S&P: [ ]]  
[Moody's: [ ]]  
[Fitch: [ ]]]
- 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 Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealer] and [their/its] 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 YIELD (Fixed Rate Notes only) –** [●] per cent. per annum [on a [[quarterly]  
Indication of yield: [semi-annual] basis]
- 5 [REASON[S] FOR THE OFFER]** [if not for general corporate purposes such as, for example, for a "green project"]
- 6 OPERATIONAL INFORMATION**
- ISIN Code: [●]
- Common Code: [●]
- 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
- Names and addresses of additional Paying Agent(s) (if any): [●][Not Applicable]
- 7 DISTRIBUTION**
- Method of distribution: [Syndicated/Non-syndicated]
- If syndicated, names of Managers: [Not Applicable/give names]
- Date of Subscription Agreement: [●]
- If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- U.S. Selling Restrictions: [Reg. S Compliance Category [1/2]; TEFRA D/TEFRA C/TEFRA not applicable]

## GENERAL INFORMATION

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- (1) It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the UK 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 London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or before 7 September 2016.
- (2) The Issuer has obtained all necessary consents, approvals and authorisations in the UAE in connection with the establishment of the Programme. The establishment of the Programme was authorised by resolutions of the extraordinary general meeting of the shareholders of the Issuer and the Board of Directors, in each case passed on 22 November 2005. The increase in the amount of the Programme to U.S.\$7,500,000,000 was authorised by resolutions of the extraordinary general meeting of the shareholders of the Issuer and the Board of Directors on 12 March 2013 and 29 January 2013, respectively.
- (3) Save as disclosed in "*Risk Factors - Factors relating to the proposed merger*", "*Unaudited Pro Forma Condensed Consolidated Financial Information*", "*National Bank of Abu Dhabi P.J.S.C.*" and "*Appendix – Report on the Pro Forma Financial Information*" of this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2016 and no material adverse change in the prospects of the Issuer or the Group since 31 December 2015.
- (4) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the Group.
- (5) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms or Pricing Supplement, as applicable.
- (6) The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Final Terms.
- (7) During the period of 12 months following the date of this Base Prospectus, the following documents will be available, during usual business hours on any weekday (Fridays, Saturdays and public holidays excepted), for inspection at the registered office of the Issuer:
  - (i) the Memorandum and Articles of Association of the Issuer; and
  - (ii) the audited consolidated annual financial statements of the Issuer for each of the financial years ended 31 December 2015 and 2014, together with the report of KPMG as auditor of the Issuer relating thereto.
- (8) The previous external auditors of the Issuer were KPMG (authorised and regulated by UAE Federal Law No. 22 of 1995) who have audited, and rendered unqualified audit reports on, the audited consolidated annual financial statements of the Issuer as at and for each of the years ended 31 December 2015 and 2014. 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.

The current auditors of the Issuer are 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) who have reviewed the condensed consolidated interim financial statements of the Issuer for the six months ending 30 June 2016.



- (9) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer 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.

**APPENDIX – REPORT ON THE PRO FORMA FINANCIAL INFORMATION**

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United Arab Emirates  
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Fax +971 (2) 632 7612  
www.ae-kpmg.com

## 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 base prospectus (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 30 June 2016 which includes an unaudited consolidated pro forma balance sheet of the Merged Entities as at 30 June 2016, an unaudited consolidated pro forma statement of profit or loss and other comprehensive income of the Merged Entities for the six month period ended 30 June 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 30 June 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 six month period ended 30 June 2016.

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 six month period ended 30 June 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 2015 and the unaudited interim consolidated financial statements of FGB as at and for the six months ended 30 June 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 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.

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:

KPMG Lower Gulf Limited is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.  
KPMG Lower Gulf Limited is registered and licensed as a foreign branch under the laws of the United Arab Emirates.



Made inquiries of management regarding the process management has applied to compile the pro forma combined financial information;

- Evaluated 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;
- Evaluated 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;
- Determined whether the calculations within the pro forma combined financial information are arithmetically accurate; and
- Evaluated 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 Lower Gulf Limited

18 AUG 2016

**THE ISSUER**

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

One NBAD Tower  
Sheikh Khalifa Street  
P.O. Box 4  
Abu Dhabi  
United Arab Emirates

**ARRANGERS**

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

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

One NBAD Tower  
Sheikh Khalifa Street  
P.O. Box 4  
Abu Dhabi  
United Arab Emirates

**DEALERS**

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Crédit Agricole Corporate and Investment Bank**

Broadwalk House  
5 Appold Street  
London EC2A 2DA  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

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

One NBAD Tower  
Sheikh Khalifa Street  
P.O. Box 4  
Abu Dhabi  
United Arab Emirates

**Société Générale**

29 boulevard Haussmann  
75009 Paris  
France

**Standard Chartered Bank**

P.O. Box 999  
Dubai  
United Arab Emirates

**FISCAL AGENT, PAYING AGENT AND TRANSFER AGENT**

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**REGISTRAR, PAYING AGENT AND TRANSFER AGENT**

Deutsche Bank Luxembourg S.A.  
2 Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Luxembourg

**AUDITORS TO THE ISSUER**

*From 1 January 2016*

**PricewaterhouseCoopers (Abu Dhabi branch)**

Abu Dhabi Trade Centre, 9th Floor  
Abu Dhabi  
United Arab Emirates

*Prior to 1 January 2016*

**KPMG**

Falcon Tower, 15th Floor  
Al Nasr Street  
P.O. Box 7613  
Abu Dhabi  
United Arab Emirates

**LEGAL ADVISERS**

*to the Issuer as to English law and United Arab Emirates law*

**Clifford Chance LLP**

9th Floor  
Al Sila Tower  
Abu Dhabi Global Market Square  
P.O. Box 26492  
Abu Dhabi  
United Arab Emirates

*to the Dealers as to English law and United Arab Emirates law*

**Allen & Overy LLP**

11th Floor, Burj Daman Building  
Al Sa'ada Street  
Dubai International Financial Centre  
P.O. Box 506678  
Dubai  
United Arab Emirates

**SUPPLEMENT DATED 3 NOVEMBER 2016  
TO THE BASE PROSPECTUS DATED 1 SEPTEMBER 2016**



**NATIONAL BANK OF ABU DHABI P.J.S.C.**

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

**U.S.\$7,500,000,000**

**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 1 September 2016 (the "**Base Prospectus**") prepared by National Bank of Abu Dhabi P.J.S.C. (the "**Issuer**", "**NBAD**" or the "**Bank**") in connection with the Issuer's Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$7,500,000,000 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 correct an inaccuracy in the section entitled "*Risk Factors – Factors relating to the proposed merger – The Enlarged Group may not achieve the synergies that it anticipates following the Merger*" on page 11 of the Base Prospectus.



## 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; 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.

Copies of this Supplement and the Base Prospectus 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.

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.

## AMENDMENTS TO THE BASE PROSPECTUS

With effect from the date of this Supplement, the information appearing in the second sentence of the third paragraph on page 11 of the Base Prospectus under the heading "*Risk Factors – Factors relating to the proposed merger – The Enlarged Group may not achieve the synergies that it anticipates following the Merger*" shall be deemed to be deleted and replaced with the following sentence:

"The Issuer expects to incur implementation costs of approximately AED600 million in order to deliver the anticipated operating synergies."

**SECOND SUPPLEMENT DATED 5 JANUARY 2017  
TO THE BASE PROSPECTUS DATED 1 SEPTEMBER 2016**



**NATIONAL BANK OF ABU DHABI P.J.S.C.**

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

**U.S.\$7,500,000,000**

**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 1 September 2016 as supplemented by the base prospectus supplement dated 3 November 2016 (together, the "**Base Prospectus**") prepared by National Bank of Abu Dhabi P.J.S.C. (the "**Issuer**", "**NBAD**" or the "**Bank**") in connection with the Issuer's Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$7,500,000,000 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: (i) 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 2016 and the auditors' review report thereon; (ii) incorporate by reference into the Base Prospectus the unaudited condensed consolidated interim financial statements of FGB as at and for the nine months ended 30 September 2016 and the auditors' review report thereon; (iii) update the sections of the Base Prospectus entitled "*Unaudited Pro Forma Condensed Consolidated Financial Information*" and "*Appendix – Report on the Pro Forma Financial Information*", appearing on pages 53 to 61 (inclusive) and on pages F-1 to F-4 (inclusive), respectively; (iv) update certain other disclosure under the heading "*National Bank of Abu Dhabi P.J.S.C. – Directors, Management and Employees – General Management*" on pages 84 to 94 (inclusive) of the Base Prospectus; and (v) update certain other disclosure under the heading "*National Bank of Abu Dhabi P.J.S.C. – Proposed Merger*" on page 98 of the Base Prospectus.

## 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.

Save as disclosed in this Supplement, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 September 2016 and no material adverse change in the prospects of the Issuer or the Group since 31 December 2015.

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:

### 1. Publication of the Issuer's Q3 2016 Financial Statements

On 26 October 2016, the Issuer published its unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2016, together with the auditors' review report thereon (the "**Q3 2016 Financial Statements**").

A copy of the Q3 2016 Financial Statements has been filed with the U.K. Listing Authority and the Q3 2016 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 2016 Financial Statements can be viewed on the website of the Issuer at: <https://www.nbad.com/content/dam/NBAD/documents/investor-relations/quarterly-financial-statements/2016-q3-quarterly-financial-statement.pdf>.

For the avoidance of doubt, any documents incorporated by reference in the Q3 2016 Financial Statements shall not form part of this Supplement or the Base Prospectus.

Any non-incorporated parts of the Q3 2016 Financial Statements are either not relevant for an investor or are otherwise covered elsewhere in this Supplement or in the Base Prospectus.

### 2. Publication of FGB's Q3 2016 Financial Statements

On 26 October 2016, FGB published its unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2016, together with the auditors' review report thereon (the "**FGB Q3 2016 Financial Statements**").

A copy of the FGB Q3 2016 Financial Statements has been filed with the U.K. Listing Authority and the FGB Q3 2016 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 FGB Q3 2016 Financial Statements can be viewed on the website of FGB at: <https://www.fgbgroup.com/-/media/Files/01-FGB-Group/03-Investor-Relations/07-Financial-Performance/02-Earning-Announcement/FGB-Q3-16-Financial-Statements.ashx?la=en>

For the avoidance of doubt, any documents incorporated by reference in the FGB Q3 2016 Financial Statements shall not form part of this Supplement or the Base Prospectus.

Any non-incorporated parts of the FGB Q3 2016 Financial Statements are either not relevant for an investor or are otherwise covered elsewhere in this Supplement or in the Base Prospectus.

### **3. Updates to the Unaudited Pro Forma Condensed Consolidated Financial Information**

Following the publication by the Issuer of its Q3 2016 Financial Statements and in accordance with the requirements of paragraph 5 of Annex II of Commission Regulation (EC) No. 809/2004 (as amended), the Issuer has updated the sections of the Base Prospectus entitled "*Unaudited Pro Forma Condensed Consolidated Financial Information*" and "*Appendix – Report on the Pro Forma Financial Information*", appearing on pages 53 to 61 (inclusive) and on pages F-1 to F-4 (inclusive) of the Base Prospectus, respectively.

Accordingly, and with effect from the date of this Supplement, the information appearing under the heading "*Unaudited Pro Forma Condensed Consolidated Financial Information*" on pages 53 to 61 (inclusive) of the Base Prospectus shall be updated such that it includes the unaudited pro forma condensed consolidated financial information as at and for the nine month period ended 30 September 2016 (the "**Q3 2016 Pro Forma Financial Information**"), set out at Annex 1 to this Supplement.

Additionally, and with effect from the date of this Supplement, the information appearing under the heading "*Appendix – Report on the Pro Forma Financial Information*" on pages F-1 to F-4 (inclusive) of the Base Prospectus shall be updated such that it includes the independent auditors' assurance report on the compilation of the Q3 2016 Pro Forma Financial Information, issued by KPMG and set out at Annex 2 to this Supplement (the "**Auditors' Report on the Q3 2016 Pro Forma Financial Information**"). KPMG have given and not withdrawn their written consent to the inclusion in this Supplement of the Auditors' Report on the Q3 2016 Pro Forma Financial Information.

### **4. Changes in General Management of the Issuer**

With effect from 1 January 2017, the following members of the Issuer's general management team have resigned their positions:

- Abdulla Mohammed Saleh AbdulRaheem, Deputy Group Chief Executive Officer;
- Qamber Ali Al Mulla, Senior Managing Director and Chief Executive Officer – Gulf & International Division;
- Abdulla Al Otaiba, Senior Managing Director, Group Head, GRC; and
- Saif Ali Munakhas Al Shehhi, Senior Managing Director, UAE Government and key Abu Dhabi based clients.

As a result of the above departures, the Issuer has made the following changes to its general management structure:

- James Burdett, Group Chief Financial Officer will have executive oversight of the Group Marketing and Corporate Communication and Group Human Resources functions;
- Rüdiger von Wedel, Senior Managing Director and Head of GWB will have responsibility for the Gulf & International Division;

- Rola Abu Manneh, Senior Managing Director and Head of Client Relationships will manage relationships with the UAE Government and key Abu Dhabi based clients;
- Suvrat Saigal, Managing Director and Head of Global Retail Banking will continue to have responsibility for the Issuer's Retail Banking services; and
- Nilanjan Ray, Managing Director and Head of Commercial Banking will continue to have oversight of the Issuer's Commercial Banking offering.

The biographies of the Issuer's general management on pages 84 to 87 (inclusive) of the Base Prospectus are deemed to be amended or (as applicable) deleted accordingly.

Additionally, and as a result of the above departures, the Issuer has replaced Abdulla Al Otaiba with Suvrat Saigal (Managing Director and Head of Global Retail Banking) in the membership of the Assets and Liabilities Committee and the Group Risk Committee. The other departing members of the Issuer's general management will not be replaced as members on the Issuer's Executive Management Level Committees.

The descriptions of the membership of the Issuer's Executive Management Level Committees on pages 91 to 94 (inclusive) of the Base Prospectus are deemed to be amended accordingly.

## **5. Shareholder approval of the Merger**

With effect from the date of this Supplement, the information appearing under the heading "*National Bank of Abu Dhabi P.J.S.C. – Proposed Merger*" on page 98 of the Base Prospectus shall be deemed to be supplemented by the information set out below:

On 7 December 2016, the respective shareholders of the Issuer and FGB have passed the necessary shareholder resolutions at their respective general assembly meetings to approve of the Merger between the Issuer and FGB, which is to be effected by way of a merger pursuant to the UAE Federal Law No. 2 of 2015 Concerning Commercial Companies. The Merger remains subject to the satisfaction of certain other conditions, as set out above.

## **ANNEX 1**



## **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 combination 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 30 September 2016, as if the merger has taken place as at 30 September 2016, and its Unaudited Pro forma Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the nine-month period ended 30 September 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 combination as at 30 September 2016 and on the historical consolidated statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 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 2015 and the historical interim condensed consolidated financial statements of the two entities as of and for the nine-month period ended 30 September 2016.

The Pro forma financial information has been prepared on figures extracted from the unaudited interim condensed consolidated financial statements of NBAD, and the unaudited interim condensed consolidated financial statements of FGB as at 30 September 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 2015 of FGB. The principles of 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 acquisition / combination. 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 30 SEPTEMBER 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                     | 77,385,184         | 20,329,838         | -                        |         | 97,715,022                |
| Investments at fair value through profit or loss         | 14,342,821         | 1,091,247          | (1,021,993)              | i       | 14,412,075                |
| Due from banks and financial institutions                | 14,241,481         | 10,649,917         | (1,310,913)              | i       | 23,580,485                |
| Reverse repurchase agreements                            | 9,429,226          | 4,185,735          | (1,274,666)              | i       | 12,340,295                |
| Derivative financial instruments                         | 13,485,939         | 1,902,917          | (186,279)                | i       | 15,202,577                |
| Loans and advances                                       | 205,273,142        | 155,540,413        | -                        |         | 360,813,555               |
| Non-trading investments                                  | 68,826,710         | 24,101,655         | -                        |         | 92,928,365                |
| Other assets   | 8,938,589          | 7,435,157          | (31,708)                 | i       | 16,342,038                |
| Investment properties                                    | 185,125            | 6,136,282          | -                        |         | 6,321,407                 |
| Property and equipment                                   | 2,815,890          | 1,618,754          | 220,335                  | ii      | 4,654,979                 |
| Goodwill and intangible assets                           | -                  | 178,578            | 10,864,959               | iv      | 11,043,537                |
| <b>Total assets</b>                                      | <b>414,924,107</b> | <b>233,170,493</b> | <b>7,259,735</b>         |         | <b>655,354,335</b>        |
| <b>LIABILITIES</b>                                       |                    |                    |                          |         |                           |
| Due to banks and financial institutions                  | 36,828,765         | 14,497,626         | (1,310,913)              | i       | 50,015,478                |
| Repurchase agreements                                    | 25,989,793         | 11,398,720         | (1,274,666)              | i       | 36,113,846                |
| Euro commercial paper                                    | 9,788,171          | 3,929,608          | -                        |         | 13,717,779                |
| Derivative financial instruments                         | 17,058,820         | 2,335,741          | (186,279)                | i       | 19,208,282                |
| Customer accounts and other deposits                     | 242,876,141        | 140,427,791        | -                        |         | 383,303,932               |
| Term borrowings  | 25,193,050         | 17,009,145         | (1,021,993)              | i       | 41,180,202                |
| Other liabilities  | 11,820,680         | 5,277,939          | (31,708)                 | i       | 17,066,911                |
| Sukuk financing instruments                              | -                  | 1,836,500          | -                        |         | 1,836,500                 |
| Subordinated notes                                       | 409,631            | -                  | -                        |         | 409,631                   |
| <b>Total liabilities</b>                                 | <b>369,965,051</b> | <b>196,713,070</b> | <b>(3,825,560)</b>       |         | <b>562,852,561</b>        |
| <b>EQUITY</b>  |                    |                    |                          |         |                           |
| Share capital  | 5,254,546          | 4,500,000          | 1,143,000                | iii, v  | 10,897,546                |
| Additional paid-in capital                               | 292,668            | -                  | 48,143,606               | iii, v  | 48,436,274                |
| Treasury shares  | (51,280)           | -                  | -                        | iii, v  | (51,280)                  |
| Legal reserve  | 5,209,722          | 11,030,110         | (11,030,110)             | iii, iv | 5,209,722                 |
| Tier 1 capital notes                                     | 6,754,750          | 4,000,000          | -                        | iv, v   | 10,754,750                |
| Share option scheme                                      | 219,183            | -                  | -                        | iv, v   | 219,183                   |
| Convertible notes-equity component                       | 108,265            | -                  | -                        | iv, v   | 108,265                   |
| Revaluation reserve                                      | -                  | 280,601            | -                        |         | 280,601                   |
| Other reserves   | 20,911,174         | 713,418            | (20,911,174)             | v       | 713,418                   |
| Retained earnings  | 6,260,028          | 15,494,977         | (6,260,028)              | v       | 15,494,977                |
| <b>Equity attributable to equity holders of the Bank</b> | <b>44,959,056</b>  | <b>36,019,106</b>  | <b>11,085,294</b>        |         | <b>92,063,456</b>         |
| Non-controlling interests                                | -                  | 438,317            | -                        |         | 438,317                   |
| <b>Total equity</b>                                      | <b>44,959,056</b>  | <b>36,457,423</b>  | <b>11,085,294</b>        |         | <b>92,501,773</b>         |
| <b>Total liabilities and equity</b>                      | <b>414,924,107</b> | <b>233,170,493</b> | <b>7,259,735</b>         |         | <b>655,354,335</b>        |

*See notes to the Pro forma financial information.*

**PRO FORMA CONDENSED CONSOLIDATED  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE NINE-MONTH PERIOD ENDED**

**30 SEPTEMBER 2016**

|   | NBAD             | FGB              | Pro forma<br>adjustments | Notes | Pro forma<br>Consolidated |
|---|------------------|------------------|--------------------------|-------|---------------------------|
|   | AED 000          | AED 000          | AED 000                  |       | AED 000                   |
| Interest income   | 7,220,337        | 5,981,112        | (45,040)                 | i     | 13,156,409                |
| Interest expense  | (2,112,995)      | (1,423,645)      | 45,040                   | i     | (3,491,600)               |
| <b>Net interest income</b>                              | <b>5,107,342</b> | <b>4,557,467</b> | -                        |       | <b>9,664,809</b>          |
| Income from Islamic financing contracts                 | 387,179          | 356,004          | -                        |       | 743,183                   |
| Islamic financing expense                               | (19,398)         | (168,808)        | -                        |       | (188,206)                 |
| <b>Net income from Islamic financing contracts</b>      | <b>367,781</b>   | <b>187,196</b>   | -                        |       | <b>554,977</b>            |
| <b>Net interest and Islamic financing income</b>        | <b>5,475,123</b> | <b>4,744,663</b> | -                        |       | <b>10,219,786</b>         |
| Net fees and commission income                          | 1,693,289        | 1,339,392        | -                        |       | 3,032,681                 |
| Net foreign exchange gain                               | 868,577          | 155,909          | -                        |       | 1,024,486                 |
| Net gain on investments and derivatives                 | 34,698           | 233,307          | -                        |       | 268,005                   |
| Other operating income                                  | 21,906           | 708,462          | -                        |       | 730,368                   |
| <b>Operating income</b>                                 | <b>8,093,593</b> | <b>7,181,733</b> | -                        |       | <b>15,275,326</b>         |
| General, administration and other operating expense     | (3,016,789)      | (1,427,844)      | -                        |       | (4,444,633)               |
| <b>Profit before net impairment charge and taxation</b> | <b>5,076,804</b> | <b>5,753,889</b> | -                        |       | <b>10,830,693</b>         |
| Net impairment charge                                   | (879,924)        | (1,193,788)      | -                        |       | (2,073,712)               |
| <b>Profit before taxation</b>                           | <b>4,196,880</b> | <b>4,560,101</b> | -                        |       | <b>8,756,981</b>          |
| Overseas income tax expense                             | (229,715)        | (24,248)         | -                        |       | (253,963)                 |
| <b>Net profit</b>                                       | <b>3,967,165</b> | <b>4,535,853</b> | -                        |       | <b>8,503,018</b>          |
| Other comprehensive income                              | 284,353          | 255,755          | -                        |       | 540,108                   |
| <b>Total comprehensive income</b>                       | <b>4,251,518</b> | <b>4,791,608</b> | -                        |       | <b>9,043,126</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 30 September 2016 has been extracted from the unaudited interim condensed consolidated financial statements of NBAD. The consolidated statement of financial position of FGB at 30 September 2016 has been extracted from the unaudited interim condensed consolidated financial statements of FGB.

The consolidated statement of profit or loss and other comprehensive income of NBAD for the nine-month period ended 30 September 2016 has been extracted from the unaudited interim condensed consolidated financial statements of NBAD. The consolidated statement of profit or loss and other comprehensive income of FGB for the nine-month period ended 30 September 2016 has been extracted from the unaudited interim condensed 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 2015. The accounting policies used by FGB as described in its financial statements for the year ended 31 December 2015 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 AED220 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 2015, the fair value of investment properties approximates its carrying amounts and thus no adjustment has been recognised. As at 30 September 2016, the fair values of the investment properties have not changed significantly and therefore still approximate their carrying amounts.

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;
- 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 30 September 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:

|                   |                |
|-------------------|----------------|
|                   | <b>AED'000</b> |
| Carrying value    | 1,100,695      |
| Fair value        | 1,321,030      |
| <b>Difference</b> | <b>220,335</b> |

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

|                           |                |                |
|---------------------------|----------------|----------------|
|                           | <b>AED'000</b> | <b>AED'000</b> |
| Land (Dr.)                | 220,335        |                |
| Retained earnings (Dr.)   | 184,763        |                |
| Revaluation reserve (Cr.) |                | 405,098        |

**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 52.03% ownership interest of FGB shareholders in the Group and a 47.97% 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         | 52.03%         |
| Outstanding share capital of NBAD<br>(net of treasury shares)             | <b>5,203,266</b>  | 47.97%         |
| <b>Total shares of NBAD post combination<br/>(net of treasury shares)</b> | <b>10,846,266</b> | <b>100.00%</b> |

Accordingly, NBAD's share capital post combination amount to AED10,846 million which is presented as follows:

|                            | <b>AED'000</b>    |
|----------------------------|-------------------|
| Share capital              | 10,897,546        |
| Treasury shares            | (51,280)          |
| <b>Total share capital</b> | <b>10,846,266</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 52.03% and 47.97%, respectively, in the Group. The acquisition cost has been calculated on the basis of FGB's closing price of AED11.80 per share on Abu Dhabi Securities Exchange on 29 September 2016. The acquisition cost 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             | 52.03%            |
| <b>Total number of shares of the Group (units'000)</b>          | <b>8,649,335</b>  |
| Multiplied by: NBAD's percentage ownership in the Group         | 47.97%            |
| <b>Number of shares to be issued by FGB to NBAD (units'000)</b> | <b>4,149,335</b>  |
| Multiplied by: Share price of FGB                               | 11.80             |
| <b>Total consideration (AED'000)</b>                            | <b>48,962,152</b> |

A share premium of AED43,319 million arises on NBAD issuance of the new shares for this transaction computed as follows:

|   | <b>AED'000</b>    |
|---|-------------------|
| Total consideration                             | 48,962,152        |
| Less: Par value of shares issued by NBAD to FGB | 5,643,000         |
| <b>Share premium</b>                            | <b>43,319,152</b> |

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

**PRO FORMA ADJUSTMENTS (continued)**

- iv. To record AED10,865 million excess of total consideration over the net assets of NBAD as at 30 September 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                                       | 48,962,152        |
| Less: Adjusted net assets of NBAD as at 30 September 2016 | (38,097,193)      |
| <b>Goodwill / intangible</b>                              | <b>10,864,959</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 30 September 2016                 | 45,179,391        |
| Less: Other equity items                                   |                   |
| Tier 1 capital notes                                       | (6,754,750)       |
| Share option scheme  | (219,183)         |
| Convertible notes-equity component                         | (108,265)         |
| <b>Adjusted net assets of NBAD as at 30 September 2016</b> | <b>38,097,193</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                       | 48,962,152        |
| <b>Capital post combination</b>           | <b>53,462,152</b> |
| Adjustment to retain NBAD's legal reserve | 5,820,388         |
| <b>Total paid-in capital</b>              | <b>59,282,540</b> |

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

|                              |                   |
|------------------------------|-------------------|
|                              | <b>AED'000</b>    |
| Share capital                | 10,897,546        |
| Additional paid-in capital   | 48,436,274        |
| Treasury Shares              | (51,280)          |
| <b>Total paid-in capital</b> | <b>59,282,540</b> |



## ANNEX 2



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Tel. +971 (2) 401 4800, Fax +971 (2) 632 7612

## **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 30 September 2016 which includes an unaudited consolidated pro forma balance sheet of the Merged Entities as at 30 September 2016, an unaudited consolidated pro forma statement of profit or loss and other comprehensive income of the Merged Entities for the nine month period ended 30 September 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 30 September 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 nine month period ended 30 September 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 nine month period ended 30 September 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 2015 and the unaudited interim consolidated financial statements of FGB as at and for the nine months ended 30 September 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;

- Evaluated 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;
- Evaluated 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;
- Determined whether the calculations within the pro forma combined financial information are arithmetically accurate; and
- Evaluated 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 Lower Gulf Limited  
Date