## IMPORTANT NOTICE

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

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

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

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

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

THIS BASE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS BASE PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 12, ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS BASE PROSPECTUS MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

**Confirmation of Your Representation**: By accessing this Base Prospectus you confirm to Australia and New Zealand Banking Group Limited, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Daiwa Capital Markets Europe Limited, DBS Bank Ltd., Deutsche Bank AG, London Branch, First Gulf Bank P.J.S.C., HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Merrill Lynch International, Mitsubishi UFJ Securities International plc, Mizuho International plc, National Bank of Abu Dhabi P.J.S.C., Natixis, Nomura International plc, Standard Chartered Bank and Wells Fargo Securities International Limited as dealers (together the "**Dealers**"), and the Issuer, that (i) you understand and agree to the terms set out herein, (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions, (iii) you consent to delivery of the Base Prospectus by electronic transmission, (iv) you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Dealers, and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Notes.

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

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

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

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

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

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

**BASE PROSPECTUS**

# FIRST GULF BANK P.J.S.C.

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

## U.S.$5,000,000,000
## Euro Medium Term Note Programme

Under this U.S.$5,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), First Gulf Bank P.J.S.C. ("**FGB**" and the "**Issuer**") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

Notes may be issued in bearer or registered form (respectively, "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$5,000,000,000 (or its equivalent in other currencies calculated as provided in the Dealer Agreement described herein), subject to increase as described herein.

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

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

Application has been made to the United Kingdom Financial Conduct Authority (the "**FCA**") in its capacity as competent authority under Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") (the "**U.K. Listing Authority**") for Notes issued under the Programme (other than Exempt Notes (as defined below)) during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the U.K Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "**Regulated Market**"). References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the Regulated Market and have been admitted to the Official List. The Regulated Market is a regulated market for the purpose of Directive 2004/39/EC on markets in financial instruments.

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

The Issuer has been assigned ratings of A+ by Fitch Ratings Ltd. ("**Fitch**") and A2 by Moody's Investors Service Ltd. ("**Moody's**"), each with stable outlook. The Emirate of Abu Dhabi has been assigned ratings of AA by Fitch, Aa2 by Moody's Investors Service Singapore Pte. Ltd. ("**Moody's Singapore**") and AA by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), each with stable outlook. The United Arab Emirates has been assigned a credit rating of Aa2 with a stable outlook by Moody's Singapore.

**Moody's Singapore is not established in the European Union and has not applied for registration under the CRA Regulation. The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch, S&P and Moody's is established in the European Union and is registered under the CRA Regulation.**

The rating of certain Tranches (as defined herein) of Notes to be issued under the Programme and the credit rating agency issuing such rating may be specified in the relevant Final Terms (or, in the case of Exempt Notes (as defined below), the relevant Pricing Supplement (as defined below)). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading on a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system ("**Exempt Notes**") or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. No base prospectus is required to be produced in accordance with Directive 2003/71/EC for the issue of Exempt Notes and, accordingly, the Exempt Notes issued are not required to, and do not comply with, the Prospectus Directive as so amended. The U.K. Listing Authority has neither reviewed nor approved the information contained in this Base Prospectus in relation to the Exempt Notes.

*Arrangers*

| | |
|---|---|
| **Citigroup** | **Deutsche Bank** |
| **First Gulf Bank** | **HSBC** |
| **National Bank of Abu Dhabi** | **Standard Chartered Bank** |

*Dealers*

| | |
|---|---|
| **ANZ** | **Barclays** |
| **BofA Merrill Lynch** | **BNP PARIBAS** |
| **Citigroup** | **Commerzbank** |
| **Crédit Agricole CIB** | **Daiwa Capital Markets Europe** |
| **DBS Bank Ltd.** | **Deutsche Bank** |
| **First Gulf Bank** | **HSBC** |
| **ING** | **J.P. Morgan** |
| **Mizuho Securities** | **MUFG** |
| **National Bank of Abu Dhabi** | **Natixis** |
| **Nomura** | **Standard Chartered Bank** |
| **Wells Fargo Securities** | **Morgan Stanley** |

The date of this Base Prospectus is 18 April 2016

## IMPORTANT NOTICES

**This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the "Prospectus Directive") and for the purpose of giving information with regard to the Issuer 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 (as defined below) or (in the case of Exempt Notes) the Pricing Supplement (as defined below) for each Tranche (as defined herein) of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Where information has been sourced from a third party, the 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 such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

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

Each Tranche of Notes may be rated or unrated. Such rating will be specified in the relevant Final Terms or (in the case of Exempt Notes) the relevant Pricing Supplement, as the case may be. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to "*Risks related to the market generally – Credit ratings may not reflect all risks*" in the Risk Factors section of the Base Prospectus.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, any Arranger (as defined herein) or any Dealer.

Neither the Arrangers, the Dealers nor any of their respective affiliates make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulations S under the Securities Act ("**Regulation S**")).

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

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.$5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

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

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

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

## NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

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

## NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

## NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Notes will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority in accordance with their regulations or any other regulations in the State of Qatar. The Notes are not and will not be traded on the Qatar Exchange.

## PRESENTATION OF INFORMATION

### Certain Defined Terms

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

- references to "**Abu Dhabi**" herein are to the Emirate of Abu Dhabi;
- references to the "**Government**" herein are to the government of Abu Dhabi;
- references to a "**Member State**" are references to a Member State of the European Economic Area; and
- references to the "**U.A.E**." herein are to the United Arab Emirates.

### Certain Conventions

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

All references in this Base Prospectus to "**U.S. dollars**", "**U.S.$**" and "**$**" refer to United States dollars being the legal currency for the time being of the United States of America; all references to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the People's Republic of China (the "**PRC**") (which, for the purposes of this Base Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan); all references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the Treaty on the Functioning of the European Community, as amended; and all references to "**dirham**" and "**AED**" refer to U.A.E. dirham being the legal currency for the time being of the U.A.E. The dirham has been pegged to the U.S. dollar since 22 November 1980. The midpoint between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00.

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

## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) in the relevant subscription agreement (the "Stabilising Manager") (or persons acting on behalf of any Stabilising 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, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of a Stabilising Manager(s)) in accordance with all applicable laws and rules.**

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## OVERVIEW OF THE PROGRAMME

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

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

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

| | |
|---|---|
| **Issuer**: | First Gulf Bank P.J.S.C. was incorporated in the U.A.E. in 1979 for a duration of 100 years and is registered as a public joint stock company with limited liability in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended). The registered office of FGB is P.O. Box 6316, Abu Dhabi, United Arab Emirates. See "*Description of First Gulf Bank P.J.S.C.*". |
| **Description**: | Euro Medium Term Note Programme. |
| **Risk Factors**: | There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme. These include certain risks relating to the structure of a particular Series of Notes and certain market risks. See "*Risk Factors*". |
| **Arrangers**: | Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, First Gulf Bank P.J.S.C., HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank. |
| **Dealers**: | Australia and New Zealand Banking Group Limited, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Daiwa Capital Markets Europe Limited, DBS Bank Ltd., Deutsche Bank AG, London Branch, First Gulf Bank P.J.S.C., HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Merrill Lynch International, Mitsubishi UFJ Securities International plc, Mizuho International plc, Morgan Stanley & Co. International plc, National Bank of Abu Dhabi P.J.S.C., Natixis, Nomura International plc, Standard Chartered Bank and Wells Fargo Securities International Limited and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes. |
| **Fiscal Agent**: | Citibank N.A., London Branch. |
| **Registrar**: | Citigroup Global Markets Deutschland AG. |
| **Final Terms, Pricing Supplement or Drawdown Prospectus**: | Notes issued under the Programme may be issued either: (1) pursuant to this Base Prospectus and associated Final Terms or (in the case of Exempt Notes) Pricing Supplement; or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as supplemented by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced to the extent described in the relevant Pricing Supplement or Drawdown Prospectus. |

| | |
|---|---|
| **Listing and Trading**: | Application has been made to the U.K. Listing Authority for Notes issued under the Programme (other than Exempt Notes) to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Regulated Market.<br><br>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer(s) in relation to the relevant Series. Notes which are neither listed nor admitted to trading on any market may also be issued.<br><br>The Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets. |
| **Clearing Systems**: | Euroclear (as defined herein) and/or Clearstream, Luxembourg (as defined herein). |
| **Initial Programme Amount**: | Up to U.S.$5,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.<br><br>The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement. |
| **Issuance in Series**: | Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the amount and date of the first payment of interest thereon (if any) and the date from which interest starts to accrue), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will comprise, where necessary, the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche), will be identical to the terms of other Tranches of the same Series and will be completed in the relevant Final Terms or in the case of Exempt Notes, the relevant Pricing Supplement. |
| **Forms of Notes**: | Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**").<br><br>In respect of each Tranche of Bearer Notes, the Issuer will initially deliver a Temporary Global Note or (if so specified in the relevant Final Terms in respect of Notes to which the TEFRA C Rules apply (as so specified in such Final Terms)) a Permanent Global Note (each as described herein). Such Global Note will be deposited on or around the relevant issue date therefor with Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Interests in each Temporary Global Note will, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership, be exchangeable for interests in a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes (as described herein) in bearer form. Interests in each Permanent Global Note will be exchangeable for Definitive Notes in bearer form. Definitive Notes in bearer form will, if interest-bearing, have Coupons attached and, if appropriate, Talons (each as described herein). |

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| | In respect of each Tranche of Registered Notes, the Issuer will deliver to each holder Registered Notes which will be recorded in the register which the Issuer shall procure to be kept by the Registrar. A Global Registered Note may be registered in the name of a nominee for one or more clearing systems. Registered Notes will not be represented upon issue by a Temporary Global Note and may not be exchanged for Bearer Notes. |
| **Currencies**: | Notes may be denominated in U.S. dollars, euro, AED or any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in any currency or currencies other than the currency in which such Notes are denominated. |
| **Status of the Notes**: | Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms. |
| **Issue Price**: | Notes may be issued at any price, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. |
| **Maturities**: | Any maturity is subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. |
| | Where Notes have a maturity of less than one year and either: (a) the issue proceeds are received by the Issuer in the United Kingdom; or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of FSMA by the Issuer. |
| **Redemption**: | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed at par. |
| **Optional Redemption**: | Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms or Pricing Supplement, as the case may be, and also (if so specified in the relevant Final Terms) in the event of a change of control of the Issuer as set out in Condition 10(f) (*Redemption and Purchase – Change of Control Put*). |
| **Tax Redemption**: | Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*). |
| **Interest**: | Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the |

maturity date of the relevant Series.

**Denominations**: The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the relevant Final Terms or Pricing Supplement, as the case may be, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The minimum denomination of each Note shall be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the date of the issue of the Notes).

**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., and as amended and updated as at the Issue Date of the first Tranche of Notes of the relevant Serie, or

(ii) on the basis of the reference rate set out in the relevant Final Terms or Pricing Supplement, as the case may be.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the 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.

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

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

**Negative Pledge**: The Notes will have the benefit of a negative pledge as described in Condition 6 (*Negative Pledge*).

**Cross Default**: The Notes will have the benefit of a cross-default as described in Condition 14(a)(iii) (*Events of Default – Events of Default for Senior Notes – Cross-default of Issuer or Principal Subsidiary*).

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

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| **Governing Law**: | English law. |
| **Enforcement of Notes in Global Form**: | In the case of Global Notes, individual investors' rights against the Issuer will be governed by the Deed of Covenant (as defined herein), a copy of which will be available for inspection at the specified office of the Fiscal Agent. |
| **Ratings**: | The ratings of certain Tranches of Notes issued under the Programme and the credit rating agency issuing such rating may be specified in the relevant Final Terms (or, in the case of Exempt Notes, the relevant Pricing Supplement).<br><br>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.<br><br>In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued or endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation). |
| **Selling Restrictions**: | For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Hong Kong, the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan), Japan, Malaysia, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar and such other restrictions as may be required in connection with the offering and sale of the Notes, see "*Subscription and Sale*" below.<br><br>Category 2 selling restrictions will apply for the purposes of Regulation S under the United States Securities Act of 1933, as amended.<br><br>The Notes will be issued in compliance with United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any substantially identical successor U.S. Treasury regulation section including, without limitation, substantially identical regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**") unless (i) the relevant Final Terms or Pricing Supplement, as the case may be, states that Notes are issued in compliance with United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any substantially identical successor U.S. Treasury regulation section including, without limitation, substantially identical regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms or Pricing Supplement, as the case may be, as a |

transaction to which TEFRA is not applicable.

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| **Waiver of immunity**: | The Issuer acknowledges that it has agreed in the Agency Agreement, the Deed of Covenant and the Notes that, to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and has irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. |

## DOCUMENTS INCORPORATED BY REFERENCE

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

1. the auditors' report and audited consolidated financial statements of FGB for the year ended 31 December 2014 which also include the comparative balances for the year ended 31 December 2013;

2. the auditors' report and audited consolidated financial statements of FGB for the year ended 31 December 2015;

3. the Terms and Conditions of the Notes contained on pages 27 to 59 (inclusive) in the base prospectus dated 24 October 2013 prepared by FGB in connection with the Programme;

4. the Terms and Conditions of the Notes contained on pages 28 to 61 (inclusive) in the base prospectus dated 22 October 2014 prepared by FGB in connection with the Programme; and

5. the Terms and Conditions of the Notes contained on pages 27 to 60 (inclusive) in the base prospectus dated 16 April 2015 prepared by FGB in connection with the Programme.

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

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

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

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the U.K. Listing Authority in accordance with Article 16 of the Prospectus Directive and relevant implementing measures in the United Kingdom. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

# RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the 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 the Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes or to pay any amount in respect of the principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the 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 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

### *General*

Investors should note that FGB is a U.A.E. company and is incorporated in, and has its major operations and the majority of its assets located in, the U.A.E. Accordingly there may be insufficient assets of FGB located outside the U.A.E. to satisfy in whole or part any judgment obtained from an English court relating to amounts owing under any Notes.

### *Business in the U.A.E.*

FGB has a significant portion of its operations and assets in the U.A.E. and accordingly its business and results of operations may be affected by the financial, political and general economic conditions prevailing from time to time in the U.A.E. and/or the Middle East generally. Investors are advised to make, and will be deemed by the Dealers and FGB to have made, their own investigations in relation to such factors before making any investment decisions in relation to the Notes.

Investors should also be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks.

### *Credit risk*

Credit risk is the risk that a customer will fail to meet its obligations in accordance with agreed terms and in doing so will cause FGB, together with its subsidiaries (the "**Group**"), to incur a financial loss. The Group controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties, diversification of lending activities and compliance with internal limits to avoid undue concentrations of risk with individuals or groups of customers in specific locations or businesses, and by obtaining security when appropriate. In addition to monitoring credit limits, the Group seeks to manage its credit exposure by entering into netting agreements and collateral arrangements with counterparties in appropriate circumstances and by limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. FGB has a dedicated Credit Risk Management Unit, reporting to the Head of the Risk Management and Compliance Group ("**HORMCG**"), to monitor credit risk (see " *Description of First Gulf Bank P.J.S.C. – Risk and Compliance Management Framework – Overview of Risk Management and Compliance Function*").

### *Market risk*

Market risk is defined as the risk of losses in the Group's on or off balance sheet positions arising from movements in interest rates, credit spreads, foreign exchange rates and the prices of its debt, equity and commodity investments. FGB has established an independent middle office to track the magnitude of market risk on a daily basis. The Group has established policies and guidelines for undertaking investments in the trading book that are subject to market risk. These policies and guidelines are reviewed and approved by IMCO (as defined under "*Description of First Gulf Bank P.J.S.C. – Risk and Compliance Governance Structure*"), and further ratified by Board level committee on a yearly basis. These guidelines stipulate *inter-alia* the risk appetite for market risk through a comprehensive limit structure covering exposure, sensitivities, concentration, Value-at-Risk ("**VaR**") and stop loss and lay down the investment criteria for each asset class.

Positions in the FGB's trading book portfolio and funds are created subject to compliance with the investment policies and guidelines. The magnitude of the risks is also monitored on a daily basis against the limits by an established and independent market risk function within the ambit of the Group's market risk policy.

FGB's market risk unit also carries out regular scenario analysis and stress testing exercises to ascertain the level of risk in the event of unforeseen movements in FGB's key risk factors.

***Legal and operational risk***

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

Operational risk is the risk of loss resulting from inadequate or ineffective internal controls or from external events. Detailed operational manuals, internal control mechanics, periodic reviews and audits are tools employed by FGB to assess, monitor and manage the operational risk in its business. A dedicated operational risk manager is responsible for all operational risk matters across FGB and reports to the head of risk management. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that FGB will be unable to comply with its obligations as a company with securities admitted to the Official List.

***Liquidity risk***

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The Group maintains liquid assets at prudent levels to ensure that cash can be made available quickly to honour its obligations, even under adverse conditions. To further address liquidity risk, FGB's management has established liquidity monitoring procedures and is diversifying the Group's funding sources in terms of origin and tenor. In addition, the Group maintains a statutory deposit with the U.A.E. Central Bank and has a range of credit lines from banks and financial institutions.

An inability on FGB's part to access funds or to access the markets from which it raises funds may put FGB's positions in liquid assets at risk and lead to FGB being unable to finance its operations adequately. A dislocated credit environment compounds the risk that FGB will not be able to access funds at favourable rates. These and other factors could also lead creditors to form a negative view of FGB's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, because FGB receives a significant portion of its funding from deposits, FGB 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 FGB owes on its liabilities and the cash payments due to it on its investments. FGB's ability to overcome these cash mismatches and make timely payments in respect of the Notes may be adversely affected if the fixed income markets were to experience significant liquidity problems. Also, under certain market conditions, FGB could be unable to sell additional products or be unable to sell its portfolio investments in sufficient amounts to raise the cash required to pay all amounts due in respect of the Notes.

Furthermore, in circumstances where FGB's competitors have ongoing limitations on their access to other sources of funding such as wholesale market derived funding, FGB's access to funds and its cost of funding may also be adversely affected.

All of the abovementioned factors relating to liquidity risk could have an adverse effect on FGB's business, financial condition, results of operations or prospects, and thereby affect its ability to perform its obligations in respect of the Notes.

***Interest rate risk***

Interest rate risk is the risk that arises from a timing difference in the maturity and/or repricing of the Group's assets, liabilities and derivative financial instruments. Repricing mismatches expose the Group to unanticipated fluctuations in interest income or underlying economic value.

Interest rates in the market are affected by a number of factors that are beyond the Group's control. Changes in interest rates, changes in the relationship between short-term and long-term interest rates or changes in the relationship between different types of interest rates can affect the interest rate charged on interest-earning assets to a different degree from the interest rate paid on interest-bearing liabilities. This impact may be increased if the Group is unable to adjust to rate changes with respect to the fixed rate portions of its loan portfolio. In an economic environment with increasing interest rates (exemplified by the U.S. federal reserve's decision to raise interest rates in December 2015 for the first time since 2006), the Group's ability to earn higher returns on its fixed rate interest-earning assets is limited by the maturity periods of such assets. How the Group manages interest rate volatility will determine, to a certain extent, the impact of such volatility on the Group's net interest income.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices. The Group has dedicated teams that aim to measure, monitor and lessen the effect of interest rate risk, for further detail please refer to the section entitled " *Description of First Gulf Bank P.J.S.C. – Risk and Compliance Management Framework – Overview of Risk Management and Compliance Function*".

***Dependence on key personnel***

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

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

The U.A.E. has enjoyed significant economic growth and relative political stability, however there can be no assurance that such growth or stability will continue.

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 Gulf Co-operation Council ("**GCC**") and the U.A.E., 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. While the impacts have become less pronounced in the years since 2010, the current instability in the international debt and equity capital markets in the context of the economic slowdown in China and emerging markets generally, the global reduction in oil prices and volatile interest rates globally may have an adverse impact on FGB's investment portfolios and its financial condition and results of operations.

In common with other banks in the GCC region, FGB suffered a deterioration in its portfolio between 2008 and 2010, principally manifested in the form of increases in non-performing loan levels, as a result of such adverse economic conditions (see "*– Financial Review – Risk Management – Credit Risk*"). FGB's non-performing loan levels have stayed relatively stable over the last four years with a non-performing loan ratio of 3.3 per cent. as at 31 December 2012, 3.3 per cent. as at 31 December 2013, 2.5 per cent. as at 31 December 2014 and 2.8 per cent. as at 31 December 2015. FGB has the majority of its operations in the U.A.E. Consequently, its business, results of operations, financial condition and prospects have been and may continue to be affected by economic developments impacting the U.A.E., in particular, the level of economic activity in the U.A.E.

While the U.A.E. Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. FGB may also be adversely affected generally by political and economic developments in or affecting the U.A.E. Traditionally the oil and gas industry has been the basis of the development in the GCC regional economy, which means that economic development is impacted by the general level of oil and gas prices.

Like many economies in the Middle East and North Africa ("**MENA**") region, oil and gas and related industries, as well as the prices and production quantities of these commodities, play a prominent role in the U.A.E. economy (see "*Overview of the United Arab Emirates*"). Oil prices have, however, been volatile in recent years and declined significantly between mid-2014 and January 2016. If this decline in prices is sustained, and results in declining economic conditions which negatively impact the Group's borrowers and contractual counterparties, it could have a material adverse effect on the Group. The decline in oil prices has also witnessed the downgrade of the sovereign credit ratings of certain GCC countries (such as Bahrain, Oman and Saudi Arabia). Oil prices have started to recover recently and FGB has been monitoring these to make necessary credit and risk adjustments as required.

FGB's direct exposure to the crude oil, gas, mining and quarrying sector is equal to approximately 2.7 per cent. of its on balance sheet total funded assets. However, a continued deterioration in oil prices may have an adverse impact on the economy of the U.A.E. as a whole. Therefore, FGB might be indirectly adversely impacted due to a deterioration in other sectors of the U.A.E.'s economy (such as the real estate, contracting and SME (defined below) sectors). See " *Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme - Loan portfolio concentration*".

No assurance can be given that the U.A.E. Government will not implement regulations or fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have an adverse effect on FGB's business, financial condition, results of operations, prospects or ability to make payments due under the Notes, or which could adversely affect the market price and liquidity of the Notes.

On 4 March 2016, Moody's placed the credit ratings of Abu Dhabi (rated Aa2) and the United Arab Emirates (rated Aa2) on review for downgrade as they assess the impact of the sharp fall in oil prices, since September 2014, on 18 sovereigns. The U.A.E is not rated by any other rating agency. Due to the fact that FGB's credit rating is derived, in part, on the understanding that it will receive extraordinary government support if the U.A.E. or Abu Dhabi are downgraded, FGB may also be downgraded or placed on review for downgrade. In addition, FGB may also be downgraded or placed on review for downgrade if the other risks described in the risk factors herein were to materialise.

FGB's business may be affected if there are geo-political events that prevent FGB from delivering its services. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Libya, the Hashemite Kingdom of Jordan, Palestine, Oman, Syria, Saudi Arabia, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and has given rise to increased political uncertainty across the region and, in certain cases, regime changes. Conflict in Libya, which led to the ousting of its military ruler, led to a civil war and resulted in multiple sides claiming to be the legitimate government in the country. Conflict in Yemen expanded into a multinational conflict with GCC countries, including the U.A.E., becoming involved in military operations against the Al Houthi militia. Diplomatic relations between GCC nations and Iran have also deteriorated with many GCC nations cutting full diplomatic ties, whilst the UAE has downgraded its diplomatic relations. Unrest in Syria and conflicts between multiple sides (including the government of Bashar al-Assad, numerous rebel groups and 'Islamic State of Iraq and Syria') have led to many countries including Russia, Iran, the United States and other North Atlantic Treaty Organization forces becoming involved with military operations in Syria, supporting different sides. Further, the U.A.E., along with other Arab states, is currently participating in the Saudi Arabian-led intervention in Yemen which began in 2015 in response to requests for assistance from the Yemeni government. The UAE is also a member of another Saudi Arabian led coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. FGB does not have operations in any of these countries except in Libya where it has an investment in First Gulf Libyan Bank ("**FGLB**"), which is a 50:50 partnership with the Economic and Social Development Fund of Libya. It is not possible to predict the occurrence of events or circumstances such as, or similar to, a war or the impact of such occurrences and no assurance can be given that FGB would be able to sustain its current profit levels if such events or circumstances were to occur. A general downturn or sustained deterioration in the economy of the U.A.E., instability in certain sectors of the U.A.E. or regional economy, or major political upheaval therein could have an adverse effect on FGB's business, financial condition, results of operations, prospects or ability to make payments due under the Notes.

Investors should also note that FGB's business and financial performance could be adversely affected by political, economic and related developments both within and outside the countries in which it operates because of such countries' inter-relationships with global financial markets.

***Principal shareholder***

FGB's principal beneficial shareholders are U.A.E. companies and individuals, holding approximately 87.2 per cent. of FGB's share capital as at 31 December 2015. These mainly include shares owned or controlled in a private capacity by members of the ruling family of Abu Dhabi, their families and companies controlled by them. The ruling family of Abu Dhabi has the ability to influence FGB's business significantly through their ability to control and/or block actions that require shareholder approval. If circumstances were to arise where the interests of the ruling family of Abu Dhabi conflict with the interests of the Noteholders, Noteholders could be disadvantaged by any such conflict.

***Loan portfolio growth***

FGB's loans and advances net of provisions have increased in recent years, growing from AED 125,594.4 million as at 31 December 2013 to AED 139,708.7 million as at 31 December 2014 and to AED 149,766.1 million as at 31 December 2015. The significant increase in the loan portfolio size has increased FGB's credit exposure. FGB has witnessed an increase in non-performing loan levels in relation to certain economic sectors such as trading (where levels increased from AED 160 million as at 31 December 2014 to AED 372 million as at 31 December 2015.), retail (where levels increased from AED 1,695 million as at 31 December 2014 to AED 2,402 million as at 31 December 2015) and crude oil/gas and mining (where levels increased from nil as at 31 December 2014 to AED 718 million as at 31 December 2015).

In addition, FGB's strategy of continuing to grow its core banking activities organically within the U.A.E. and to grow selectively in certain overseas markets (see "*Description of First Gulf Bank P.J.S.C. – Strategy*") by offering a wider range of products within its major businesses may also increase the credit risk exposure in FGB's loan portfolio. Failure to manage such growth and development successfully and to maintain the quality of its assets could have an adverse effect on FGB's business, financial condition, results of operations or prospects, and thereby affect its ability to perform its obligations in respect of the Notes.

***Loan portfolio concentration***

FGB's loan portfolio is geographically concentrated in the U.A.E., where certain sectors (including the real estate sector) and certain regions (including Dubai) were significantly more affected than others by the global financial crisis that commenced in early 2008. See "*Risk Factors – Risk Factors relating to FGB and the Group – Political, economic and related considerations*".

FGB's loans and advances constituted 65.8 per cent. of its total assets, or AED 149.8 billion, as at 31 December 2015. FGB's loan portfolio is concentrated in particular economic sectors. Of total gross loans as at 31 December 2015, 25.8 per cent. were classified as personal – retail (including consumer mortgages but excluding any such mortgages granted as part of the U.A.E. Federal Government's National Home Loans programme), 16.9 per cent. as other services, 8.9 per cent. as public sector, and 8.3 per cent. as real estate (the remainder falling within a number of other sectors).

FGB's customers' deposits constituted 74.5 per cent. of its total liabilities, or AED 142.5 billion, as at 31 December 2015. FGB's customers' deposits constitute a majority of its total funding. FGB's depositors are geographically concentrated in the U.A.E., and the largest customers' deposits contribute a significant proportion of FGB's total deposits. If FGB's largest customers were to withdraw a significant amount of their deposits and FGB could not obtain funding from other sources, this could have an adverse effect on

FGB's liquidity position thereby affecting FGB's ability to perform its obligations under the Transaction Documents.

As a result of the concentration of FGB's loan portfolio and deposit bases in the U.A.E., any deterioration in general economic conditions in the U.A.E. or any failure of FGB to manage its risk concentrations effectively could have an adverse effect on its business, results of operations, financial condition and prospects, and thereby affect FGB's ability to perform its obligations in respect of the Notes.

***Foreign exchange movements may adversely affect FGB's profitability***

FGB maintains its accounts, and reports its results, in U.A.E. dirham. The U.A.E. 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 U.A.E. dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects FGB's business, results of operations, financial condition and prospects. Any such de-pegging, particularly if the U.A.E. dirham weakens against the U.S. dollar, would expose FGB to U.S. dollar foreign exchange movements and could have an adverse effect on FGB's business, results of operations, financial condition and prospects, and thereby affect FGB's ability to perform its obligations in respect of the Notes.

***Impact of regulatory changes***

FGB is subject to the laws, regulations, administrative actions and policies of the U.A.E. and all other jurisdictions in which it operates. These regulations may limit FGB's activities and changes in supervision and regulation, particularly within the U.A.E., could affect FGB's business (such as pursuant to the Basel III Accord ("**Basel III**") and/or the new regulations relating to large exposures set out in the Large Exposure Notice and the Liquidity Notice (each as defined below under "*The United Arab Emirates Banking Sector and Regulations*")), the products or services offered, the value of its assets and its financial condition. Although FGB works closely with its regulators and continuously monitors regulatory requirements, future changes in regulatory, fiscal or other policies cannot be predicted and are beyond the control of FGB. A description of the legal and regulatory environment applicable to banks generally in the U.A.E. is set out below under "*The United Arab Emirates Banking Sector and Regulations*".

***Competition***

Generally, the banking market in the U.A.E. 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 U.A.E.'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 business, results of operations, financial condition and prospects of the Issuer. For further detail on the level of competition in the U.A.E. banking sector, please refer to the section entitled "*The United Arab Emirates Banking Sector and Regulations*".

***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.

***FGB'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, there is a growing threat to the security of FGB’s information and customer data from cyber-attacks. Activists, rogue states and cyber criminals are among those targeting computer systems around the world. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could have an adverse effect FGB’s business, results of operations, financial condition and prospects and thereby affect FGB’s ability to perform its obligations under the Notes.

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

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

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

*Notes subject to optional redemption by the Issuer*

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

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

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

*Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as London inter-bank offered rate ("**LIBOR**"). The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

*Fixed/Floating Rate Notes*

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

*Notes issued at a substantial discount or premium*

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

*The Issuer's obligations under Subordinated Notes are subordinated*

The Issuer's obligations under Subordinated Notes (as defined in the Conditions) issued by it will be unsecured and subordinated and, upon the occurrence of any winding up proceedings with respect to the

Issuer, will rank junior in priority of payment of obligations owed to Senior Creditors of the Issuer. "**Senior Creditors**" means all 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 holders of the Subordinated Notes. In addition, Condition 5(b) (*Status – Status of the Subordinated Notes*) requires each holder of Subordinated Notes unconditionally and irrevocably to waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of its Subordinated Notes.

**Risks relating to Notes denominated in Renminbi**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Risks related to Notes generally**

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

***Modification***

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

***European Monetary Union***

If Notes are issued under the Programme which are denominated in the currency of a country which, at the time of issue, is not a member of the European Monetary Union which has adopted the euro as its sole currency and, before the relevant Notes are redeemed, the euro becomes the sole currency of that country, a number of consequences may follow including, but not limited to, any or all of the following: (i) all amounts payable in respect of the relevant Notes may become payable in euro; (ii) applicable law may allow or require such Notes to be re-denominated into euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in such currency used to determine the rates of interest on such Notes. Any of these or any other consequences could adversely affect the holders of the Notes.

***Change of law***

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus nor whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

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

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

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

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

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

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

The payments under the Notes are dependent upon the 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 Abu Dhabi law, the Abu Dhabi courts are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the parties' choice of English law as the governing law of the transaction. In the U.A.E., foreign law is required to be established as a question of fact and the interpretation of English law by a court in the U.A.E. may not accord with the interpretation of an English court. In principle, courts in the U.A.E. 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 U.A.E., or to any mandatory law of, or applicable in, the U.A.E.

The U.A.E. is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors create greater judicial uncertainty than would be expected in other jurisdictions. The Issuer has confirmed that the Programme limit in the nominal amount of U.S.$5,000,000,000 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 U.A.E.

The Notes, the Agency Agreement (as defined in "*Terms and Conditions of the Notes*") and the Dealer Agreement (as defined in "*Subscription and Sale*") are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the London Court of International Arbitration in London, England (the "**LCIA Rules**") with an arbitral tribunal with its seat in London (or, subject to the exercise of an option to litigate given to certain parties (other than the 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 U.A.E. 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 U.A.E. in accordance with the terms of the New York Convention. Under the New York Convention, the U.A.E. 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 U.A.E. 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 U.A.E..

How the New York Convention provisions would be interpreted and applied by the U.A.E. courts in practice and whether the U.A.E. 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 U.A.E. and the independent existence of different Emirates within the U.A.E., some with their own court systems, whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the U.A.E. 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 U.A.E. Federal Law No. 1 of 1992 as amended, or ignoring the provisions of Article 238 of Federal Law No. 11 of 1992 (as amended by Federal Law No. 30 of 2005) (the "**Law of Civil Procedure**"). Article 238 provides that Articles 235 to 237 (which deal with enforcement of foreign judgments, orders and instruments and which contain onerous requirements which must be satisfied before enforcement will be considered by the U.A.E. 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 U.A.E. 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 U.A.E. courts.

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

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

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

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

*Conflicts of interest – Calculation Agent*

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

**Risks related to the market generally**

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

*The secondary market generally*

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

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

*Exchange rate risks and exchange controls*

The 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 the Fixed Rate Notes.

*Credit ratings may not reflect all risks*

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

## FINAL TERMS, PRICING SUPPLEMENTS AND DRAWDOWN PROSPECTUSES

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

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

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

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

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

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

## FORMS OF THE NOTES

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

**Bearer Notes**

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

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

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

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

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

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

(i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

(ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

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

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

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

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

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

If:

(a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or

(c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 18 April 2016 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

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

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

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

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms, or Pricing Supplement, as the case may be; or

(ii) at any time, if so specified in the relevant Final Terms, or Pricing Supplement, as the case may be; or

(iii) if: (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system is available; or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

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

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

If:

(a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or

(b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

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

**Registered Notes**

Subject as provided below in relation to Global Registered Notes, in respect of each Tranche of Notes issued in registered form, the Issuer will deliver to each holder of such Notes an individual Registered Note and the name of the holder will be recorded in the register which the Issuer shall procure to be kept by the Registrar. Registered Notes will be in substantially the forms (subject to amendment and completion) scheduled to a programme manual containing the forms of the Notes in global and definitive form and dated 18 April 2016 (the "**Programme Manual**"). Notes issued in registered form will not be represented upon issue by a Temporary Global Note and Registered Notes will not be exchangeable for Bearer Notes.

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

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

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms, or Pricing Supplement, as the case may be; or

(ii) at any time, if so specified in the relevant Final Terms, or Pricing Supplement, as the case may be, as being at the option of such holder of a Global Registered Note upon such holder's request; or

(iii) if: (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention permanently to cease business, and no successor clearing system is available; or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

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

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

If:

(a) Individual Registered Notes have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Registered Note; or

(b) any of the Notes evidenced by the Global Registered Note has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note on the due date for payment in accordance with the terms of the Global Registered Note,

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

**Terms and Conditions applicable to the Notes**

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

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

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

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

***Payment Business Day***: In the case of a Global Note, this shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre, or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

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

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

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

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

**Clearing System Accountholders**

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

**Legend concerning U.S. persons**

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

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

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

## TERMS AND CONDITIONS OF THE NOTES

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

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

### 1. Introduction

(a) ***Programme***: First Gulf Bank P.J.S.C. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$5,000,000,000 in aggregate principal amount of notes (the "**Notes**").

(b) ***Final Terms***: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**") (other than a Tranche of Exempt Notes which is the subject of a Pricing Supplement). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) ***Agency Agreement***: The Notes are the subject of an amended and restated issue and paying agency agreement dated 18 April 2016 as amended or supplemented from time to time (the "**Agency Agreement**") between the Issuer, Citibank N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent and the Paying Agents and any reference to an "**Agent**" is to each one of them.

(d) ***The Notes***: All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection during normal business hours at the specified office of the Fiscal Agent, the initial specified office of which is set out in the Agency Agreement.

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

2. **Interpretation**

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

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

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

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

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(ii) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and

(iii) in the case of Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settlement payments in the applicable RMB Settlement Centre(s) (as defined below);

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

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

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

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided that**:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day;

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

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

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

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

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

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

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30;

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and $D_1$ is greater than 29, in which case $D_2$ will be 30; and

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

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case $D_2$ will be 30;

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

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

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

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

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

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

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

(i) any obligation to purchase such Indebtedness;

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

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

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

(i) amounts raised by acceptance under any acceptance credit facility;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

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

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

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

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

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

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

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

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

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

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

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

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

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

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

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

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

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

"**Payment Business Day**" means:

(i) if the currency of payment is euro, any day which is:

   (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

   (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, any day which is:

   (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

   (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Reorganisation**" means:

(i) any solvent winding up or dissolution of a Principal Subsidiary where the remaining assets of such Principal Subsidiary are distributed to the Issuer or any wholly owned Subsidiary of the Issuer;

(ii) any disposal by any Subsidiary (including, but not limited to, on its solvent winding up) of the whole or a substantial part of its business, undertaking or assets to the Issuer or any wholly owned Subsidiary of the Issuer;

(iii) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly owned Subsidiary of the Issuer; or

(iv) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by a modification made by Extraordinary Resolution of the Noteholders pursuant to Condition 18 (*Meetings of Noteholders; Modification and Waiver*);

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

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

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

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

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

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

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

"**Rate Calculation Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the applicable RMB Settlement Centre(s), London and the principal financial centre of the country of the Relevant Currency;

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

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

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

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

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

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

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

"**Regular Period**" means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

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

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

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

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

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

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

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

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

Special Administrative Region of the PRC, the Macao Macau Special Administrative Region of the PRC and Taiwan;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

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

"**RMB Illiquidity**" means the general RMB exchange market in the applicable RMB Settlement Centre(s) becomes illiquid as a result of which the 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);

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

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

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

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

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

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

"**Spot Rate**" means the spot RMB/Relevant Currency exchange rate for the purchase of the Relevant Currency with Renminbi in the over-the-counter Renminbi exchange market in the applicable RMB Settlement Centre(s) for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00

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

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

(i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

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

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

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

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

"**Exempt Notes**" means Notes issued by FGB for which no base prospectus is required to be published under the Prospectus Directive; and

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

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

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Interpretation – Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

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

3. **Form, Denomination and Title**

(a) ***Notes in Bearer Form***: Bearer Notes are issued in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue and may be held in holdings equal to the minimum denomination specified in the relevant Final Terms and integral multiples in excess thereof. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination. Title to Bearer Notes and Coupons will pass by delivery. The holder of any Bearer Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. All Definitive Notes will be serially numbered, with coupons, if any, attached.

(b) ***Notes in Registered Form***: Registered Notes are issued in the Specified Denomination and may be held in holdings equal to the minimum denomination specified in the relevant Final Terms and integral multiples in excess thereof. The holder of each Registered Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Registered Note relating thereto (other than the endorsed form of transfer) or any previous loss or theft of such Registered Note) and no Person shall be liable for so treating such holder. Title to Registered Notes will pass by transfer and registration in the register which the Issuer shall procure to be kept by the Registrar. All individual Registered Notes will be numbered serially with an identity number which will be recorded in the register.

(c) The Notes are either senior notes or subordinated notes, as indicated in the relevant Final Terms ("**Senior Notes**" and "**Subordinated Notes**" respectively).

4. **Transfers of Registered Notes**

(a) ***Transfers of Registered Notes***: A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (**provided that** such part is, or is an integral multiple of, the minimum denomination specified in the Final Terms) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

(b) ***Issue of new Registered Notes***: Each new Registered Note to be issued upon the transfer of a Registered Note will, within five Relevant Banking Days of the day on which such Note was presented for transfer, be available for collection by each relevant holder at the Specified Office of the Registrar or, at the option of the holder requesting such transfer, be mailed (by uninsured post at the risk of the holder(s) entitled thereto) to such address(es) as may be specified by such holder. For these purposes, a form of transfer received by the Registrar or the Fiscal Agent after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or the Fiscal Agent until the day following the due date for such payment.

(c) ***Charges for transfer or exchange***: The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer, the Fiscal Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

(d) ***Closed Periods***: Holders of Registered Notes may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

5. **Status**

(a) ***Status of the Senior Notes***: The Senior Notes and any related coupons constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) ***Status of the Subordinated Notes***: The Subordinated Notes and any related Coupons constitute direct, conditional as described below and unsecured obligations of the 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 and, 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 and 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 "**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 of the Issuer in respect of the Subordinated Notes.

6. **Negative Pledge**

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

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

In this Condition:

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

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

(i) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;

(ii) any Security Interest arising by operation of law, **provided that** such Security Interest is discharged within 30 days of arising;

(iii) any Security Interest arising in the ordinary course of banking transactions (such as sale and repurchase transactions and share, loan and bonding lending transactions) **provided that** the Security Interest is limited to the assets which are the subject of the relevant transaction;

(iv) any Security Interest on assets or property existing at the time the Issuer or any Subsidiary acquired such assets or property **provided that** such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property (other than proceeds of such acquired assets or property), **provided that** the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

(v) any Security Interest securing Indebtedness of a Person and/or its Subsidiaries existing at the time that such Person is merged into or consolidated with the Issuer or a Subsidiary, **provided that** such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Issuer or any Subsidiary;

(vi) any Security Interest created in connection with any Non-recourse Project Financing; and

(vii) any other Security Interest **provided that** the aggregate outstanding amount secured by that Security Interest and any other Security Interest permitted to be created and in effect under this Condition 6 (*Negative Pledge*) does not, at any time, exceed 10 per cent. of the aggregate share capital and reserves of the Issuer as shown in its most recent audited consolidated (if then prepared by the Issuer) or non-consolidated (if consolidated financial statements are not then prepared by the Issuer) financial statements prepared in accordance with International Financial Reporting Standards.

7. **Fixed Rate Note Provisions**

(a) ***Application***: This Condition 7 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable.

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

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

(c) ***Fixed Coupon Amount***: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

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

## 8. Floating Rate Note Provisions

(a) ***Application***: This Condition 8 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable.

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

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

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page (or such replacement page on that service which displays the information) as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page (or such replacement page on that service which displays the information) as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

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

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

(ii) London interbank bid rate ("**LIBID**");

(iii) London interbank offered rate ("**LIBOR**");

(iv) London interbank mean rate ("**LIMEAN**");

(v) Shanghai interbank offered rate ("**SHIBOR**");

(vi) Hong Kong interbank offered rate ("**HIBOR**");

(vii) Singapore interbank offered rate ("**SIBOR**");

(viii) Emirates interbank offered rate ("**EIBOR**");

(ix) Saudi Arabia interbank offered rate ("**SAIBOR**");

(x) Australia Bank Bill Swap ("**BBSW**");

(xi) Australian dollar LIBOR ("**AUD LIBOR**")

(xii) Japanese Yen LIBOR ("**JPY LIBOR**");

(xiii) Prague interbank offered rate ("**PRIBOR**");

(xiv) CNH Hong Kong interbank offered rate ("**CNH HIBOR**");

(xv) Turkish Lira interbank offered rate ("**TRLIBOR**" or "**TRYLIBOR**");

(xvi) Tokyo interbank offered rate ("**TIBOR**");

(xvii) British pound sterling LIBOR ("**GBP LIBOR**");

(xviii) Swiss franc LIBOR ("**CHF LIBOR**");

(xix) Canadian dollar LIBOR ("**CAD LIBOR**");

(xx) New Zealand dollar LIBOR ("**NZD LIBOR**");

(xxi) Danish krone LIBOR ("**DKK LIBOR**");

(xxii) Swedish krona LIBOR ("**SEK LIBOR**");

(xxiii) Mumbai interbank offered rate ("**MIBOR**"); and

(xxiv) New Zealand bank bill benchmark ("**BKBM**").

(d) ***ISDA Determination***: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either: (A) if the relevant Floating Rate Option is based on the LIBOR or on the EURIBOR for a currency, the first day of that Interest Period; or (B) in any other case, as specified in the relevant Final Terms.

(e) ***Maximum or Minimum Rate of Interest***: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise specified in the Final Terms, the Minimum Rate of Interest for Floating Rate Notes shall be zero.

(f) ***Calculation of Interest Amount***: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) ***Calculation of other amounts***: If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(h) ***Publication***: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(i) ***Notifications etc.***: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 (*Floating Rate Note Provisions – Notifications etc.*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

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

Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

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

9. **Zero Coupon Note Provisions**

(a) ***Application***: This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Late payment on Zero Coupon Notes***: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **Redemption and Purchase**

(a) ***Scheduled redemption***: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*).

(b) ***Redemption for tax reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Note provisions are specified in the relevant Final Terms as being not applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable),

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

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or any Emirate therein or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

(1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

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

Prior to the publication of any notice of redemption pursuant to this Condition 10 (*Redemption and Purchase – Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent: (A) 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 (B) 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. Upon the expiry of any such notice as is referred to in this Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*).

(c) ***Redemption at the option of the Issuer***: If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) ***Partial redemption***: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Issuer*):

(i) in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified; and

(ii) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange or quotation system on which the relevant Notes may be listed, traded or quoted.

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

(e) ***Redemption at the option of Noteholders***: If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), the holder of a Note must, not less than 30 nor more than 60 days' before the relevant Optional Redemption Date (Put), deposit at the Specified Offices of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent or Registrar specifying the aggregate Outstanding Principal Amount in respect of which such option is exercised. The Paying Agent or Registrar with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing holder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), may be withdrawn; **provided that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar, as the case may be, shall mail notification thereof to the depositing holder at such address as may have been given by such holder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing holder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent or Registrar, as the case may be, in accordance with this Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

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

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

(f) ***Change of Control Put***: If the Change of Control Put is specified in the relevant Final Terms as being applicable and if at any time while any Note remains outstanding a Change of Control (other than a Permitted Merger) occurs (a "**Put Event**"), the holder of each Note will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes under Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*)) to require the Issuer to redeem that Note on the Optional Redemption Date (as defined below) at the Change of Control Put Price specified in the relevant Final Terms together with accrued interest (if any) to but excluding the Optional Redemption Date.

A "**Change of Control**" shall be deemed to have occurred on each occasion (whether or not approved by the Board of Directors) that any person or persons acting in concert or any person or persons acting on behalf of any such person(s) (other than members of the Ruling Family of Abu Dhabi and/or the Government of Abu Dhabi or any agency or other part thereof), at any time directly or indirectly come(s) to own or acquire(s): (A) more than 50 per cent. of the issued share capital of the Issuer; or (B) such number of shares of the issued share capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer.

"**Change of Control Period**" means the period commencing on the date that is the earlier of: (A) the date of the first public announcement of the relevant Change of Control; and (B) the date of the earliest Potential Change of Control Announcement (as defined below), if any, and ending on the date which is 120 days after the date of the first public announcement of the relevant Change of Control (such one hundred and twentieth day, the "**Initial Longstop Date**"); **provided that** unless any other Rating Agency has on or prior to the Initial Longstop Date effected a Rating Downgrade in respect of the Issuer, if a Rating Agency publicly announces, at any time during the period commencing on the date which is 90 days prior to the Initial Longstop Date and ending on the Initial Longstop Date, that it has placed its rating of the Issuer under consideration for rating review as a result of the relevant public announcement of the Change of Control or Potential Change of Control Announcement, the Change of Control Period shall be extended to the date which falls 90 days after the date of such public announcement by such Rating Agency.

"**Permitted Merger**" means a merger, consolidation or amalgamation involving the Issuer as a result of which a Change of Control in relation to the Issuer occurs **provided that** immediately following such Permitted Merger, no person or persons acting in concert or any person or persons acting on behalf of any such person(s) (other than members of the Ruling Family of Abu Dhabi and/or the Government of Abu Dhabi or any agency or other part thereof) directly or indirectly come(s) to own or acquire(s): (A) more than 50 per cent. of the issued share capital of the entity resulting from the Permitted Merger; or (B) such number of shares of the issued share capital of such entity carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of such entity, and **provided that** during the Change of Control Period (as defined above) in respect of such Permitted Merger, no Rating Downgrade occurs.

"**Potential Change of Control Announcement**" means any public announcement or statement by the Issuer or by any actual or potential bidder or any designated adviser thereto relating to any specific or any near-term potential Change of Control (whereby "**near-term**" shall mean that such potential Change of Control is reasonably likely to occur, or is publicly stated by the Issuer or by any such actual or potential bidder or any such designated adviser to be intended to occur, within four months of the date of such announcement or statement).

"**Rating Agency**" means any of the following: (i) Moody's Investors Service Ltd.; (ii) Fitch Ratings Ltd.; or (iii) any other rating agency of equivalent international standing specified from time to time by the Issuer and, in each case, their respective successors or affiliates.

A "**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control if, within the Change of Control Period, the rating previously assigned to the Issuer by any Rating Agency is: (i) withdrawn; or (ii) lowered by at least one full rating notch (for example, from A2 to A3 or their respective equivalents); **provided that** a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating does not publicly announce or publicly confirm that the reduction was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, the applicable Change of Control.

Upon becoming aware of a Put Event, the Issuer shall promptly give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 20 (*Notices*) specifying the nature of the Put Event and the circumstances giving rise to it and the period for exercising the option contained in this Condition 10(f) (*Redemption and Purchase – Change of Control Put*).

To exercise the option to require redemption of a Note under Conditions 10(b) (*Redemption and Purchase – Redemption for tax reasons*), 10(c) (*Redemption and Purchase – Redemption at the option of Issuer*) or 10(f) (*Redemption and Purchase – Change of Control Put*) the holder of that Note must, if this Note is in definitive or individual certificate form and held outside Euroclear and Clearstream, Luxembourg, deliver such Note, on any business day in the city of the specified office of the relevant Paying Agent falling within the period (the "**Put Period**") of 90 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed Put Option Notice in the form scheduled to the Agency Agreement. The Note should be delivered together, as the case may be, with all Coupons appertaining thereto maturing after the date (the "**Optional Redemption Date**" which is the seventh day after the last day of the Put Period) failing which an amount will be deducted from the payment to be made by the Issuer on redemption of the Notes corresponding to the aggregate amount payable in respect of such missing Coupons.

If this Note is represented by a Global Note or is in definitive or individual certificate form and held through Euroclear or Clearstream, Luxembourg, then in order to exercise the right to require redemption of a Note under this Condition 10(f) (*Redemption and Purchase – Change of Control Put*), the holder of the Note must, within the Put Period, give notice to a Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to a Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to a Paying Agent for notation or entry in the Register accordingly.

The Paying Agent to which such Note and Put Notice are delivered will issue to the holder concerned a non-transferable Put Option Receipt. The Issuer shall redeem the Notes in respect of which Put Option Receipts have been issued on the Optional Redemption Date, unless previously redeemed. Payment in respect of any Note so delivered will be made:

(i) if the Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg and if the holder duly specified a bank account in the Put Option Notice to which payment is to be made, on the Optional Redemption Date by transfer to that bank account and in every other case on or after the Optional Redemption Date, in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt and, where appropriate, entry in the Register, at the Specified Office of any Paying Agent in accordance with the provisions of this Condition 10(f) (*Redemption and Purchase – Change of Control Put*); or

(ii) if the Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg.

(g) ***No other redemption***: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (Redemption and Purchase – Scheduled redemption) to 10(e) (Redemption and Purchase – Redemption at the option of Noteholders) above.

(h) ***Early redemption of Zero Coupon Notes***: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

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

(i) ***Purchase***: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent or the Registrar for cancellation.

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

## 11. Payments – Bearer Notes

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

(a) ***Principal***: Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

(b) ***Interest***: Payments of interest shall, subject to Condition 11(h) (*Payments – Bearer Notes – Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (*Payments – Bearer Notes – Principal*) above.

(c) ***Payments in New York City***: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if: (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Bearer Notes in the currency in which the payment is due when due; (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions; and (iii) payment is permitted by applicable United States law.

(d) ***Payments subject to fiscal laws***: All payments in respect of the Bearer Notes are subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Deductions for unmatured Coupons***: If the relevant Final Terms specifies that the Fixed Rate Note provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided that** where this paragraph (A) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

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

(f) ***Unmatured Coupons void***: If the relevant Final Terms specifies that this Condition 11(f) (*Payments – Bearer Notes – Unmatured Coupons void*) is applicable or that the Floating Rate Note provisions are applicable, on the due date for final redemption of any Bearer Note or early redemption in whole of such Bearer Note pursuant to Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*), Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Issuer*), Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) ***Payments on business days***: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) ***Payments other than in respect of matured Coupons***: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(c) (*Payments – Bearer Notes – Payments in New York City*) above).

(i) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) ***Exchange of Talons***: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Bearer Note shall become void and no Coupon will be delivered in respect of such Talon.

(k) ***RMB Currency Event***: If "RMB Currency Event" is specified as being applicable in the relevant Final Terms and 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 Bearer Note or Coupon, the Issuer's obligation to make a payment in RMB under the terms of the Bearer Notes may be replaced by an obligation to pay such amount in the Relevant Currency (as specified in the relevant Final Terms) converted using the Spot Rate for the relevant Rate Calculation Date. Upon the occurrence of a RMB Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

(l) ***RMB account***: Notwithstanding the foregoing, all payments in respect of any Bearer Note or Coupon in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in the applicable RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in the applicable RMB Settlement Centre(s).

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

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

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

(b) ***Principal and interest***: Payments of principal and interest shall be made by cheque drawn in the currency in which the payment is due to the Noteholder (or in the case of joint Noteholders, the first-named) appearing in the register kept by the Registrar as at the opening of business (as at the local time) on the fifteenth Relevant Banking Day before the due date for payment (the "**Record Date**"), and posted to the address (as recorded in the register held by the Registrar) of the Noteholder (or, in the case of joint Noteholders, the first named) on the Relevant Banking Day unless prior to the relevant Record Date such Noteholder has applied to the Registrar and the Registrar has acknowledged such application, for payment to be made to a designed account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to a designated account, if the due date for any such payment is not a business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located, then the Noteholder will not be entitled to payment thereof until the first day thereafter which is a business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.

(c) ***Payments subject to fiscal laws***: All payments in respect of the Registered Notes are subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Registered Noteholders in respect of such payments.

(d) ***RMB Currency Event***: If "RMB Currency Event" is specified as being applicable in the relevant Final Terms and 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 Registered Note, the Issuer's obligation to make a payment in RMB under the terms of the Registered Notes may be replaced by an obligation to pay such amount in the Relevant Currency (as specified in the relevant Final Terms) converted using the Spot Rate for the relevant Rate Calculation Date. Upon the occurrence of a RMB Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

(e) ***RMB account***: Notwithstanding the foregoing, all payments in respect of any Registered Note in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in the applicable RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in the applicable RMB Settlement Centre(s).

(f) In this Condition 12 (*Payments – Registered Notes*), "**business day**" means:

(i) any day which is in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in each Additional Financial Centre; or

(ii) in the case of surrender of a Registered Note, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place in which the Registered Note is surrendered.

## 13. Taxation

(a) ***Gross up***: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Arab Emirates, or any Emirate therein, or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

(i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the United Arab Emirates or any Emirate therein or any political subdivision or any authority thereof or therein having power to tax other than the mere holding of the Note or Coupon; or

(ii) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

(b) ***Taxing jurisdiction***: If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Arab Emirates, or any Emirate therein, references in these Conditions to the United Arab Emirates, or any Emirate therein, shall be construed as references to the United Arab Emirates and/or such other jurisdiction, as the case may be.

14. **Events of Default**

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

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

(i) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes and the default continues for a period of seven days or fails to pay any amount of interest in respect of the Notes and the default continues for a period of 14 days; or

(ii) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(iii) *Cross-default of Issuer or Principal Subsidiary*:

(A) any Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(B) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) any of its Principal Subsidiaries or (**provided that** no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

(C) *the* Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

**provided that** such event shall not constitute an Event of Default unless the aggregate amount of all such indebtedness, either alone or when aggregated with all other indebtedness in respect of which such an event shall have occurred and be continuing shall be more than U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(iv) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payments of any amount which amount shall not be less than U.S.$15,000,000 is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(v) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries; or

(vi) *Insolvency etc.*: (i) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Issuer or any of its Principal Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is appointed (or application for any such appointment is made); (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it; or (iv) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business save in connection with a Permitted Reorganisation; or

(vii) *Winding up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries save in connection with a Permitted Reorganisation; or

(viii) *Analogous event*: any event occurs which under the laws of the United Arab Emirates has an analogous effect to any of the events referred to in Conditions 14(a)(iv) (*Events of Default – Events of Default for Senior Notes – Unsatisfied judgment*) to 14(a)(vii) (*Events of Default – Events of Default for Senior Notes – Winding up etc.*) above; or

(ix) *Failure to take action etc.*: any action, condition or thing 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 and in respect of the Notes; (ii) to ensure that those obligations are legal, valid, binding and enforceable; and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the United Arab Emirates is not taken, fulfilled or done; or

(x) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes; or

(xi) *Government intervention*: (A) all or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (B) the Issuer or any of its Principal Subsidiaries is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues,

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

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

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

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

(A) Insolvency etc.: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Issuer or the whole or any substantial part of its undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made); (iii) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it; or (iv) the Issuer ceases or threatens to cease to carry on all or any substantial part of its business; or

(B) Winding up etc.: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer; or

(C) Analogous event: any event occurs which under the laws of the U.A.E. has an analogous effect to any of the events referred to in paragraphs (A) or (B) above,

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

(iii) *Breach of obligations*: To the extent permitted by applicable law and by these Conditions, a Noteholder may at its discretion institute such proceedings against the 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.

(iv) *Other Remedies*: No remedy against the Issuer, other than the institution of the proceedings referred to in Conditions 14(b)(i) (*Events of Default – Events of Default for Subordinated Notes – Non-payment*) or 14(b)(iii) (*Events of Default – Events of Default for Subordinated Notes – Breach of obligations*) and the proving or claiming in any dissolution and liquidation of the 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.

## 15. Prescription

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

## 16. Replacement of Notes and Coupons

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

17. **Agents**

(a) ***Obligations of Agents***: In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents, the Calculation Agent and the Registrar act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders, and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

(b) The initial Paying Agent and Registrar and their initial Specified Offices are listed in the Agency Agreement. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar or the Calculation Agent and to appoint a successor fiscal agent, paying agent, calculation agent or registrar; **provided that**:

(i) the Issuer shall at all times maintain a Fiscal Agent;

(ii) the Issuer shall at all times maintain, in the case of Registered Notes, a Registrar;

(iii) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;

(iv) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent (which may be the Fiscal Agent) and a Registrar (for Registered Notes) each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system; and

(v) in the circumstances described in Condition 11(c) (*Payments – Bearer Notes – Payments in New York City*), a paying agent with a Specified office in New York City.

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

18. **Meetings of Noteholders; Modification and Waiver**

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

Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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

19. **Further Issues**

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

20. **Notices**

(a) ***Bearer Notes***: Notices to holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

(b) ***Registered Notes***: Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an address overseas) by airmail to them (or the first named of joint holders) at their respective addresses recorded in the register kept by the Registrar, and will be deemed to have been given on the fourth business day after the date of such after mailing.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency (with 0.005 being rounded upwards).

22. **Governing Law and Jurisdiction**

(a) ***Governing law***

The Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes (including the remaining provisions of this Condition 22 (*Governing Law and Jurisdiction – Governing law*), the Receipts and the Coupons, are and shall be governed by, and construed in accordance with, English law.

(b) ***Agreement to arbitrate***

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

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

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

(iii) the language of the arbitration shall be English.

(c) ***Option to litigate***

Notwithstanding Condition 22(b) (*Governing Law and Jurisdiction – Agreement to arbitrate*), the Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

(i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(ii) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If a Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 22(d) (*Governing Law and Jurisdiction – Effect of exercise of option to litigate*) and, subject as provided below, any arbitration commenced under Condition 22(b) (*Governing Law and Jurisdiction – Agreement to arbitrate*) in respect of that Dispute will be terminated. Each of the Noteholder and the recipient of such notice will bear its own costs in relation to the terminated arbitration.

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

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(ii) his entitlement to be paid his proper fees and disbursements; and

(iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

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

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

(i) subject to paragraph (iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the 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; and

(iii) this Condition 22(d) (*Governing Law and Jurisdiction – Effect of exercise of option to litigate*) is for the benefit of the Noteholders only. As a result, and notwithstanding paragraph (i) above, Noteholders may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) ***Process agent***: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to First Gulf Bank, UK Representative Office at its registered office at Floor 8, 125 Old Broad Street, London, EC2N 1AR, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this Condition shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

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

(g) ***Waiver of immunity***: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

## 23. Rights of Third Parties

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

## FORM OF FINAL TERMS

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

Final Terms dated [•]

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

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

**under the U.S.$5,000,000,000**

**Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 18 April 2016 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [and its supplement(s)].

Full information on the Issuer and the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at the market news section of the London Stock Exchange website (*http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html*) and during normal business hours at the registered offices of the Issuer at P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement to it dated [*date*]] which are incorporated by reference in the Base Prospectus dated 18 April 2016. 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 (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 18 April 2016 [and the supplemental Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, as amended, save in respect of the Conditions.

Full information on the Issuer and the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 18 April 2016 [and the supplemental Prospectuses dated [•]] and [•]]]. Copies of the Base Prospectus [and the supplemental Prospectuses] and the Final Terms are available for viewing at the market news section of the London Stock Exchange website (*www.londonstockexchange.com/exchange/news/market-news/market-news-home.html*) and during normal business hours at the normal business hours at the registered offices of the Issuer at P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

| | | | |
|---|---|---|---|
| 1. | Issuer: | | First Gulf Bank P.J.S.C. |
| 2. | (i) | [Series Number:] | [•] |
| | (ii) | [Tranche Number: | [•] |
| | (iii) | [Date on which the Notes become fungible:] | [•]/[Not Applicable] |
| 3. | Specified Currency or Currencies: | | [•] |

| | | | |
|---|---|---|---|
| 4. | Aggregate Nominal Amount: | | |
| | (i) | [Series:] | [•] |
| | (ii) | [Tranche:] | [•] |
| 5. | Issue Price: | | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]/[Not specified] |
| 6. | (i) | Specified Denominations: | [•] |
| | (ii) | Calculation Amount: | [•] |
| 7. | (i) | [Issue Date:] | [•] |
| | (ii) | [Interest Commencement Date:] | [[•]/Issue Date/Not Applicable] |
| 8. | Maturity Date: | | [•] |
| 9. | Interest Basis: | | [[•] per cent. Fixed Rate]<br>[[[•] +/- [•] per cent. Floating Rate]<br>[Zero Coupon] |
| 10. | Redemption/Payment Basis: | | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount. |
| 11. | Change of Interest or Redemption/Payment Basis: | | [Applicable/Not Applicable] |
| 12. | Put/Call Options: | | [Not Applicable]<br>[Change of Control Put/Put Event]<br>[Investor Put]<br>[Issuer Call] |
| 13. | (i) | Status of the Notes: | [Senior/Subordinated] |
| | (ii) | [Date [Board] approval for issuance of Notes obtained: | [•]] |
| | (iii) | [Date U.A.E. Central Bank approval for issuance of Subordinated Notes obtained: | [•]] |

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

| | | | |
|---|---|---|---|
| 14. | **Fixed Rate Note Provisions** | | [Applicable/Not Applicable] |
| | (i) | Rate[(s)] of Interest: | [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear] |
| | (ii) | Interest Payment Date(s): | [•] in each year |
| | (iii) | [First Interest Payment Date: | [•]] |
| | (iv) | Fixed Coupon Amount[(s)]: | [[•] per Calculation Amount]/[Not Applicable] |
| | (v) | Broken Amount(s): | [•]/[Not Applicable] |
| | (vi) | Day Count Fraction: | [30/360]<br>[Actual/Actual (ICMA/ISDA)] |

| | | | |
|---|---|---|---|
| | | | [Actual/365 (Fixed)] |
| | (vii) | [Determination Dates | [[•] in each year] [Not Applicable] |
| | (viii) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable] |
| 15. | **Floating Rate Note Provisions** | | [Applicable/Not Applicable] |
| | (i) | Specified Period: | [•] |
| | (ii) | Specified Interest Payment Dates: | [•][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable] |
| | (iii) | [First Interest Payment Date: | [•]] |
| | (iv) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| | (v) | Additional Business Centre(s): | [[•]/Not Applicable] |
| | (vi) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| | (vii) | Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Fiscal Agent]): | [[•] shall be the Calculation Agent] |
| | (viii) | Screen Rate Determination: | |
| | | • Reference Rate: | [LIBOR]/[EURIBOR]/[LIBID]/[LIMEAN]/[SHIBOR]/[HIBOR]/[SIBOR]/[EIBOR]/[SAIBOR]/[BBSW]/[AUD LIBOR]/[JPY LIBOR]/[PRIBOR]/[CNH HIBOR]/[TRLIBOR or TRYLIBOR]/[TIBOR]/[GBP LIBOR]/[CHF LIBOR]/[CAD LIBOR]/[NZD LIBOR]/[DKK LIBOR]/[SEK LIBOR]/[MIBOR]/[BKBM] |
| | | • Interest Determination Date(s): | [•] |
| | | • Relevant Screen Page: | [•] |
| | | • Relevant Time: | [•] |
| | | • Relevant Financial Centre: | [•] |
| | (ix) | ISDA Determination: | |
| | | • Floating Rate Option: | [•] |
| | | • Designated Maturity: | [•] |

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

**PROVISIONS RELATING TO REDEMPTION**

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

| | | |
|---|---|---|
| | amount(s): | |
| 19. | **Change of Control Put** | [Applicable/Not Applicable] |
| | Change of Control Put Price: | [•] per Calculation Amount |
| 20. | **Final Redemption Amount of each Note** | 100 per cent. of their nominal amount |
| 21. | **Early Redemption Amount** | [Applicable/Not Applicable] |
| | Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default: | [•] per Calculation Amount |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 22. | Form of Notes: | Bearer Notes:<br><br>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]<br><br>[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice.]<br><br>[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]<br><br>Registered Notes:<br><br>[Global Registered Notes exchangeable for Individual Registered Notes on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Note] |
| 23. | Additional Financial Centre(s): | [•]/[Not Applicable] |
| 24. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No] |
| 25. | RMB Settlement Centre(s): | [•]/[Not Applicable] |
| 26. | RMB Currency Event: | [Applicable]/[Not Applicable] |
| 27. | Relevant Currency for Condition 11(k)/12(d): | [•]/[Not Applicable] |
| 28. | Relevant Spot Rate Screen Pages for Condition 11(k)/12(d): | (i) Relevant Spot Rate Screen Page (Deliverable Basis): [•]/[Not Applicable]<br><br>(ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): [•]/[Not Applicable] |
| 29. | Party responsible for calculating the Spot Rate for Condition 11(k)/12(d): | [[•] (the "**Calculation Agent**")]/[Not Applicable] |

30. **THIRD PARTY INFORMATION**

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

Signed on behalf of **First Gulf Bank P.J.S.C.**:

| | |
|---|---|
| By: ........................................................................... <br> Duly Authorised | By: ........................................................................... <br> Duly Authorised |

## PART B – OTHER INFORMATION

1. **LISTING**

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

2. **RATINGS**

| | |
|---|---|
| Ratings: | [The Notes to be issued have not been rated]/[The Notes to be issued have been rated:]<br><br>[Fitch: [•]]<br>[Moody's: [•]] |

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

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

4. [**Fixed Rate Notes only – YIELD**

| | |
|---|---|
| Indication of yield: | [•]] |

5. **U.S. SELLING RESTRICTIONS**

6. **[TEFRA C/TEFRA D/TEFRA not applicable]**

7. **OPERATIONAL INFORMATION**

| | |
|---|---|
| ISIN: | [•] |
| Common Code: | [•] |
| Names and addresses of additional Paying Agent(s) (if any): | [•][Not Applicable] |
| Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream, Luxembourg, *société anonyme* and the relevant addressees and identification number(s): | [Not Applicable/*give name(s) and number(s)* and [*addresses*]] |
| Delivery: | Delivery [against/free of] payment |

8. **DISTRIBUTION**

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

| | |
|---|---|
| (A) If syndicated, names of Managers: | [Not applicable/*give names*] |
| (B) Stabilisation Manager(s) (if any): | [Not applicable/*give names*] |
| (ii) If non-syndicated, name of relevant Dealer: | [Not applicable/*give names*] |

## FORM OF PRICING SUPPLEMENT

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

Pricing Supplement dated [•]

No base prospectus is required to be produced in accordance with Directive 2003/71/EC, as amended (the "**Prospectus Directive**") for this issue of Notes described below and, accordingly, the Notes issued as described below are not required to, and do not comply with, the Prospectus Directive as so amended. The U.K. Listing Authority has neither approved nor reviewed the information contained in this Pricing Supplement.

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

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

**under the U.S.$5,000,000,000**

**Euro Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 18 April 2016 [and the supplemental Base Prospectus dated [•]]. This document constitutes the pricing supplement relating to the issue of Notes described herein and must be read in conjunction with the Base Prospectus [and its supplement(s)]. This Pricing Supplement must be read in conjunction with the Base Prospectus [as so supplemented].

In order to get the full information on the Issuer and the Notes described herein, this Pricing Supplement must be read in conjunction with the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at the market news section of the London Stock Exchange website (*http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html*) and during normal business hours at the registered offices of the Issuer at P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the 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.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement to it dated [*date*]] which are incorporated by reference in the Base Prospectus dated 18 April 2016. This document constitutes the final terms of the Notes described herein and must be read in conjunction with the Base Prospectus dated 18 April 2016 [and the supplemental Prospectus dated [•]]. In order to get the full information on the Issuer and the Notes described herein, this Pricing Supplement must be read in conjunction with the Base Prospectus dated 18 April 2016 [and the supplemental Prospectuses dated [•]] and [•]]]. Copies of the Base Prospectus [and the supplemental Prospectuses] and this Pricing Supplement are available for viewing at the market news section of the London Stock Exchange website (*www.londonstockexchange.com/exchange/news/market-news/market-news-home.html*) and during normal business hours at the normal business hours at the registered offices of the Issuer at P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

| | | | |
|---|---|---|---|
| 9. | Issuer: | | First Gulf Bank P.J.S.C. |
| 10. | (i) | [Series Number:] | [•] |
| | (ii) | [Tranche Number: | [•] |

| | | | |
|---|---|---|---|
| | (iii) | [Date on which the Notes become fungible:] | [•]/[Not Applicable] |
| 11. | Specified Currency or Currencies: | | [•] |
| 12. | Aggregate Nominal Amount: | | |
| | (i) | [Series:] | [•] |
| | (ii) | [Tranche:] | [•] |
| 13. | Issue Price: | | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]/ [Not specified] |
| 14. | (i) | Specified Denominations: | [•] |
| | (ii) | Calculation Amount: | [•] |
| 15. | (i) | [Issue Date:] | [•] |
| | (ii) | [Interest Commencement Date:] | [[•]/Issue Date/Not Applicable] |
| 16. | Maturity Date: | | [•] |
| 17. | Interest Basis: | | [[•] per cent. Fixed Rate]<br>[[[•] +/- [•] per cent. Floating Rate]<br>[Zero Coupon]<br>[Index-Linked Interest]<br>[*specify other*] |
| 18. | Redemption/Payment Basis: | | [Redemption at par]<br>[Index-Linked Redemption]<br>[*specify other*] |
| 19. | Change of Interest or Redemption/Payment Basis: | | [Applicable/Not Applicable] |
| 20. | Put/Call Options: | | [Not Applicable]<br>[Investor Put]<br>[Change of Control Put/Put Event]<br>[Issuer Call] |
| 21. | (i) | Status of the Notes: | [Senior/Subordinated] |
| | (ii) | [Date [Board] approval for issuance of Notes obtained: | [•]] |
| | (iii) | [Date U.A.E. Central Bank approval for issuance of Subordinated Notes obtained: | [•]] |

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

| | | | |
|---|---|---|---|
| 22. | **Fixed Rate Note Provisions** | | [Applicable/Not Applicable] |
| | (i) | Rate[(s)] of Interest: | [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear] |
| | (ii) | Interest Payment Date(s): | [•] in each year |
| | (iii) | [First Interest Payment Date: | [•]] |
| | (iv) | Fixed Coupon Amount[(s)]: | [[•] per Calculation Amount]/[Not Applicable] |

| | | | |
|---|---|---|---|
| | (v) | Broken Amount(s): | [•]/[Not Applicable] |
| | (vi) | Day Count Fraction: | [30/360]<br>[Actual/Actual (ICMA/ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/360]<br>[*specify other*] |
| | (vii) | Determination Dates: | [[•] in each year] [Not Applicable] |
| | (viii) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable] |
| | (ix) | Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: | [Not Applicable]/[*give details*] |
| 23. | **Floating Rate Note Provisions** | | [Applicable/Not Applicable] |
| | (i) | Specified Period: | [•] |
| | (ii) | Specified Interest Payment Dates: | [•][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to adjustment, as the Business Day Convention in (v) below is specified to be Not Applicable] |
| | (iii) | [First Interest Payment Date: | [•]] |
| | (iii) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| | (iv) | Additional Business Centre(s): | [[•]/Not Applicable] |
| | (v) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination/[•]] |
| | (vi) | Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Fiscal Agent]): | [[•] shall be the Calculation Agent] |
| | (vii) | Screen Rate Determination: | |
| | | • Reference Rate: | [LIBOR]/[EURIBOR]/[LIBID]/[LIMEAN]/[SHIBOR]/[HIBOR]/[SIBOR]/[EIBOR]/[SAIBOR]/[BBSW]/[AUD LIBOR]/[JPY LIBOR]/[PRIBOR]/[CNH HIBOR]/[TRLIBOR or TRYLIBOR]/[TIBOR]/<br>[GBP LIBOR]/[CHF LIBOR]/[CAD LIBOR]/<br>[NZD LIBOR]/[DKK LIBOR]/[SEK LIBOR]/[MIBOR]/[BKBM]/[*specify other Reference Rate*]] |
| | | • Interest Determination Date(s): | [•] |
| | | • Relevant Screen Page: | [•] |

| | | | |
|---|---|---|---|
| | | • Relevant Time: | [•] |
| | | • Relevant Financial Centre: | [•] |
| | (viii) | ISDA Determination: | |
| | | • Floating Rate Option: | [•] |
| | | • Designated Maturity: | [•] |
| | | • Reset Date: | [•] |
| | (ix) | Margin(s): | [•] per cent. per annum |
| | (x) | Minimum Rate of Interest: | [•] per cent. per annum |
| | (xi) | Maximum Rate of Interest: | [•] per cent. per annum |
| | (xii) | Day Count Fraction: | [Actual/Actual (ICMA)]<br>[Actual/365]<br>[Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/360]<br>[30/360]<br>[30E/360]<br>[Eurobond Basis]<br>[*specify other*] |
| | (xiii) | Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: | [Not Applicable]/[*specify*] |
| | (xiv) | Linear Interpolation | [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation] |
| 24. | **Zero Coupon Note Provisions** | | [Applicable/Not Applicable] |
| | (i) | Accrual Yield: | [•] per cent. per annum |
| | (ii) | Reference Price: | [•] |
| | (iii) | Day Count Fraction in relation to Early Redemption Amounts: | [30/360]<br>[Actual/Actual (ICMA)]<br>[Actual/365]<br>[Actual/Actual (ISDA)]<br>Actual/365 (Fixed)]<br>[Actual/360]<br>[30/360]<br>[30E/360]<br>[Eurobond basis]<br>[*other*] [*specify other*] |
| | (iv) | Any other formula/basis for determining amounts payable for Zero Coupon Notes which are Exempt Notes: | [•] |

| | | | |
|---|---|---|---|
| 17. | **Index-Linked Interest Note Provisions** | | [Applicable/Not Applicable]<br><br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Index/Formula: | [*Give or annex details*] |
| | (ii) | Calculation Agent responsible for calculating the interest due: | [•] |
| | (iii) | Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: | [•]<br><br>(*Include a description of market disruption or settlement disruption events and adjustment provisions*) |
| | (iv) | Specified Period: | [•]<br><br>(*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable".*) |
| | (v) | Specified Interest Payment Dates: | [•]<br><br>(*Specified Period and Specified Interest payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable".*) |
| | (vi) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] |
| | (vii) | Additional Business Centre(s): | [•] |
| | (viii) | Minimum Rate of Interest: | [•] per cent. per annum |
| | (ix) | Maximum Rate of Interest: | [•] per cent. per annum |
| | (x) | Day Count Fraction: | [•] |

**PROVISIONS RELATING TO REDEMPTION**

| | | | |
|---|---|---|---|
| 18. | **Call Option** | | [Applicable/Not Applicable] |
| | (i) | Optional Redemption Date(s): | [•] |
| | (ii) | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [[•] per Calculation Amount]/[*specify other*] |

| | | | |
|---|---|---|---|
| | (iii) | If redeemable in part: | |
| | | (a) Minimum Redemption Amount: | [•] per Calculation Amount |
| | | (b) Maximum Redemption Amount: | [•] per Calculation Amount |
| 19. | **Put Option** | | [Applicable/Not Applicable] |
| | (i) | Optional Redemption Date(s): | [•] |
| | (ii) | Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): | [[•] per Calculation Amount]/[*specify other*] |
| 20. | **Change of Control Put** | | [Applicable/Not Applicable] |
| | Change of Control Put Price: | | [•] per Calculation Amount |
| 21. | **Final Redemption Amount of each Note** | | [[•] per Calculation Amount]/[*specify other*] |
| | In cases where the Final Redemption Amount is Index-Linked or other variable-linked: | | [*give or annex details*] |
| | (i) | Index/Formula/variable: | [•] |
| | (ii) | Calculation Agent responsible for calculating the Final Redemption Amount: | [•] |
| | (iii) | Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or variable: | [•] |
| | (iv) | Determination Date(s): | [•] |
| | (v) | Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: | [•] |
| | (vi) | Payment Date: | [•] |
| | (vii) | Minimum Final Redemption Amount: | [•] |
| | (viii) | Maximum Final Redemption Amount: | [•] |
| 23. | **Early Redemption Amount** | | [Applicable/Not Applicable] |
| | Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption: | | [[•] per Calculation Amount]/[*specify other*] |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 24. | Form of Notes: | Bearer Notes: |
| | | [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in |

| | | |
|---|---|---|
| | | the Permanent Global Note.]<br><br>[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice.]<br><br>[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]<br><br>Registered Notes:<br><br>[Global Registered Notes exchangeable for Individual Registered Notes on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Note] |
| 25. | Additional Financial Centre(s): | [•]/[Not Applicable] |
| 26. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No] |
| 27. | RMB Settlement Centre(s): | [•]/[Not Applicable] |
| 28. | RMB Currency Event: | [Applicable]/[Not Applicable] |
| 29. | Relevant Currency for Condition 11(k)/12(d): | [•]/[Not Applicable] |
| 30. | Relevant Spot Rate Screen Pages for Condition 11(k)/12(d): | (i) Relevant Spot Rate Screen Page (Deliverable Basis): [•]/[Not Applicable]<br><br>(ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): [•]/[Not Applicable] |
| 31. | Party responsible for calculating the Spot Rate for Condition 11(k)/12(d): | [[•] (the "**Calculation Agent**")]/[Not Applicable] |
| 32. | Other terms or special conditions: | [•]/[Not Applicable] |

Signed on behalf of **First Gulf Bank P.J.S.C.**:

By: ........................................................................... By: ...........................................................................
Duly Authorised Duly Authorised

## PART B – OTHER INFORMATION

1. **LISTING**

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

2. **RATINGS**

Ratings: [The Notes to be issued have not been rated]/[The Notes to be issued have been rated:]

[Fitch: [•]]
[Moody's: [•]]

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 issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business for which they may receive fees.]

4. [**Fixed Rate Notes only – YIELD**

Indication of yield: [•]]

5. **[Index-Linked Or Other Variable-Linked Notes Only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. [Where the underlying is an index, need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer, need to include details of where the information about the index can be obtained. Where the underlying is not an index, need to include equivalent information.]*

*The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information.]*

6. **DISTRIBUTION**

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

7. **OPERATIONAL INFORMATION**

| | |
|---|---|
| ISIN: | [•] |
| Common Code: | [•] |
| Names and addresses of additional Paying Agent(s) (if any): | [•] |
| Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream, Luxembourg, *société anonyme* and the relevant addressees and identification number(s): | [Not Applicable/*give name(s) and number(s)* and [*addresses*]] |
| Delivery: | Delivery [against/free of] payment |

8. **THIRD PARTY INFORMATION**

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

## USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

## DESCRIPTION OF FIRST GULF BANK P.J.S.C.

### OVERVIEW

FGB was incorporated in the U.A.E. in 1979 for a duration of 100 years and is registered as a public joint stock company with limited liability in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended) (which was replaced with U.A.E. Federal Law No. 2 of 2015 with effect from 1 July 2015). FGB's commercial registration number is 1002668 and its registered address and telephone number are P.O. Box 6316, Abu Dhabi, U.A.E. and +971 2 681 6666, respectively.

FGB began operations in Ajman in 1979 with a focus on corporate banking and has since developed into a diversified banking group. The Group currently provides a broad range of financial services. FGB's core banking activities include wholesale banking (principally comprising of loans and other credit facilities, and deposit and current accounts for corporate, institutional and high net worth customers), treasury and global markets (principally comprising of money market, portfolio management, brokerage, treasury services, foreign exchange and structured derivative products), consumer banking (principally comprising of consumer deposits, loans and overdrafts, credit cards and funds transfer facilities) and real estate activities (principally comprising of the development, acquisition, leasing, brokerage, management and resale of properties) to its customers who are predominantly based in the U.A.E. The Group's wholesale and consumer banking services include both conventional and *Shari'a*-compliant products. FGB operates through its head office and seven other branches in Abu Dhabi and through 14 other branches in Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah. Internationally, FGB has a presence in Singapore and Qatar through respective wholesale banking branches, in India, Hong Kong, South Korea and the United Kingdom through representative offices, and has an investment in Libya through FGLB, which is a joint venture with the Economic and Social Development Fund of Libya. FGB also benefits from an extensive network of correspondent banking relationships around the world.

FGB's shareholders include U.A.E. companies and individuals who held approximately 87.2 per cent. of its shares as at 31 December 2015. These mainly include shares owned or controlled in their private capacity by members of the ruling family of Abu Dhabi, their families and companies controlled by them. Members of the ruling family first became shareholders in 1996 with an original aggregate stake of 45.0 per cent. which was increased to a majority holding in 2005 following a capital increase by FGB. The shareholding by members of the ruling family is diversified as FGB's articles of association provide that no single shareholder can own more than 20.0 per cent. of FGB's shares. In addition to being shareholders, members of the ruling family are also members of the board of directors (the "**Board of Directors**" or the "**Board**").

FGB has grown to become one of the largest banks based in the U.A.E. in terms of total equity and total assets, with total equity of AED 36.3 billion and total assets of AED 227.5 billion as at 31 December 2015 compared to total equity of AED 34.7 billion and total assets of AED 212.2 billion as at 31 December 2014. For the year ended 31 December 2015, FGB's operating income was AED 9.4 billion and its net profit for the period was AED 6.0 billion compared to operating income of AED 9.0 billion and net profit of AED 5.7 billion for the year ended 31 December 2014.

FGB is required by the U.A.E. Central Bank to maintain its total capital adequacy ratio in excess of 12.0 per cent. FGB's total capital adequacy ratio (calculated in accordance with U.A.E. Central Bank guidelines) was 17.5 per cent. as at 31 December 2014 and remained the same at 17.5 per cent. as at December 31 2015. FGB's Tier 1 capital was AED 29.8 billion as at 31 December 2014 which increased to AED 30.9 billion as at 31 December 2015.

### HISTORY

FGB was incorporated in 1979 and initially focused on providing corporate banking services. In 1996, members of the Abu Dhabi ruling family in their private capacity acquired a 45.0 per cent. stake in FGB and, in 1998, FGB moved its head office to Abu Dhabi from Ajman.

In 1999, FGB commenced a reorganisation through the recruitment of a new management team with an international banking background as well as by adopting a new business strategy. In line with this strategy, investment banking and treasury services were introduced in 2001 and consumer banking services were introduced in 2002. Over the same period, FGB focused on improving its asset quality and introducing new systems and technology to support its growth. In 2001, FGB received an International Organisation for Standardisation certification for all its activities and branches.

In June 2002, FGB's shares were listed on the Abu Dhabi Securities Exchange ("**ADX**").

In June 2004, FGB issued convertible bonds amounting to AED 800.0 million. In July 2005, FGB increased its share capital through an AED 5.0 billion rights issue with a view to facilitating future expansion plans. In February 2006, FGB further increased its share capital through a AED 250.0 million bonus share dividend. As a result of this dividend, the rights issue and the conversion of the AED 800.0 million convertible bonds during 2005, the share capital of FGB as at 31 December 2006 increased to AED 1,250.0 million and the shareholding of members of the ruling family of Abu Dhabi in their private capacity increased to approximately 62.1 per cent.

In February 2006, the composition of FGB's Board of Directors substantially changed with the appointment of two members of the ruling family of Abu Dhabi as Chairman and Vice Chairman as well as the appointment of two other new board members. In addition, FGB's then Chief Operating Officer was appointed as Chief Executive Officer ("**CEO**"). The previous Board of Directors had been in place for six years and to ensure the continuity of senior management and a smooth transition, the former CEO, Mr Abdulhamid Saeed, became a member of the Board of Directors and was nominated as the Managing Director.

In June 2007, FGB opened its first overseas representative office in Singapore which, in 2009, was upgraded to a wholesale banking branch.

FGB also obtained a Category IV branch licence in the Qatar Financial Center in November 2008 which has expanded FGB's reach into Qatar. This was upgraded to a Category I branch in April 2011, allowing FGB to provide wholesale banking services to its clients in Qatar. FGB also opened a representative office in India in October 2009.

In November 2008, FGB publicly opened FGLB, its banking subsidiary in Libya which carries on commercial banking activities. The venture is a 50:50 partnership with the Economic and Social Development Fund of Libya and was the first international bank to be launched in Libya. In March 2011, FGB suspended its management agreement with FGLB (the principal effect of which was to suspend FGLB's use of FGB's core banking IT system) and all the FGB-nominated members in FGLB resigned. As a result of these changes, FGB de-recognised the assets, liabilities and non-controlling interest relating to FGLB. As of 31 March 2011, FGB's investment in FGLB with a net carrying amount of AED 388.0 million was classified as an available for sale investment. As a result of the lifting of international sanctions against Libya in October 2011, FGB determined to continue its investment in FGLB. FGB's representatives were appointed to the Board of Directors of FGLB at its annual general meeting of shareholders held on 11 December 2011 and the management agreement was reinstated. The Central Bank of Libya approved the appointment of the new FGLB directors on 8 January 2012.

In January 2011, FGB approved a plan to convert the mandatory convertible bonds issued by it in 2008 earlier than originally scheduled. After obtaining all necessary approvals, FGB converted the bonds in February 2011. The conversion resulted in the following: (i) the share capital of FGB increased by AED 125.0 million, representing the par value of AED 1.0 for 125 million newly issued shares; and (ii) the legal reserve of FGB increased by AED 3,475.0 million representing the share premium on those additional shares.

On 29 February 2012, FGB's shareholders approved a resolution of FGB's Board of Directors to distribute 1,500 million shares to shareholders of FGB as bonus shares. Accordingly, FGB's share capital increased to AED 3,000.0 million.

On 26 February 2014, FGB's shareholders approved a resolution of FGB's Board of Directors to distribute 900 million shares to shareholders as bonus shares of FGB. Accordingly, FGB's share capital increased to AED 3,900.0 million.

On 25 February 2015, FGB's shareholders approved a resolution of FGB's Board of Directors to distribute 600 million shares to shareholders as bonus shares of FGB. Accordingly, FGB's share capital increased to AED 4,500.0 million.

On 6 March 2016, FGB's shareholders approved a resolution authorising FGB's Board of Directors to issue any type of bonds, Islamic sukuk, non-convertible into shares or any financing programs, and determine the terms of issuing such bonds, Islamic Sukuk or any financing programs and set their issue date, not to exceed one year from the date of approval.

**STRATEGY**

FGB has grown significantly since 31 December 2010, with consolidated total assets growing at a compound annual growth rate ("**CAGR**") of 10.1 per cent. and consolidated net profit growing at a CAGR of 11.9 per cent. between 31 December 2010 and 31 December 2015. FGB's strategy comprises a combination of the following:

**Core Banking Groups**

***Wholesale Banking Group*** **("*WBG*")** ***strategy*****:** WBG strategy is based on a segmented approach to client coverage and product specialism and has remained largely unchanged since 2013. WBG comprises the following client segments: Corporate Investment Group ("**CIB**"); Commercial Banking ("**CMB**"); Privileged Client Group ("**PCG**"); Financial Institutions Group ("**FIG**"); and International Banking ("**IB**"). Clients are also segmented into 3 tiers (Platinum, Gold and Silver) designated by reference to the revenue contributions of each client.

The CMB segment in WBG was created in 2015 to primarily target small and medium enterprises ("**SMEs**") that have an annual turnover between AED 75.0 million and AED 300.0 million. These clients are primarily concentrated in Dubai and the Northern Emirates and contribute to approximately AED 6.0 billion of banking revenues across the U.A.E. banking market.

***Treasury and Global Markets*** **("*TGM*")** ***strategy*****:** In 2015, TGM introduced "Murex", a new trading and deal capture platform. The introduction of Murex allows TGM to increase its product offering to clients. This includes increased commodities trading capabilities (including expansion into other asset classes), increased derivatives trading capabilities and expanded collateral trading. In 2016, TGM will increase its focus on financial institutions as a client segment and enhance its offering of market maker services in the markets for foreign exchange, rates, credit and commodities, both in regional and emerging markets. FGB will continue to segregate proprietary trading activity, which will be moderated through strict enforcement of exposure, risk and stop loss limits. These measures will also continue to play a role in maintaining a robust liquidity profile for the bank.

***Consumer Banking Group*** **("*CBG*") strategy:** In 2014 FGB appointed a new head of CBG. The CBG business has since been re-organised to place greater emphasis on customer segments. CBG strategy for the next two years comprises creating stronger customer value propositions within each segment, leveraging investments in technology, such as new digital channels and analytical tools, and improving distribution capabilities.

The CBG strategy comprises distinct segmentation of products and customers, along with attracting new customers through the new employee banking product. The personal banking segment of CBG covers mass market customers. This is the largest segment in CBG in terms of number of customers. The product strategy for this segment is to offer product bundles to customers with embedded additional products, such as insurance, personal loans and fixed deposit accounts. One example of such a product bundle includes a combination of a current account and a credit card. The focus of this segment will be to increase customer deposits.

The affluent banking segment of CBG will focus on high net worth individual customers and address the financial planning and business needs of such customers. These customers will be served primarily through relationship managers and will be offered investments and asset products.

The Emirati segment will launch distinct products for sub-segments of Emirati customers, such as youth and elite, with the intention of becoming the bank of choice for all U.A.E. nationals. In addition, CBG will enhance the FGB brand image with respect to this segment of customers by partnering with prominent educational authorities and running campaigns to encourage customers to promote a savings culture and to increase their savings and.

The business finance solutions segment focuses on SME customers with turnovers of under AED 75.0 million. CBG sees this as an important segment for future growth. The strategy of this segment will be to move away from a loan-centric model, toward offering a wider range of products including insurance, cash management and wealth management products, delivered through traditional and alternate channels.

In 2014, the integration of Dubai First P.J.S.C. ("**Dubai First**") and Aseel Finance P.J.S.C. ("**Aseel Finance**") was successfully completed.

During 2015, FGB continued to invest in the growth of Dubai First P.J.S.C. with a view to changing Dubai First from a cards-only business into a multi-product finance company offering SME loans and personal loans. In 2016, Dubai First will continue to leverage its brand to focus on growth whilst maintaining strong performance and efficiency ratios.

In 2015, FGB appointed a new CEO of Aseel Finance P.J.S.C. and continued to change Aseel Finance's business model from a completely mortgage focussed business into a diversified Islamic finance business offering SME business finance and credit cards.

**Maximising Cross-Business Synergies**

One of the strategic priorities for the Group over the next two years is to maximise cross-business synergies. The intention is for various complementary units of the bank to work closely together to deliver greater value through synergies. The following are some specific examples of this general strategy:

***Employee banking*****:** CBG plans to appoint a new head of employee banking who will build a dedicated team for this business. The business will focus on delivering employee banking solutions to companies with more than 30 employees. CBG aims to use WBG connections to identify target companies to grow this business.

***Cross-Selling to TGM*****:** TGM will look to grow its sales and trading business by collaborating with WBG. Joint account plans will be prepared for all WBG clients along with treasury sales staff to identify opportunities to cross-sell TGM products to existing customers.

***Harmonisation between CBG, Dubai First and Aseel Finance*****:** FGB's consumer banking business is undertaken through CBG, Dubai First and Aseel Finance. In 2016, FGB will continue to harmonise these businesses across various parameters, such as segmentation criteria, sales policies, processes, risk and controls.

**Selective International Expansion**

International expansion will be a focus for FGB over the next two years as the bank intends to diversify its revenue base. International expansion will however be in selective markets which demonstrate a high level of connectivity to the FGB network. In 2014 FGB completed an extensive study on global banking markets wherein all countries worldwide were assessed by way of connectivity filters in order to arrive at an initial list of target countries. The initial list was further shortened after taking into account individual market considerations and applying two key guiding principles: "profitability over presence" and "business model sustainability". As a result of the study, FGB has an identified strategy on its target markets which will be prioritised based on further detailed assessments. During 2015, FGB initiated discussions with regulators in Hong Kong to upgrade its representative office to a branch. FGB is expecting to lodge a formal application for a branch licence with the Hong Kong Monetary Authority in 2016. FGB is also in discussions with the China Banking and Regulatory Commission to establish a representative office in Beijing in 2016.

**COMPETITION AND COMPETITIVE STRENGTHS**

**Competition**

The Group is subject to competition in the U.A.E. from both U.A.E. incorporated and foreign banks. As at 31 December 2015, there was, according to the "U.A.E. Monthly Banking Indicators (December 2015)" report issued by the U.A.E. Central Bank, a total of 49 banks with head offices in the U.A.E., of which 23 were U.A.E. incorporated and 26 were foreign. Foreign banks also enter the U.A.E. market via representative offices, which, according to the "list of representative offices", published by the Central bank, totalled 121 as at 31 December 2015. Of the 121 representative offices of foreign banks, 51 are located in Abu Dhabi, 68 are located in Dubai and two are located in Sharjah.

Although U.A.E. incorporated banks generally have stronger relationships with U.A.E. incorporated customers, foreign banks may have greater resources and access to cheaper funding than U.A.E. incorporated banks such as FGB. These banks may also be able to leverage their international expertise and therefore may prove more attractive to key domestic companies and governmental bodies as well as foreign companies operating in the U.A.E. To this extent, the Group may be at a competitive disadvantage. In addition, the Group may be disadvantaged if it is unable to match the pricing offered by its competitors or the service levels or range of products which it offers prove to be unfavourable in comparison with those offered by its competitors. In addition, increased competition could adversely affect the Group's margins.

By entering into new markets, the Group will be exposed to competition from established banks in those markets and may, initially, be disadvantaged in terms of local relationships and/or its lack of experience of operating in the relevant market.

**Competitive Strengths**

Notwithstanding the competition faced by FGB as discussed above, FGB believes that the Group has a number of principal strengths which may offer it a competitive advantage, including the following:

- ***Profitability, efficiency and sound asset quality have kept pace with its growth.*** For the year ended 31 December 2015, the Group's annualised return on average assets was 2.7 per cent., its annualised return on average equity was 17.1 per cent., its cost to income ratio was 20.6 per cent. and its non-performing loan to gross loan ratio was 2.8 per cent.

- ***Core banking franchise provides a stable platform from which to expand and diversify its activities and improve its margins*** (see "– *Strategy – Core Banking Groups*") ***and its recently established businesses which are complementary to the core banking franchise.*** In terms of diversification, since 2006 the Group has established separate subsidiary and associated companies active in the real estate market, consumer financing and in Islamic banking. In addition, FGB has established a wider international presence in other regional emerging markets

- ***Ability to effectively leverage certain of its shareholders and its strong relationship with members of the ruling family of Abu Dhabi.*** FGB's relationship with its current principal shareholders (which began in 1996) provides it with a source of stable deposits and strong management.

- ***Stable and entrepreneurial management team with international experience.*** FGB's current management team is principally responsible for developing the Group from a predominantly corporate bank to its current position offering diversified banking services. FGB's management team has significant experience in the banking industry and many of its members have served with FGB for relatively long terms in an industry and region where there is frequent movement in senior management. FGB's management is focused on risk management, cost discipline, sustainable and profitable growth and revenue diversification.

- ***Strong risk management culture.*** The Group has a well-diversified loan portfolio and limited foreign exchange risk. It has invested, and continues to invest, significantly in improving its risk management procedures. The ratio of FGB's non-performing loans to gross loans has declined from 15.8 per cent. as at the end of 2002 to 2.8 per cent. as at 31 December 2015. The Group has also adopted a sound provisioning policy with total provisions being AED 4.4 billion, 2.9 per cent. of gross loans, as at 31 December 2015 compared to AED 4.5 billion, 3.1 per cent. of gross loans, as at 31 December 2014. The Group's provisioning charge divided by its net loans was 0.9 per cent. for the year ended 31 December 2015, 1.0 per cent. in 2014 and 1.4 per cent. in 2013.

**EQUITY AND SHAREHOLDERS**

As at 31 December 2015, FGB's authorised, issued and paid up share capital comprised 4,500,000,000 shares with a nominal value of AED 1 each.

FGB's major shareholder groups and their approximate shareholdings as at 31 December 2015 were as follows:

| **Shareholder** | **%** |
|---|---|
| U.A.E. companies and individuals(1) | 87.2 |
| Foreign investors | 10.8 |
| GCC excluding U.A.E. | 2.0 |
| **Total** | **100.0** |

Notes:

(1) These mainly include shares owned or controlled in a private capacity by members of the ruling family of Abu Dhabi, their families and companies controlled by them.

The articles of association of FGB provide that no single shareholder can own more than 20.0 per cent. of FGB's shares and that non-U.A.E. nationals cannot own, in aggregate, more than 25.0 per cent. of FGB's shares. As at 31 December 2015, approximately 12.8 per cent. of FGB's shares were owned by non-U.A.E. nationals.

## BUSINESS ACTIVITIES

### Overview

For financial reporting purposes, the Group's business activities are classified within the following four business segments:

- ***Wholesale Banking Group*** – this segment supports corporates, financial institutions and high net worth individuals in capital raising, risk management and transaction services, both in the U.A.E. and internationally. The product offering also includes traditional corporate banking services (such as loans, credit facilities, deposits and current accounts), global transaction services (including cash management and trade finance), debt markets and syndications (including loan syndications, structured finance and bond origination) and corporate finance. Wholesale banking services are provided on both an Islamic and conventional basis.

- ***Treasury and Global Markets*** – this segment principally provides money market, asset management, brokerage, treasury services, foreign exchange and structured derivative products and also manages the Group's funding and investing operations. TGM banking services are provided on both an Islamic and a conventional basis.

- ***Consumer Banking*** – this segment principally handles consumer deposits, loans and overdrafts, credit card facilities and funds transfer facilities. The consumer banking segment has established a wealth management business, that services clients with a minimum relationship value of at least U.S.$100,000, which is expanding globally. The consumer banking segment caters to the 'high net worth segment' and offers bespoke investment and banking solutions. The wealth management business offers both conventional and Islamic products.

- ***Real Estate Activities*** – this segment principally handles the acquisition, leasing, brokerage, management and resale of properties.

Set out below is a summary of certain financial information for each of these segments for each of the years ended 31 December 2013, 2014 and 2015.

### Year ended 31 December 2015

| | **Wholesale banking** | **Treasury & Global Markets** | **Consumer banking** | **Real estate** | **Other operations(1)** | **Total** |
|---|---|---|---|---|---|---|
| | | | *(AED millions)* | | | |
| Assets | 96,993.5 | 53,971.6 | 55,056.3 | 8,981.5 | 12,493.5 | 227,496.4 |
| Liabilities | 108,765.8 | 37,386.4 | 37,111.9 | 772.8 | 7,155.3 | 191,192.2 |
| Operating income, excluding associates | 3,419.2 | 1,142.9 | 3,337.3 | 835.6 | 697.1 | 9,432.1 |
| Share of profit/(loss) of associates | — | — | — | 1.2 | 0.3 | 1.5 |
| Impaired assets charge | (319.9) | (220.1) | (845.0) | (17.0) | (51.8) | (1,453.8) |

| | Wholesale banking | Treasury & Global Markets | Consumer banking | Real estate | Other operations[1] | Total |
|---|---|---|---|---|---|---|
| Profit/(loss) attributable to equity holders of FGB ............................. | 2,509.4 | 783.5 | 1,735.9 | 780.3 | 197.0 | 6,006.1 |

### Year ended 31 December 2014

| | Wholesale banking | Treasury & Global Markets | Consumer banking | Real estate | Other operations[1] | Total |
|---|---|---|---|---|---|---|
| | | | *(AED millions)* | | | |
| Assets............................................ | 91,347.8 | 48,272.0 | 49,869.7 | 10,457.4 | 12,221.6 | 212,168.5 |
| Liabilities...................................... | 123,024.4 | 9,562.3 | 37,037.6 | 1,414.7 | 6,392.5 | 177,431.5 |
| Operating income, excluding associates ...................................... | 3,532.7 | 1,215.7 | 3,150.8 | 460.4 | 597.9 | 8,957.5 |
| Share of profit/(loss) of associates . | — | — | — | 7.6 | 1.1 | 8.7 |
| Impaired assets charge .................. | (547.9) | (11.0) | (609.1) | — | (204.4) | (1,372.4) |
| Profit/(loss) attributable to equity holders of FGB [1].......................... | 2,397.9 | 1,094.7 | 1,882.3 | 404.9 | (124.2) | 5,655.6 |

### Year ended 31 December 2013

| | Wholesale banking[2] | Treasury & Global Markets | Consumer banking | Real estate | Other operations[1] | Total |
|---|---|---|---|---|---|---|
| | | | *(AED millions)* | | | |
| Assets............................................ | 80,943.1 | 52,368.7 | 46,660.8 | 9,873.7 | 8,364.0 | 198,210.3 |
| Liabilities...................................... | 120,861.0 | 4,182.2 | 33,696.6 | 1,332.5 | 6,367.5 | 166,439.8 |
| Operating income, excluding associates ...................................... | 3,264.7 | 1,114.9 | 3,385.7 | 482.1 | 174.2 | 8,421.6 |
| Share of profit/(loss) of associates . | — | — | — | (14.5) | 13.5 | (1.0) |
| Impaired assets charge .................. | (609.5) | (34.0) | (625.6) | — | (550.8) | (1,819.9) |
| Profit/(loss) attributable to equity holders of FGB ............................. | 2,160.7 | 996.6 | 1,867.8 | 414.6 | (665.3) | 4,774.4 |

### Wholesale Banking Group

During 2013, FGB created WBG to include under one umbrella the Corporate Banking Group ("**CB**"), FIG and IB.

Through WBG, FGB is looking to adopt a regional coverage model served by regional and global products with the aim of broadening its bank product capability and deepening its bank client relationships. The growth of WBG in 2015 resulted from its continued focus on FGB's clients, through the provision of a diverse range of products which WBG has continued to develop.

As at 31 December 2015, WBG accounted for 42.6 per cent. of the Group's assets (as compared to 43.1 per cent. as at 31 December 2014). For the year ended 31 December 2015, the WBG accounted for 36.3 per cent. of the Group's operating income excluding associates (as compared to 39.4 per cent. as at 31 December 2014), and 41.8 per cent. of its net profit attributable to equity holders (as compared to 42.4 per cent. as at 31 December 2014).

WBG has also established a global product platform for its clients encompassing the following product groups: (i) global transaction services (providing cash management and trade finance products and services); (ii) debt markets and syndications (covering loan syndications, structured finance and bond origination); (iii) Islamic banking and (iv) corporate finance.

Note:

(1) Effective 1 January 2015, FGB changed its FTP methodology. As a result of the change, comparative figures relating to net interest income and income from Islamic financing as well as profit attributable to equity holders of the bank for 2014 have been adjusted for consistency purposes.

Beyond its traditional lending activities, FGB has established its global product platform to enable its WBG relationship management teams, both in the U.A.E. and internationally, to deliver tailored products and solutions to its WBG clients. These product groups are as follows:

- *Global Transaction Services* ("**GTS**")

  The GTS team combines FGB's extensive local knowledge with its growing global capability to offer a range of innovative and customised products and services in the areas of trade finance and cash management. GTS is available to both FGB's corporate and financial institution clients.

- *Debt Markets and Syndications* ("**DMS**")

  The DMS team specialises in the origination, structuring and distribution of debt related products. This includes FGB acting as arranger and underwriter in the syndicated loan market and the debt capital markets. The DMS team has expertise in sectors including real estate, hotel development, oil and gas, manufacturing, food and beverages and financial institutional banking. FGB also offers specialised financing for its clients in the project finance, aircraft and shipping finance sectors and in acquisition and leveraged financing.

- *Islamic Banking*

  The Islamic banking team acts as a centre of excellence for the provision of Islamic products for FGB's WBG clients and, also, across the Group. See " – *Islamic Banking*" below.

- *Corporate Finance*

  The Corporate Finance team currently acts in an advisory capacity to FGB's WBG clients in sectors including mergers and acquisitions, equity capital markets (including initial public offerings) and leveraged and acquisition finance.

***Corporate Banking Group***

In addition to traditional banking products for its small, medium and large public and private corporate and governmental customers, in early 2008 the Group established a new unit to manage and market high value corporate depository relationships. Corporate banking also offers private banking services, including lending to high net worth customers, principally being members of the ruling family of Abu Dhabi and the companies owned or controlled by them.

*Coverage and Operating Model*

In 2013, corporate banking implemented a new coverage and operating model to realign its business with the following customer segments:

- *Corporate and Investment Banking*

  The CIB team focuses on large corporates and Government Related Entities ("**GRE**") within the U.A.E. and is serviced by origination teams based in Abu Dhabi and Dubai.

- *Corporate Banking*

  The CB team is based in Abu Dhabi, Dubai and Sharjah and focuses on the development of business relationships with medium-sized corporate clients as well as multinational corporate clients. A dedicated CB team based in Jebel Ali covers clients based in the free zone.

With the implementation of this new model, corporate banking customer segments receive customised products through the following product specialist groups: (i) the project finance and syndication team based in Abu Dhabi, which focuses on deal origination, distribution of syndicated facilities (particularly corporate loans and structured finance loans, including project finance, leveraged finance, asset-backed finance and equity bridge financing), enacting ancillary roles in regional transactions and managing initial public offerings (including undertaking a share registry function and any related dividend distributions); (ii) the transaction banking team based in Abu Dhabi and Dubai, which provides new products and platforms to optimise working capital management for customers; and (iii) the Islamic banking team based in Abu Dhabi, which provides *Shari'a*-compliant Islamic product offerings for customers (see " – *Islamic Banking*" below).

The corporate banking segment's client profile includes top tier corporate customers for whose business there is significant competition and a corresponding pressure on margins as many of these customers have a number of established banking relationships.

The Group's corporate banking products are offered on both a conventional and Islamic basis. Its corporate banking customers are offered a range of deposit products including corporate current accounts, fixed term deposit accounts and call deposit accounts as well as electronic funds transfer services (including automatic salary payment facilities for major clients) and foreign exchange services. Deposit accounts can be denominated in a range of currencies, although the majority of deposits are denominated in U.A.E. dirhams and the majority of non-local currency business is denominated in U.S. dollars. Typically, fixed term deposits are made on a short-term basis although such deposits can range in maturity from one week to one year.

FGB also offers a range of lending facilities including secured term loans (facilities secured by deposits, guarantees, shares or property and equipment) and unsecured working capital loans (including overdrafts and letters of credit) as well as bill discounting and other trade finance facilities. The segment is very competitive with corporate and financial institutions predominantly well banked.

***Financial Institutions Group***

The FIG has been integrated into the WBG in order to support FGB's U.A.E. WBG clients and their partners and affiliates located across its international network. The FIG covers banking and non-banking financial institution relationships with over 430 financial institution clients globally, while supporting FGB's treasury, consumer and corporate banking activities. FGB's corporate and institutional clients have access to international trade and payment products through the strong alliances which the FIG has established with a large network of reputable local and international banks. FGB's correspondent relationships facilitate the offering of various products, including the issuance of letters of credit and guarantees, risk participation in trade related transactions and offer opportunities for FGB to lead and participate in syndicated loan transactions relating to financial institution clients. The FIG is among the business areas with strong growth potential given the expanding economy and FGB's international expansion plans.

***International Banking Group***

The IBG has been integrated into the WBG in order to support FGB's U.A.E. WBG clients and their partners and affiliates located across its international network. FGB's international expansion is part of its diversification strategy to tap into new pools of profitability across new geographies and to further diversify risk in a sustainable manner. As at the date of this Base Prospectus, FGB's international footprint includes a presence in Singapore and Qatar through respective wholesale branches, in India, Hong Kong, South Korea and the United Kingdom through representative offices and Libya via FGLB, its joint venture with the Economic and Social Development Fund of Libya.

The Group's international strategy is predominantly wholesale based, which is a core competency of FGB's operations. International locations are managed by seasoned bankers with local market experience with a view to position FGB as local to the needs of the country and/or region. Building on its success in Singapore, Hong Kong, India, Qatar, Libya, South Korea and the United Kingdom, FGB intends to continue its international expansion, giving priority to those countries which have strong trade connections with the U.A.E., such as China.

***Treasury and Global Markets Group***

Established in 2001, TGM offers a broad range of financial products to key corporate and institutional customers. TGM is responsible for managing FGB's funding requirements, liquidity position and market risks (see "Financial Review – Risk Management – Market Risk", "Financial Review – Risk Management – Interest Rate Risk" and "Financial Review – Risk Management – Liquidity Risk" below). TGM manages FGB's proprietary investment portfolio which seeks to enhance FGB's risk adjusted returns by investing in high quality assets across a range of classes, sectors and geographies. In addition, TGM seeks to generate fee income through the provision of a diverse range of global markets services including money market, foreign exchange, credit, commodities and interest rate risk management solutions, cross-asset investment products, asset management and brokerage to its customers. In providing access to the global markets for its clients, TGM seeks to leverage its relationships with global institutions, structuring bespoke tailor-made risk management and investment solutions which TGM intermediates for its clients.

As at 31 December 2015, services related to TGM accounted for 23.7 per cent. of FGB's assets (compared to 22.8 per cent. as at 31 December 2014). For the year ended 31 December 2015, TGM accounted for 12.1 per cent. of FGB's operating income excluding associates (compared to 13.6 per cent. for the year ended 31 December 2014) and 13.0 per cent. of its net profit attributable to equity holders (compared to 19.4 per cent. for the year ended 31 December 2014).

FGB believes that this business has strong growth potential in the years ahead given the expanding domestic economy, the increasing sophistication of its client base and FGB's international expansion plans. In particular, FGB intends to expand its customer base for these products to include high net worth individuals and institutional investors across the MENA region and Asia.

The following is a summary of certain of the principal areas of focus for TGM:

- ***Money Market***

  TGM manages FGB's liquidity and interest rate risk within the Board of Directors' approved risk mandate with specialists dealing in the interbank market through money market transactions, repos, foreign exchange forwards, interest rate swaps and other derivative tools.

- ***Risk Management and Investment Solutions***

  Through its sales and marketing team, TGM delivers a comprehensive risk management service to the Group's customers comprising foreign exchange, interest rate, credit, equity and commodity asset classes. This service covers corporate, institutional and high net worth customers, both onshore and internationally, and is a bespoke offering designed to address a broad range of risk management objectives. The sales and marketing team also structures cross-asset investment solutions for distribution through FGB's corporate, institutional and global wealth management customers.

- ***Investments***

  TGM manages FGB's proprietary investment portfolio in fixed income, equity, hedge funds and private equity. As at 31 December 2015, the portfolio represented 10.0 per cent. of the Group's assets, with 92.1 per cent. comprising fixed income investments.

- ***Islamic***

  TGM's *Shari'a*-compliant product offering ranges from basic solutions such as commodity *murabaha* and *wakala*-based liquidity management solutions to more sophisticated solutions such as risk management solutions, including *Shari'a*-compliant derivatives.

- ***Execution Services***

  TGM provides execution services for its institutional and private clients in foreign exchange, international equities, precious metals and commodity futures including base metals, energy and soft commodities. These services are available 24 hours a day through a team of experienced dealers and an online trading system that provides real time automated dealing prices. TGM also offers international equity brokerage services to its clients in the GCC region and other countries.

- ***Trading***

  TGM provides liquidity, risk facilitation and structured solutions for its institutional and private clients in foreign exchange, credit, interest-rates and commodities. TGM's traders also take short-term proprietary risks within their respective mandates.

- ***Group Funding***

  Group Funding is mandated to raise term funding and manage the medium and long-term liquidity profile of FGB. Instruments used by Group Funding include institutional deposits, public and private medium term notes, *sukuk*, certificates of deposit, and syndicated loans and bi-lateral loans. Group Funding raises funds from a diversified base of investors across different countries and currencies.

- ***Asset Management***

  As at 31 December 2015, the TGM had U.S$83.1 million of assets under management (compared U.S$228.4 million as at 31 December 2014, to U.S.$224.1 million as at 31 December 2013), principally hedge funds and private equity investments. TGM also manages investment portfolios for its high net worth clients and has expertise in equity investing in the MENA region. TGM plans to launch additional equity investment funds on an opportunistic basis.

**Consumer Banking**

Consumer banking services were first offered by FGB in 2002 and, as at 31 December 2015, these services accounted for 24.2 per cent. of the Group's assets (compared to 23.5 per cent. as at 31 December 2014). For the year ended 31 December 2015, consumer banking services accounted for 35.4 per cent. of the Group's operating income excluding associates (compared to 35.2 per cent. for the year ended 31 December 2014) and 28.9 per cent. of its net profit (compared to 33.3 per cent. for the year ended 31 December 2014).

The Group's consumer banking business has grown significantly since it first commenced operations in 2002 and as at 31 December 2015, the Group had 430,000 customers.

Although the Group's consumer banking products are targeted at both U.A.E. nationals and expatriates, FGB has primarily focused on positioning itself as the bank of choice for the U.A.E. national customer segment. The key selling point used by the sales force is the Group's flexibility and speed in approving loans and its provision of a range of other consumer banking services.

Whereas FGB provides only conventional consumer banking services, Aseel Finance (which has a licence to conduct all Islamic banking activities except the acceptance of consumer deposits) focuses on providing Islamic consumer banking products and services and Islamic SME financing (see "– *Islamic Banking*" and "*Subsidiaries and Associates – Aseel Finance P.J.S.C.*" below).

FGB's credit criteria in relation to its expatriate customers varies by reference to the product being offered and is based on a number of factors including the customer's salary, whether any collateral is to be provided and whether or not the customer has stable accommodation.

The Group has also sought to reduce costs in the consumer banking business where possible through maintaining a limited branch network and through the use of remote banking channels such as internet banking, phone banking and mobile banking.

The principal consumer products offered by the Group include:

- ***Credit and Debit Cards***

  The Group's card products provide transactional settlement convenience. As at 31 December 2015, FGB had issued 378,237 credit cards, compared to 374,032 credit cards as at 31 December 2014 and 456,935 credit cards as at 31 December 2013. FGB offers Visa and Master Card credit cards which are accepted in over 28 million establishments in 200 countries and entitle holders to obtain cash advances from over 1.8 million ATMs around the world.

  In January 2014, FGB launched the "FGB MCFC Credit Card" in partnership with Manchester City Football Club. The credit card offers a variety of privileges and services aimed at fans of Manchester City Football Club and gives its holders the opportunity to win a number of Manchester City Football Club related experiences in Manchester and Abu Dhabi. The credit card has attracted 22,300 "new to bank" customers since its launch. This complements FGB's existing credit cards in association with selected third parties ranging from the "Ferrari Card" to the "Masdar Card" (in association with Masdar, the Government of Abu Dhabi's renewable energy company) and also FGB's own "Abu Dhabi Affinity Card", which features monthly, quarterly and annual prize draws for its holders.

Dubai First, a wholly owned subsidiary of FGB, also specialises in the provision of credit card finance (see "– *Subsidiaries and Associates – Dubai First*" below).

- ***Personal Loans/Mortgage Loans (Conventional)/Small Business Loans/Auto Loans***

  The Group's personal loans, mortgage loans, small business loans and auto loans are offered to provide for the wide range of financial needs of U.A.E. residents, both nationals and expatriates. These loans are either: (i) unsecured (personal instalment loans or small business loans), made against the assignment of salary payments; or (ii) secured on specific assets. Further to a circular released by the U.A.E. Central Bank on 23 February 2011, new consumer banking regulations applicable to U.A.E. banks were brought into effect on 1 May 2011. These regulations cap personal loans at twenty times a borrower's monthly salary and stipulate repayment of personal loans within 48 months. FGB is complying with these regulations.

  FGB was selected by the Abu Dhabi government in December 2006 to manage a AED 5.0 billion housing loan programme established by it. Since then, this amount has increased to AED 19.6 billion as at 31 December 2015. Under this programme, U.A.E. nationals are loaned up to AED 2.0 million on a zero interest basis by the government to build a single residence. The loan is repayable in monthly instalments over a 30-year period. As at 31 December 2015, FGB has disbursed AED 19.3 billion to U.A.E. nationals under this programme.

- ***Bancassuarance***

  The Group successfully launched its Bancassurance business with an objective to offer insurance linked long-term savings plans and other general insurance products. The Group has built a strong distribution team with certification and training to offer quality service to customers. First Insure was introduced to launch new product lines in relation to motor, property, travel and health insurance with conventional and Islamic options. FGB also collaborated with Life Insurance Corporation (International) B.S.C.(c) ("**LIC (I)**"), a subsidiary of India's largest insurance company, Life Insurance Company (LIC) in December 2012. FGB is the only bank in the U.A.E. to offer LIC (I) products.

- ***Investments***

  "Global Wealth Management" is FGB's premier banking offering catering to high net-worth individuals with a minimum relationship size of USD 100,000. Since its launch in December 2007, FGB has built a strong relationship management team with a robust product platform offering a range of investment and insurance solutions across asset classes, with investment assets under management of over AED 5.7 billion as at 31 December 2015. In 2014, FGB launched its Global Wealth Management services in Singapore. It provides FGB's wealth customers with greater access to investment opportunities in the Asia Pacific region.

- ***Deposit Accounts***

  Deposit accounts include fixed term deposit accounts and call accounts which are offered with various maturities and yields to suit the customer's savings and/or investment requirements and against which customers may take loans and/or overdrafts. In 2012, FGB launched the Advantage Plus, Power-up and ChildFirst products as well as the FirstSavings Certificate, a unique savings programme that ensures guaranteed interest on a customer's savings and gives them a chance to win a number of prizes throughout the year. In May 2013, FGB also launched Power Plus, a current account that works like a fixed deposit but with greater flexibility and no restrictions or charges on withdrawal. Power Plus customers can earn higher rates of interest when they maintain their balances for longer tenures and with certain increases in account balances. In 2014, FGB launched the "iSave Online Account", an innovative online account with no restrictions on withdrawals, which enters its holders into daily, monthly and quarterly cash prize draws. In May 2014, FGB also launched U.A.E.-resident Indian banking services in partnership with two leading Indian Banks (ICICI Bank and Kotak Mahindra Bank), which means the products offered by those Indian banks are available to the large Indian expat community in the U.A.E.

**Islamic Banking**

The FGB Islamic banking team, comprising experienced individuals embedded across the principal business segments of FGB, acts as a centre of excellence for the provision of Islamic products for FGB's clients across the Group. The Group's Islamic banking activities include the provision of corporate and consumer financing (through bilateral facilities and syndications) on a *Shari'a*-compliant basis and liability products, such as *wakala* deposits (for both its corporate and consumer customers) and current/call accounts. These services are provided in order to satisfy the growing number of existing and new customers of the Group who require their banking activities to be *Shari'a*-compliant, as well as to ensure FGB's participation in this important and fast-growing sector. FGB expects that corporate and consumer Islamic banking, as well as *Shari'a*-compliant investment banking activities in FGB's existing and future markets, will grow substantially in the coming years.

*Shari'a*-compliant SME corporate financings, consumer mortgages and credit cards are offered through FGB's affiliate Aseel Finance (which has a licence to conduct all Islamic banking activities except the acceptance of consumer deposits). Large corporate *Shari'a*-compliant financings and syndicated *Shari'a*-compliant financings and *sukuk* issues are offered through the Islamic banking team.

The Group's *Shari*'a supervisory board (the "***Shari'a* Supervisory Board**") is an independent board comprising the prominent Islamic scholars Sheikh Dr. Mohd Daud Bakar, Sheikh Dr. Mohamed Ali Elgari and Sheikh Dr. Abdul Aziz Al Qassar. The *Shari'a* Supervisory Board is supported in its work by a Group-wide *Shari'a* governance framework and by experienced FGB *Shari'a* counsels (internal FGB *Shari'a* advisors) to ensure that the Group's Islamic banking products and transactions are carried out in compliance with its *Shari'a* pronouncements.

The Group's Wholesale, Consumer, and Treasury and Global Markets' *Shari'a*-compliant products and investment banking services are subject to the same credit and business approval criteria as the Group's conventional products in addition to the *Shari'a* approval. These include deposits, financing and card products based on a range of Islamic finance structures including *murabaha* (cost plus financing), *ijara* (leasing), *istisna'a* (project/construction financing), *mudaraba* (investment management), *musharaka* (partnership), *wakala* (agency) and *sukuk* (participation certificates).

**Real Estate Activities**

As at 31 December 2015, the activities of the real estate division accounted for 3.9 per cent. of the Group's total assets (compared to 4.9 per cent. as at 31 December 2014) and, for the year ended 31 December 2015, 8.9 per cent. of its total operating income excluding associates (compared to 5.1 per cent. for the year ended 31 December 2014) and 13.0 per cent. of its net profit (compared to 7.2 per cent. for the year ended 31 December 2014). Prior to 1 January 2007, the Group's real estate activities were centred in its corporate banking division and had principally developed from its expertise in contractors' financing (see "*– Business Activities – Wholesale Banking*" above).

Since January 2007, the Group's real estate activities have been conducted through the following subsidiary and associated companies:

- ***Mismak Properties Co. LLC***

  Mismak Properties Co. LLC ("**Mismak**"), which is wholly owned by FGB, acts as a holding company for the Group's real estate investment and development activities. As at 31 December 2015, Mismak had AED 7.2 billion of investment properties on its balance sheet and was involved in eight ongoing developments. Mismak has an authorised and paid up share capital of AED 1.0 billion. For the year ended 31 December 2015, Mismak recorded a net profit of AED 579.4 million.

- ***Green Emirates Properties P.J.S.C.***

  Green Emirates Properties P.J.S.C. ("**GEP**") is 40.0 per cent. owned by FGB. The remaining 60.0 per cent. is owned by two major property developers in Abu Dhabi, being ALDAR Properties P.J.S.C. and Reem Investments P.J.S.C. GEP manages properties under development for certain of its clients as well as properties being developed by its founding developer shareholders for which it charges a fee. GEP also acts as a real estate broker buying and selling properties for its customers on a commission basis. GEP has an authorised share capital of AED 10 million and a paid up share capital of AED 10.0 million. For the year ended 31 December 2015, GEP recorded a net loss of AED 525 thousand.

- ***First Gulf Properties L.L.C.***

  First Gulf Properties L.L.C. ("**FGP**"), which is a wholly owned subsidiary of FGB, is a property management, facility management and hospitality company. FGP commenced operations in 2011 and, as at 31 December 2015, manages a mixed and varied property portfolio in excess of 12,200 units located across the U.A.E., with a total annual rent roll of more than AED 1.5 billion. FGP has paid up share capital of AED 150,000. For the year ended 31 December 2015, FGP recorded a net profit of AED 36.6 million.

## BRANCH NETWORK AND PRODUCT DISTRIBUTION

As at 31 December 2015, FGB's U.A.E.-based operations included its head office and a network of 21 branches in the Emirates of Abu Dhabi, Dubai, Ajman, Sharjah, Fujairah and Ras Al Khaimah. In December 2012, FGB opened its first mall branch in Dubai Mall and, in February 2013, opened a further two new branches in Dubai in Jumeirah and Mirdiff. A typical FGB branch in the U.A.E. is headed by a branch manager, staffed by between eight and ten employees and aims to service the needs of the Group's customer base. As at 31 December 2014, FGB had a network of 123 automated teller machines/cash deposit machines ("**ATMs**") and its customers had access to a total shared network of approximately 5,000 ATMs in the U.A.E.

In addition to these branches and ATMs, FGB has a wide range of distribution channels including internet banking, phone banking and mobile banking. The internet banking platform allows customers to access their accounts securely and reliably, open new accounts, transfer funds between certain accounts, pay utility and credit card bills, request transfer of funds and request a demand draft, manager's cheque and telegraphic transfers.

## SUBSIDIARIES AND ASSOCIATES

FGB is the parent company within the Group. As at 31 December 2015, FGB's subsidiaries and associates included in its consolidated financial statements were as follows:

| | Activity | Country of incorporation | Percentage of holding |
|---|---|---|---|
| Mismak Properties Co. LLC .................................. | Real estate investments | U.A.E. | 100.0% |
| First Merchant International LLC .......................... | Merchant banking services | U.A.E. | 100.0% |
| FGB Sukuk Company Limited.............................. | Special purpose vehicle | Cayman Islands | 100.0% |
| FGB Sukuk Company II Limited .......................... | Special purpose vehicle | Cayman Islands | 100.0% |
| First Gulf Libyan Bank[(2)] ....................................... | Banking Services | Libya | 50.0% |
| First Gulf Properties LLC ...................................... | Management and brokerage of real estate properties | U.A.E. | 100.0% |
| Green Emirates Properties P.J.S.C. ........................ | Property management | U.A.E. | 40.0% |
| Aseel Finance P.J.S.C. ........................................... | Islamic finance services | U.A.E. | 100.0% |
| Dubai First PJSC.................................................... | Credit card finance | U.A.E. | 100.0% |
| First Gulf Information Technology LLC................ | Information Technology services | U.A.E. | 100.0% |
| Midmak Properties LLC ........................................ | Real estate properties | U.A.E. | 16.0% |

Note:
(1) Although FGB owns 50.0 per cent. of the shares in First Gulf Libyan Bank, First Gulf Libyan Bank is deemed to be a subsidiary as FGB exercises control over it by holding the majority of votes on its board of directors.

On 25 March 2015 FGB completed the sale of its 45 per cent. stake in the brokerage firm First Gulf Financial Services LLC ("**FGFS**").

### First Merchant International LLC

First Merchant International LLC ("**FMI**") was created in late 2006 and has an authorised and paid up share capital of AED 300.0 million. FMI commenced business in January 2007 and for the year ended 31 December 2015 recorded a net profit of AED 164.4 million. FMI was created to undertake private equity investments as principal although its first two investments undertaken were in the real estate sector. FMI anticipates that, in due course, its real estate investments may be transferred to Mismak.

**Aseel Finance**

On 9 January 2007, FGB, together with ALDAR Properties P.J.S.C., Sorouh Real Estate P.J.S.C. and Reem Investments P.J.S.C., established Aseel Finance, a *Shari'a*-compliant company which offers mortgages and real estate development finance, principally to customers of its founding developer shareholders. Aseel Finance, managed by FGB, also services the Islamic finance needs of the Group's corporate banking customers. In 2013, FGB acquired the 60 per cent. share from its partners in Aseel Finance to increase its shareholding from 40 per cent. to 100 per cent. FGB has since increased the authorised and paid up share capital of Aseel Finance from AED 500.0 million to AED 800.0 million.

Aseel Finance previously had a portfolio constituting construction and real estate assets. In 2014, Aseel Finance's focus has been to shift its portfolio from its construction and real estate based model to a consumer and SME financing model. For the year ended 31 December 2015, Aseel Finance recorded a net profit of AED 30.1 million.

**Dubai First**

In November 2013, FGB acquired a 100 per cent. shareholding in Dubai First from Dubai Financial Group in 2013 for AED 601.0 million in order to increase its customer base and generate efficiencies across its business portfolio. Dubai First is a company based in the U.A.E. specialising in credit card finance and the acquisition of the Dubai First brand has complemented and further grown FGB's base of consumer banking customers. For the year ended 31 December 2015, Dubai First recorded a net profit of AED 206.5 million. As at 31 December 2015, Dubai First had issued 79,097 credit cards.

For a description of GEP and Mismak, see "*Business Activities – Real Estate Activities*" above and for a description of First Gulf Information Technologies LLC ("**FGIT**") see "*– Information Technology*" below.

**RISK AND COMPLIANCE GOVERNANCE STRUCTURE**

FGB has established a robust risk governance and ownership structure which ensures oversight and accountability for risk management at FGB. The Board of Directors approves risk management plans for FGB, its subsidiaries, its associates and international offices (including representative offices and overseas branches). Under the authority delegated by the Board of Directors, the Risk and Compliance Management Committee (the "**RCMC**"), through its separately convened risk management meetings, formulates high-level enterprise risk management policy, exercises delegated risk authorities and oversees the implementation of risk management frameworks and controls.

**Composition of the Board of Directors**

The Board of Directors is responsible for the overall direction, supervision and control of FGB. The day-to-day management of FGB is conducted by the Executive Committee, the Managing Director and the Chief Executive Officer (see further "— *Management and Employees*" below).

**Board Level Committees within FGB**

***Remuneration and Nomination Committee***

The Remuneration and Nomination Committee (the "**REMCO**") comprises three members of the Board of Directors including the managing director of FGB (the "**MD**"). REMCO has overall responsibility for setting the criteria and processes for identification of candidates for the Board of Directors, board level committees and senior management. The committee recommends the appointment and termination of all directors. The committee approves and oversees incentives and ensures that these are appropriate and consistent with FGB's culture, business and risk strategy as well as with any legal or regulatory requirements. REMCO also oversees FGB's human resources policies and rewards policy framework.

*Executive Committee*

The Executive Committee (the "**EC**") comprises three members of the Board of Directors including the MD. EC, on behalf of the Board of Directors, is responsible for overseeing the regular business of the Group. The EC oversees FGB's overall management and ensures that FGB's business policies and practices are in line with the Bank's business interests and are in alignment with sound corporate governance and compliance standards including provisions of the U.A.E. Central Bank.

*Risk and Compliance Management Committee*

The Risk and Compliance Management Committee (the "**RCMC**") comprises three members of the Board of Directors including the MD. Under authority delegated by the Board of Directors, RCMC plays a key role in the fulfillment of corporate governance standards and overall risk management by assisting Board of Directors in formulation of strategy for enterprise-wide risk management, evaluation of overall risks faced by the Group, alignment of risk policies with business strategies, determination of the level of risks which will be in the best interests of FGB through risk based capital planning. RCMC, by virtue of powers delegated to it by the Board of Directors, also approves changes in risk management policies as and when required.

*Audit Committee*

The Audit Committee (the "**AC**") comprises three members of the Board of Directors including the MD. This committee is principally responsible for reviewing the internal audit programme, considering the major findings of each internal audit review, making appropriate investigations and responses ensuring co-ordination between the internal and external auditors keeping under review the effectiveness of internal control systems, and in particular reviewing the external auditor's management letter and management's response thereto.

**Management Committees within FGB**

*Executive Management Committee*

The Executive Management Committee (the "**EMCO**") is FGB's most senior management level committee and it operates under a delegated authority from the Board of Directors. EMCO supports the CEO to determine and implement FGB's strategy as approved by the Board of Directors. The key responsibilities of EMCO include decisions on FGB's strategy, annual budgets, capital management and risk management and FGB's more material policies and procedures.

*Wholesale Banking Credit Committee*

The Wholesale Banking Credit Committee (the "**WBCC**") assists the Board of Directors in putting into operation the wholesale credit risk strategy, policies and procedures pertaining to the wholesale banking business. The primary objective of WBCC is to assist in the development and implementation of wholesale banking business' credit strategy and policies and procedures.

*FGB Group Consumer Credit Committee*

The FGB Group Consumer Credit Committee (the "**FGCC**") assists the Board of Directors putting into operation the credit strategy, policies and procedures for consumer banking businesses across the Group including CBG, Aseel Finance and Dubai First. The primary objectives of FGCC include approving the credit criteria and setting portfolio level limits in line with the defined business and the credit risk strategy of FGB for consumer banking businesses across the Group.

*Asset Liability Committee*

The Asset and Liability Committee (the "**ALCO**") assists the Board of Directors in fulfilling their responsibility to oversee FGB's asset and liability management related responsibilities. The objective of ALCO is to identify, manage and control FGB's balance sheet risks in executing its business strategy while ensuring it has adequate levels of liquidity.

***Investment Management Committee***

The Investment Management Committee (the "**IMCO**") oversees and provides guidance on FGB's trading and investment activities. IMCO ensures effective management of market risks in accordance with the principles laid down in the FGB market risk management policy. IMCO provides approval of investment limits and individual investment proposals within those limits. Its objective is to ensure that investment decisions conform to the investment policy and are within the overall limits approved by the Board of Directors.

***Compliance Committee***

The Compliance Committee (the "**CC**") assists the Board of Directors in fulfilling their objective of overseeing FGB's compliance responsibilities. The committee oversees FGB's compliance with respect to legal and regulatory requirements and relevant policies and procedures including code of ethics and matters relating to operating and non-operating financial risk. It also ensures FGB's compliance with Anti Money Laundering ("**AML**") and other relevant legislation issued by the U.A.E. Central Bank and/or Securities and Commodities Authority and/or other regulatory authorities, as applicable.

***Operational Risk Committee***

The Operational Risk Committee (the "**ORC**") assists the Board of Directors in fulfilling their objective of overseeing FGB's operational risk management, business continuity and information security responsibilities. Responsibility areas for ORC include management and reporting of FGB's operational risk profile, ratifying information security policy and procedures, the integrated business continuity management policy and business recovery strategy of FGB.

***Technology Steering Committee***

The Technology Steering Committee (the "**TSC**") assists the Board of Directors in fulfilling their responsibilities related to setting of Information Technology ("**IT**") related strategic goals and for the successful implementation of strategic IT objectives. TSC ensures alignment of IT strategy with FGB's business strategy.

***Human Resources Steering Committee***

The Human Resources Steering Committee (the "**HRSC**") assists the Board of Directors in fulfilling its responsibilities related to the human resources policies applicable to FGB's staff. The objectives of the committee include implementation of recommendations made by the REMCO regarding compensation, benefits, rewards, working environment, employee contracts, terms and conditions and other issues that form part of the human resources strategy. HRSC also has responsibility for implementation of an appropriate whistle blowing policy to enable employees to raise concerns in a responsible and effective and confidential manner.

**Real Estate Committee**

The Real Estate Committee (the "**RECO**") assists the Board of Directors in its responsibilities pertaining to overseeing and approving FGB's real estate investment and management activities in line with effective market and liquidity risk management practices and policies. RECO is responsible for providing oversight, guidance and strategic input on the action plans for the Group's real estate investment, review of real estate budgets and provision of oversight and guidance for real estate investment limits and risk appetite.

## RISK AND COMPLIANCE MANAGEMENT FRAMEWORK

### Risk Management and Compliance Function

FGB has a centralised risk management function led by the GCRO. The Head of Risk Management and Compliance Group reports to the GCRO. FGB's risk management and compliance function comprises of the Credit Risk Management Unit, Market Risk Management Unit, ALM Risk Management Unit, Operational Risk Management Unit, Compliance Unit and Basel Unit.

### *Risk Appetite*

FGB has established a comprehensive risk appetite framework comprising a bank wide risk appetite statement and portfolio level key risk indicators and limit structure. This risk appetite framework enables better co-operation between business functions and risk management and has resulted in strong portfolio controls across all business areas for all material risks. Any relevant issues are escalated to the Board of Directors in a timely manner and adjustments to exposure or risk limits are made by the relevant business units whenever necessary in order to continuously align its inherent risks with FGB's business strategy.

### *Enterprise Risk Management Policy Framework*

FGB's Enterprise Risk Management Policy ("**ERMP**") framework's aim is to support FGB in being a world class organisation maximising its risk adjusted returns for all stakeholders by establishing a risk management framework across the Group. The core objective of ERMP is to provide a reasonable degree of assurance to the Board of Directors that the risks threatening FGB's achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management system. The ERMP framework consists of specific policy documents covering all material risks across FGB that include enterprise risk management policy, wholesale banking credit risk policy, consumer banking credit risk policy, market risk policy, operational risk policy, asset and liability management risk policy, AML and compliance risk policy, IT and information security risk policy, internal capital adequacy assessment process policy, new products approval policy and model governance policy. Other relevant risks such as reputation risk and strategic risk are covered under the enterprise risk management policy.

### *Overview of Risk Management and Compliance Function*

The current structure of the Risk Management and Compliance Function is as follows:

- *Credit Risk Management Unit*: The Credit Risk Management Unit is responsible for active credit risk portfolio management across FGB's wholesale and consumer banking areas. It is also responsible for establishing a robust governance structure, sound processes, advanced analytics and comprehensive Management Information Systems ("**MIS**") across all business segments. Its responsibilities include:
    - review and enhancement of credit risk policies and processes;
    - monitoring of product programmes, budgets, profitability and ensuring these are within established limits;
    - establishing exposure and risk limits with respect to credit risk as well as monitoring mechanisms;
    - active management of the credit portfolio (for example limits, exposures and collateral) on a regular basis across various parameters including customers, products, geography, sectors and tenor;
    - review and support of compliance requirements pertaining to relevant regulatory authorities;
    - preparation and circulation of daily/weekly/monthly reports for senior management;
    - conducting stress testing analysis of wholesale and consumer banking portfolios;
    - delivering strategic and tactical initiatives targeting productivity and efficiency gains; and
    - providing support to the WBCC, FGCC and RCMC on a regular basis.
- *Market Risk Management Unit*: All of the Group's treasury exposures fall under market risk management including fixed income bonds, regional and international equities, private equity, hedge funds, foreign exchange trading, derivatives and money markets. The Market Risk Management Unit's responsibilities include:

- review and revision of market risk policies and processes;
- setting up exposure and risk limits with respect to market risk as well as monitoring mechanisms;
- preparation of daily reports pertaining to market risk;
- conducting scenario analysis pertaining to the trading portfolio;
- providing support to the ALCO and IMCO on a regular basis;
- review and support for compliance requirements pertaining to relevant regulatory authorities; and
- providing front office and back office treasury support.

- *ALM Risk Management Unit*: The ALM Risk Management Unit primarily assists the ALCO in management of the liquidity risk and interest rate risk in the banking book. Its responsibilities include:
  - review of ALM policy including FGB's contingency funding plan;
  - preparation and monitoring of the liquidity gap and re-pricing gap by taking into consideration all on and off balance sheet exposures;
  - setting up exposure and risk limits with respect to ALM risks as well as monitoring mechanisms;
  - conducting stress testing analysis for liquidity interest rate risk;
  - reviewing and revising models used for behavioural modelling of non-maturity accounts; and
  - reviewing and monitoring of the funds transfer pricing ("**FTP**") mechanism in FGB.
- *Operational Risk Management Unit*: The Operational Risk Management Unit is responsible for the review and revision of the operational risk framework, clear articulation of factors that constitute operational risk and determination of the Group's appetite and tolerance for such factors through policies and procedures. Its responsibilities include:
  - review and revision of tools for operational risk management including process mapping, self-assessment processes, risk profiling, risk indicators, risk reduction planning, internal losses and MIS so as to enable these risks to be identified and controlled before any significant financial or reputational loss is incurred;
  - review and revision of minimum standards of control and management disciplines that must be adopted whenever any type of transaction is processed;
  - determining accountability for operational risk control and undertaking investigations for operational risk issues;
  - formulating the business continuity plan for the Group and assisting the ORC in its disaster recovery plan;
  - providing support to the ORC on a regular basis; and
  - co-ordinating with the Compliance Unit to ensure that operational risk requirements specified by any relevant regulatory authorities are met.

- *Compliance Unit*: The Compliance Unit is responsible for ensuring that all processes, procedures and transactions within the Group comply with all regulatory and other mandatory guidelines. Its major responsibilities include:
  - correspondence with the U.A.E. Central Bank and any other relevant regulatory authorities on regulatory issues;
  - tracking transactions for AML reporting;
  - review of bank-wide policies and procedures;
  - providing necessary support to the CC; and
  - compliance reviews across the Group.

The Group is compliant with FATCA. In line with the inter-governmental agreement finalised by the U.A.E. Government with the United States Government, the Group has completed its FATCA registration and obtained its Global Institution Identification Number for FGB and all of its subsidiaries and international branches.

- *Basel Unit*: The Basel Unit is responsible for fulfilment of Basel compliance (Basel II Pillar I, Pillar II – ICAAP, Pillar III and Basel III) and other risk related reporting requirements for the U.A.E. Central Bank and the Government of Abu Dhabi Ministry of Finance. This unit is in the process of initiating the internal ratings-based approach of credit risk within the Group. Its responsibilities include:
  - correspondence with the U.A.E. Central Bank on all Basel-related issues;
  - Basel reporting to U.A.E. Central Bank and the Government of Abu Dhabi Ministry of Finance; and
  - undertaking risk management projects across multiple risk areas.

With respect to liquidity risk related ratios, the U.A.E. Central Bank made it mandatory for all banks to comply with the Eligible Liquid Assets Ratio ("**ELAR**") and Advances to Stable Resources Ratios ("**ASRR**") as of 1 January 2016, while giving an option for banks to apply for compliance with the Basel III liquidity ratios of Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**") in accordance with the timelines set by Bank for International Settlements ("**BIS**"). FGB has formally sought the U.A.E. Central Bank's approval to comply with these Basel III liquidity ratios. All the aforementioned liquidity ratios are monitored and reviewed by FGB's ALCO.

**Compliance Systems**

The Group has implemented as of 8 June 2010 integrated compliance and AML system from Norkom Technologies ("**Norkom**"). Norkom is a provider of financial crime and compliance software to the global financial services industry with operations spanning over 100 countries. The Norkom system is a state of the art system which integrates transaction monitoring through scenario management, name checking and a SWIFT monitoring function, all of which is provided via a single platform.

Norkom provides FGB with a facility for name scanning, transaction monitoring and payment filtering. Intelligent business scenarios are implemented to capture the transactions for monitoring purposes. The alerts generated are actioned by the relevant FGB officer. Sanction-related queries are addressed by the "Watch List Manager" (the "**WLM**"), a filtering mechanism that enables the Group to comply with national and international legislation in the area of account and transaction review against certain sanctions-related watch lists. When the WLM finds a similarity between an input record (customer or transaction) and a watch list entry, an alert is generated which is escalated for further review and/or investigation by management. The WLM supports a large number of industry- and regulatory-provided watch lists including those of the Office of Foreign Assets Control of the United States Department of the Treasury, Her Majesty's Treasury and the European Union.

FGB has also implemented the "FATCA Trac" system to automate its remediation and reporting obligations under FATCA.

## INVESTMENTS

The Group's investment securities are all currently classified as "available for sale", "held to maturity" or "investments at fair value through income statement". All these investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges (except for investments carried at fair value through income statement) associated with the investment. Available for sale investments are periodically re-measured at fair value where that value can be reliably identified unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Investments held to maturity by the Group are stated at amortised cost, less a provision for any impairment in their value. Investments classified as "investments at fair value through income statement" are periodically re-measured at fair value with all changes in fair value being recorded in the income statement.

TGM made significant progress in terms of diversifying the Group's proprietary investment portfolio. Under extremely volatile conditions, the division managed proprietary capital with utmost caution in order to protect the interests of investors. The Group's strong risk management framework ensures that parameters set for different products are strictly complied with.

The table below shows certain information in relation to the Group's investment securities as at each of 31 December 2013, 2014 and 2015:

| | 31 Dec 2013 | 31 Dec 2014 | 31 Dec 2015 |
|---|---|---|---|
| | | *(AED millions)* | |
| ***Carried at fair value through income statement*** | | | |
| Investments in managed funds[1] | 184.5 | 211.1 | 78.3 |
| Investments in equities – quoted | 112.4 | 58.6 | 40.1 |
| – unquoted | 20.2 | 20.2 | 19.2 |
| Debt Securities | 7.1 | 68.7 | 435.3 |
| Available for sale investments | | | |
| Investments in equities – quoted | 26.2 | 14.1 | 0.2 |
| – unquoted | 79.1 | 139.6 | 149.8 |
| Investments in private equity funds[2] | 1,372.4 | 1,290.0 | 1,496.1 |
| Structured debt notes – unquoted | 551.0 | — | — |
| Debt Securities – quoted | 7,296.6 | 9,890.1 | 13,596.2 |
| – unquoted | 347.2 | 330.3 | 271.4 |
| Held to maturity investments[3] | | | |
| Debt securities[4][5][6] – quoted | 6,098.5 | 3,774.0 | 5,421.7 |
| – unquoted | 1,018.2 | 911.1 | 1,183.8 |
| **Total** | **17,113.4** | **16,707.8** | **22,692.1** |
| ***Analysis of debt securities:*** | | | |
| Fixed rate | 13,612.6 | 13,975.9 | 19,673.1 |
| Floating rate | 1,706.0 | 998.3 | 1,235.3 |

Note:

(1) Investments in managed funds represent investments made in managed hedge funds which invest in equities, debt securities and derivatives with the objective of generating superior returns on a risk-adjusted basis using a diversified portfolio approach.

(2) Investments in private equity funds represent investments made in funds and limited partnerships to fund primary investment commitments in target companies with the objective of generating returns outperforming the public equity markets.

(3) The fair value of held to maturity investments at 31 December 2015 amounted to AED 6,716,113 thousand (2014: AED 4,896,964 thousand).

(4) Debt securities represent bonds with maturities ranging up to 10 years from the balance sheet date. Of the debt securities at 31 December 2015, 28% (2014: 48%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.

(5) At 31 December 2015, FGB's largest holding of debt securities issued by a single issuer accounted for 12 per cent. (2014: 6 per cent.) of total debt securities.

(6) At 31 December 2015, debt securities with a carrying value of AED 8,250,520 thousand (2014: AED 2,154,566 thousand) were pledged under repurchase agreements with overseas financial institutions and banks with a principal value of AED 8,313,565 thousand (2014: AED 2,124,097 thousand).

(7) All unquoted available for sale equities are recorded at fair value except for investments amounting to AED 1,448 thousand (2014: AED 2,254 thousand) which are recorded at cost since their fair values cannot be reliably estimated. There is no active market for these investments and FGB intends to hold them for the long term.

(8) Investments in equities amounting to AED 190 thousand (2014: AED 1,665 thousand) are held in the name of third parties with the beneficial interest assigned to FGB.

## INVESTMENT PROPERTIES

The value of the Group's investment properties as at 31 December 2013, 2014 and 2015, stated at fair value, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, is set out below:

| | 31 Dec 2013 | 31 Dec 2014 | 31 Dec 2015 |
|---|---|---|---|
| | | *(AED millions)* | |
| Balance as at 1 January | 7,771.8 | 8,044.2 | 8,469.6 |
| Additions | 249.9 | 617.2 | 677.5 |
| Acquired in Business Combination | 98.0 | — | — |
| Disposal | (226.2) | (305.1) | (1,297.9) |
| Properties Disposed of as Part of Property Exchange | (71.9) | — | |
| Property Acquired as Part of Property Exchange | 107.6 | — | |
| Transferred to Other Assets | (10.2) | | |
| Transfer on liquidation of subsidiary | — | — | (144.0) |
| Transfer to property and equipment, net | — | — | (11.9) |
| Gain (loss) from fair value adjustment | 125.2 | 113.3 | 548.9 |
| **Balance as at 31 December** | **8,044.2** | **8,469.6** | **8,242.2** |

As at 31 December 2015, 2014 and 2013, the fair values of the properties are based on the valuations performed by third party valuers. The valuers are accredited with recognised and relevant professional qualification and with recent experience in the location and category of investment properties being valued. The fair values have been determined based on varying valuation models depending on the intended use of the investment properties in accordance with the Royal Institution of Chartered Surveyors Valuation Standards. The property rental income earned by the Group from its investment properties that are leased out under operating leases, amounted to AED 99.3 million for the year ended 31 December 2015. This compared to AED 100.7 million in the year ended 31 December 2014 (2013: AED 72.6 million).

## INFORMATION TECHNOLOGY

FGIT is a wholly owned subsidiary of FGB, focused on delivering customised technology solutions to the Group. FGIT was spun off from FGB with the aim of creating an entity that specialises in developing IT infrastructure and delivering IT banking services. FGIT is responsible for developing the strategy and delivering all IT services throughout the Group. The IT strategy is focused on providing reliable information systems to the Group's customers and employees in a secure environment.

FGB has provided ongoing investment to FGIT in terms of its systems, applications and people to ensure that its employees have access to the latest banking systems and technology. As part of the development of FGIT's core services, multiple projects across FGIT have been launched with the aim of improving its customer service and service offerings. The projects within FGIT include (i) management oversight and monitoring systems; (ii) the creation and management of "innovation boards"; and (iii) the alignment of FGB's IT systems with the COBIT5 framework with respect to the governance and management thereof.

On the core technology front, FGIT is custodian of the Group's hardware, network and storage infrastructure. Given the need to ensure the security of its banking data, FGIT has implemented a number of initiatives including a strong multi-tiered firewall system, an intrusion prevention system and a data leakage prevention system, in addition to having sophisticated end-point protection. FGIT has also implemented and tested a robust disaster management programme involving investment in a remote business continuity site in Al Ain, where critical systems are replicated to be made available in the event of an unforeseen emergency.

FGIT supports remote banking facilities and distribution channels for the Group, such as interactive voice response technology, internet banking and mobile banking. As part of its strategy to utilise the best technology available to meets the Group's requirements, FGIT has also implemented systems such as "Loan Origination", "Wealth Management", "Oracle enterprise GL", distribution platforms with selected partners such as exchange houses, remote cheque deposits for corporates, a global limits and collateral management system for corporates and financial institutions, trading systems for equities, risk management systems (as a part of Basel II compliance), business process management systems and document management systems. To meet the information and analytical needs of its business, FGIT has also implemented an Enterprise Data Warehouse which will allow the Group to store and utilise information collected on its client base more easily.

To ensure that it adequately supports the Group's risk management policies, FGIT's systems utilise various automated tools and processes, which are subject to both internal and external audits. FGB is also certified to international standards, including ISO 27001 for information security, ISO 22301 for business continuity management system and ISO 20000 for IT service management.

## PROPERTY

FGB's principal fixed assets include its head office building in Abu Dhabi and its other branch buildings and offices. Such properties had a net book value of AED 574.5 million as at 31 December 2015 (31 December 2014: AED 461.6 million; 31 December 2013: AED 372.1 million).

## MANAGEMENT AND EMPLOYEES

The Board of Directors is responsible for the overall direction, supervision and control of the Group. The day-to-day management of the Group is conducted by the EC, the MD and the CEO.

The principal role of the Board of Directors is to oversee the implementation of the Group's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures. The Board of Directors meets regularly (at least six times a year). The Board of Directors (which is required to have between three and fifteen members) currently comprises six members.

Each Director holds his position for three years, which may then be renewed for a further three year term.

Decisions of the Board of Directors are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting. The Board of Directors and FGB's senior management have delegated certain powers to committees, as described below.

### Board of Directors

The members of the Board of Directors are:

**Chairman** — ***H.H. Sheikh Tahnoon Bin Zayed Al Nahyan***

**(*Non-Executive*)** — External Appointments:

- National Security Advisor
- Chairman of Amiri Flight
- Chairman of Royal Group

**Vice Chairman** — ***Ahmed Ali Al Sayegh***

**(*Non-Executive*)** — External Appointments:

- Chairman of Abu Dhabi Global Market
- Managing Director of Dolphin Energy
- Board member of UAE offsets group
- Board member of ADWEA
- Vice Chairman of Abu Dhabi Ship Building
- Board member of Etihad Airways

He holds a degree in Economics and Finance from Lewis & Clark College, USA.

| | |
|---|---|
| **Managing Director** | ***Abdulhamid Saeed*** |
| **Board Member** | External Appointments: |
| ***(Executive)*** | • Board member of Emirates Investment Authority<br>• Board member of Mubadala Development Company<br>• Board member of Sky News Arabia<br><br>He has a Bachelor of Science degree in Business Administration from the University of Arizona, USA. |
| **Board Member** | ***Sultan Khalfan Sultan Hudairem AlKtebi*** |
| ***(Non-Executive)*** | External Appointments:<br>• Vice Chairman of Al Ain Holdings<br><br>He has a Bachelor of Science degree in General Administration from the United Arab Emirates University. |
| **Board Member** | ***Khaldoon Khalifa Al Mubarak*** |
| ***(Non-Executive)*** | External Appointments:<br>• Chairman of Abu Dhabi Executive Affairs Authority<br>• Group CEO and MD of Mubadala Development Company<br>• Member of Abu Dhabi Executive Council<br>• Member of Abu Dhabi Council for Economic Development<br><br>He holds a degree in Economics and Finance from Tufts University, Boston, USA. |
| **Board Member** | ***Mohammed Saif Al Suwaidi*** |
| ***(Non-Executive)*** | External Appointments:<br>• Director General of Abu Dhabi Fund for Development<br>• Board Vice Chairman of Al Masraf (ARBIFT)<br>• Chairman of Al Ain Farms for Livestock Production<br>• Board Member of the Centre of Food Security of Abu Dhabi<br><br>He holds a Bachelor of Science degree in Business Administration from California Baptist University, USA. |
| **Board Member** | ***Jassim Al Seddiqi*** |
| ***(Non-Executive)*** | External Appointments:<br>• Managing Director and Chief Executive Officer of Abu Dhabi Financial Group.<br>• Chairman of: ReemFinance PJSC (UAE Central Bank licensed Finance Company), Integrated Capital PJSC (UAE Central Bank |

licensed Finance Company) and Integrated Securities (SCA licensed broker).

- Board Member at: Tourism and Development Investment Company, Qannas Investments Limited, Northacre Plc, and Abu Dhabi Capital Group.

He holds a bachelor of Science in Electrical Engineering from the University of Wisconsin-Madison and earned his Master's of Science degree in Electrical Engineering from Cornell University in the United States.

The business address of each member of the Board of Directors and senior management is P.O. Box 6316, Abu Dhabi, United Arab Emirates. No member of either the Board of Directors or the senior management has any actual or potential conflict of interest between his duties to FGB and his private interests and/or other duties.

FGB's Code of Conduct covers the conduct of members of FGB's Board of Directors. The code binds signatories to the highest standards of professionalism and due diligence in the performance of their duties. It also covers conflicts of interest, disclosure and the confidentiality of insider information. Members of the Board of Directors are bound by specific regulations relating to insider trading and are required to disclose details of their shareholdings in FGB.

Certain members of the Board of Directors, their families and companies of which they are principal owners are customers of the Group in the ordinary course of business. The transactions with these parties were made on the same terms, including interest rates, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk (see "*Selected Financial Information – Related Party Transactions*").

**Senior Management**

The Senior Management of the Group is as follows:

**Chief Executive Officer** ***André Sayegh***

After holding several key positions at FGB, André Sayegh has been serving as the CEO since February 2006. He has over two decades of banking and financial services experience. Prior to his nomination as CEO, André was the Chief Operating Officer of FGB and was responsible for Operations, Human Resources, Merchant Banking, Real Estate, Corporate Restructuring and Credit Policy Supervision. He was also the Head of Wholesale Banking.

Before joining FGB, André also worked with leading regional and financial institutions. He was with Citibank for over 18 years, with Arab Bank in Lebanon and with Strategic Business Trends in Canada, a leading international financial institution. André holds a BBA in Finance and a MBA in Corporate Finance and Banking from the American University of Beirut, Lebanon.

Fluent in Arabic, English and French, André also did a two-year project at the Columbia University where he focused on the evolution of financial institutions.

**Head of Consumer Banking Group** ***Hana Al Rostamani***

Hana Al Rostamani has extensive experience in banking and, in her current role at FGB she is responsible for the growth of FGB's Consumer Banking group in the U.A.E.

Previously she has worked with FGB in corporate strategy, corporate communications, branding, branch management, product development, consumer credit policy, card operations management and consumer behaviour metrics. She has a Masters degree in Information Management from the George Washington University, USA and has also completed a Certificate in Bank Card Management from the Visa International Association and the U.K. Chartered Institute of Bankers.

**Chief Operation Officer** ***Zulfiquar Ali Sulaiman***

Zulfiquar Sulaiman, the Chief Operation Officer is responsible for support functions that include administration, central operations, service quality, IT and information security as the Business Support Director. Zulfiquar has more than 22 years of banking experience and has held senior positions such as Head of CitiBank in Oman, and Chief Financial Officer, Country Compliance and Control Head at Citibank. He holds a Bachelors Degree in Commerce, majoring in Accounting and Finance from Karachi University, Pakistan as well as a Certificate in the Master of Business Administration Program in Accounting and Finance from the Institute of Business Administration, Karachi, Pakistan.

**Chief Risk Officer** ***Arif Shaikh***

Arif is the Chief Risk Officer at FGB and is in charge of Market Risk, Credit Risk and Operational Risk. Arif has been with the bank since 2001 and has over 25 years of financial services experience. He has also worked with Standard Chartered Bank in India, ANZ Grindlays in India and Australia, Hong Kong Bank and KPMG Peat Marwick. He holds a Bachelor's Degree in Law from Bombay University and is a Chartered Accountant and an Associate Member of the Institute of Chartered Accountants in India.

**Chief Financial Officer** ***Karim Karoui***

Karim has more than 18 years of banking experience and also has extensive experience in company audit and financial management. Before joining FGB, Karim worked with leading regional and financial institutions, including Citibank in Tunisia for over eight years. Karim is also a board member in Aseel Finance. He holds a Masters Degree in Accounting from IHEC, Carthage, Tunisia.

**Head of Human Resources** ***Gareth Powell***

Gareth has over 21 years of experience in human resources and is a fellow of the Chartered Institute of Personnel and Development. His responsibilities at FGB include helping to design optimal organisational structures for FGB, and enhancing overall employee performance. Gareth started his career as an accountant and worked as a consultant in Eastern Europe before joining HSBC in 1992 where he held a number of positions in Asia, the United Kingdom, the USA, Latin America and the U.A.E. He holds a bachelors degree from King's College, London.

**Head of Treasury and Global Markets Group** ***Christopher Wilmot***

As part of his responsibilities at FGB, Christopher Wilmot manages FGB's overall liquidity and interest risks, within internal and external regulatory frameworks, to ensure that FGB meets all its obligations. He is responsible for managing FGB's Treasury activities, generating profits from foreign exchange, interest rate, and proprietary investment transactions and customer servicing and risk management activities.

He has 25 years of treasury and investment experience and was previously Group Treasurer with Ahli United Bank and General Manager of Treasury and Investment at Saudi Hollandi Bank. He is fully conversant with both conventional and Islamic banking disciplines and products.

**Head of Internal Audit** ***KS Nurendra Perera***

KS Nurenda Perera joined FGB in 2001 as Head of Internal Audit. Nurendra has 24 years of banking experience and has previously worked with the National Bank of Umm Al Quwain in the U.A.E. as well as Sampath Bank in Sri Lanka. His primary responsibility as Head of Internal Audit is carrying out risk-based audits in the wider scope of the overall risk management framework covering credit, market and operational risks and internal control environments, whilst ensuring regulatory compliance. He has varied bank-wide exposure to business such as Corporate Credit, Consumer Credit, Trade Finance, Branch Operations, Financial Control, Treasury, Investments and IT in order to identify, measure, monitor and control evolving associated risks, moving towards the best practices in the Basel III Accord guidelines. He has a Masters degree in business administration with a specialisation in finance. He is also a certified auditor (CIA, CFSA – USA, CISA and CRISC, all from the USA).

**Head of Corporate Strategy and Planning** ***Sara Al Binali***

Sara Al Binali is responsible for defining and developing the strategic direction of FGB. Prior to this role, Sara was a member of the International Business Group which oversees the international expansion of FGB and successfully set up branches in Singapore and Qatar as well as representative offices in India, Hong Kong and South Korea and a joint venture in Libya.

She has over 15 years of experience in the financial services field and is a graduate of Northwestern University, USA where she received a bachelor's degree in Economics. After completing her studies, she worked in various roles at the Abu Dhabi Investment Authority for five years before joining FGB in 2004. She is also a Chartered Financial Analyst.

She is a member of the EMCO, ALCO and IMCO and is a board member of FGLB.

**Chief Credit Officer** ***Shireesh Bhide***

Shireesh Bhide has around 24 years of experience in the banking industry. Shirish worked with Citibank in India and Africa for over 18 years in various leadership roles and left in 2009 to join the National Commercial Bank in Saudi Arabia as its Head of Risk Management, being based in Jeddah for almost four years. He joined FGB as its Chief Credit Officer in March 2013.

Shireesh holds postgraduate degrees from the University of Poona, India and the London School of Economics.

**Head of Wholesale Banking** ***Simon Penney***

Simon is responsible for FGB's corporate and institutional clients, debt markets, transaction banking, advisory, Islamic finance and syndications. In this role, Simon is responsible for growing FGB's product offerings and ensuring FGB maintains its leading market position with corporate and institutional clients.

Prior to joining FGB, Simon was the CEO of the Royal Bank of Scotland ("**RBS**") for the Middle East and Africa. In that role, Simon maintained strong relationships with the region's leading companies and GREs, ensuring RBS maintained its leading position with selected clients servicing their local and cross border investment banking needs. Key clients included Mubadala Development Company, International Petroleum Investment Company, Abu Dhabi National Energy Company, International Development Company and the Department of Finance in the U.A.E.

Before moving to the U.A.E., Simon was the CEO of ABN AMRO (latterly acquired by RBS) in South Africa and Head of Debt Capital Markets for Central and Eastern Europe and Africa.

Simon has a Bachelor of science degree from Reading University, United Kingdom, and a MBA from Nottingham University, United Kingdom.

**Board Committees**

FGB has the following Board committees:

***Remuneration & Nomination Committee***

The members of this committee include:

- H.H. Sheikh Tahnoon Bin Zayed Al Nahyan (the Chairman of the Board);
- Ahmed Ali Al Sayegh (Vice-Chairman of the Board);
- Abdulhamid Saeed (Managing Director and Chairman of the EC);
- André Sayegh (CEO and Member of EC); and
- Head of Human Resources ("**HOHR**").

***Executive Committee***

The members of this committee include:

- Abdulhamid Saeed (Managing Director and Chairman of the EC);
- Ahmed Ali Al Sayegh (Member of EC);
- Khaldoon Khalifa Al Mubarak (Member of EC); and
- André Sayegh (CEO and Member of EC).

In addition:

- Mohammed Saif Al Suwaidi is available to attend EC meetings if either representative from the Board of Directors' is absent; and
- Arif Shaikh is available to attend EC meetings if the representative from Management is absent.

***Risk and Compliance Management Committee***

The members of this committee include:

- Khaldoon Khalifa Al Mubarak (Chairman of RCMC);
- Abdulhamid Saeed (Managing Director and Member of RCMC);

- Sultan Khalfan Sultan Hudairem AlKtebi (Member of RCMC); and
- Arif Shaikh (GCRO and Member of RCMC).

***Audit Committee***

The members of this committee include:

- Ahmed Ali Al Sayegh (Chairman of AC);
- Abdulhamid Saeed (Managing Director and Member of AC);
- Mohammed Saif Al Suwaidi (Member of AC); and
- Nurendra Perera (Head of Internal Audit and Member of AC).

***Employees***

As at 31 December 2015, FGB employed 1,436 members of staff as compared to 1,454 as at 31 December 2014 and 1,452 as at 31 December 2013. These staff members do not include the approximately 1,589 members of the outsourced workforce assigned to the Group (who principally work within the consumer areas of sales, collections, call centre operations and credit card processing).

FGB's people strategy is aligned to its vision and ambitious growth plans. One of FGB's key strategic imperatives is 'Invest in Our People and Their Growth' and FGB endeavours to achieve this through the implementation of an effective resourcing model, world class learning solutions, market driven compensation and robust performance management systems. Over 90 per cent. of employees across FGB attend at least one training programme that is aligned to their specific needs every year.

In common with all U.A.E. banks, FGB is required by the U.A.E. Central Bank to achieve certain targets for employing U.A.E. nationals, known as Emiratisation targets. FGB has made progress with these targets year on year. As at 31 December 2015, FGB's Emiratisation percentage stood at 35.7 per cent. of its workforce in the U.A.E., the highest percentage to date, equating to 350 U.A.E. nationals employed in positions at different levels across the bank. FGB designed and launched a number of Emiratisation initiatives during the year including its graduate intake (Nujoom), internship and summer trainee programmes.

## SELECTED FINANCIAL INFORMATION

*The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, FGB's consolidated financial statements and the notes thereto as at and for the years ended 31 December 2014 and 2015, which have each been incorporated by reference into, and form part of this Base Prospectus (the "**Financial Statements**").*

The following table sets out selected consolidated financial information of FGB for the years ended 31 December 2013, 2014 and 2015, as extracted from the Financial Statements. The ratios have been prepared based on management information and information in the Financial Statements. FGB prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**").

| | As at 31 December | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| | | *(AED millions)* | |
| **Selected balance sheet data:** | | | |
| Cash and balances with Central Banks | 15,944.6 | 21,541.4 | 21,075.9 |
| Due from banks and financial institutions | 22,864.5 | 14,907.5 | 13,597.8 |
| Loans and advances, net | 125,594.4 | 139,708.7 | 149,766.1 |
| Investments | 17,113.4 | 16,707.8 | 22,692.1 |
| Total assets | 198,210.3 | 212,168.5 | 227,496.4 |
| Customers' deposits | 137,953.5 | 141,271.8 | 142,462.6 |
| Term loans | 11,729.1 | 11,674.3 | 15,857.5 |
| Sukuk financing instruments | 4,224.0 | 4,224.0 | 4,224.0 |
| Total liabilities | 166,439.8 | 177,431.5 | 191,192.3 |
| Share capital | 3,000.0 | 3,900.0 | 4,500.0 |
| Capital notes | 4,000.0 | 4,000.0 | 4,000.0 |
| Legal reserve | 8,780.1 | 8,780.1 | 8,780.1 |
| Retained earnings | 9,592.4 | 10,074.5 | 11,132.0 |
| **Total equity** | **31,770.5** | **34,737.0** | **36,304.1** |
| **Total equity and liabilities** | **198,210.3** | **212,168.5** | **227,496.4** |

| | Year ended 31 December | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| | | *(AED millions, except percentages)* | |
| **Selected income statement data:** | | | |
| Net interest income and income from Islamic financing | 5,993.6 | 6,469.8 | 6,429.5 |
| Operating income | 8,420.6 | 8,966.2 | 9,433.7 |
| General and administrative expenses | (1,766.1) | (1,856.2) | (1,947.4) |
| Impaired assets charge | (1,761.0) | (1,361.4) | (1,407.2) |
| Non-controlling interests | 27.6 | 49.4 | 13.1 |
| Profit for the period attributable to the Equity holders of FGB | 4,774.4 | 5,655.6 | 6,066.1 |
| Basic and diluted earnings per share (AED)[(1)] | 1.2 | 1.2 | 1.3 |
| **Selected ratios:** | | | |
| Return on average assets[(2)] | 2.6% | 2.8% | 2.7% |
| Return on average equity[(3)] | 15.8% | 17.3% | 17.1% |
| Cost income ratio[(4)] | 20.9% | 20.7% | 20.6% |
| Non-performing loans ratio[(5)] | 3.3% | 2.5% | 2.8% |
| Provisioning charge/net loans[(6)] | 1.4% | 1.0% | 0.9% |
| Net loans/customer deposits | 91.0% | 98.9% | 105.1% |
| Total capital ratio[(7)] | 17.4% | 17.5% | 17.5% |

Notes:

(1) See Note 26 to the Financial Statements for the year ended 31 December 2015, Note 24 to the Financial Statements for the year ended 31 December 2014.

(2) Profit for the year attributable to equity holders divided by average assets for the year. Average assets is determined by adding total assets at the beginning and end of the year and dividing by two and amounted to AED 186,622.0 million in 2013, AED 205,189.4 million in 2014 and AED 219,832.4 million in 2015.

(3) Profit for the year attributable to equity holders divided by average shareholders' equity for the year. Average shareholders' equity is determined by adding total shareholders' equity at the beginning and end of the year and dividing by two and amounted to AED 30,289.6 million in 2013, AED 32,690.3 million in 2014 and AED 35,026.7 million in 2015.

(4) General administrative expenses divided by operating income.

(5) Non-performing loans (being those on which interest is not being accrued) divided by gross loans.

(6) Net loans at the balance sheet date.

(7) Calculated according to U.A.E. Central Bank methodology, see "*Financial Review – Capital Adequacy*".

### *Funding*

An analysis of the Group's funding is set out under "*Financial Review – Funding*".

### Credit Commitments and Contingent Items

Credit-related commitments include commitments to extend credit, standby letters of credit and guarantees which are off-balance sheet exposures and are designed to meet the requirements of the Group's customers.

The table below sets out the Group's credit-related commitments as at 31 December 2013, 2014 and 2015.

| | As at 31 December | | |
|---|---|---|---|
| | 2013 | 2014 | 2015 |
| | | *(AED millions)* | |
| Letters of credit | 29,469.0 | 26,036.7 | 14,192.9 |
| Guarantees | 50,010.8 | 46,593.5 | 49,492.4 |
| **Total contingent liabilities** | **79,479.8** | **72,630.2** | **63,685.3** |
| Commitments to extend credit maturing within one year | 5,875.6 | 9,423.7 | 7,502.8 |
| Commitments for future capital expenditure | 1,538.7 | 930.3 | 552.3 |
| Commitments for future private equity investments | 775.1 | 663.2 | 769.4 |
| **Total commitments** | **8,189.4** | **11,017.2** | **8,824.5** |
| **Total commitments and contingent liabilities** | **87,669.2** | **83,647.4** | **72,509.8** |

During the year ended 31 December 2014, FGB changed its policy in respect of accounting for: (i) acceptances issued to clients, from disclosing those as part of commitments and contingencies to recognising them within other assets and other liabilities; and (ii) discounted acceptances, from classifying them under loans and advances to including them under other assets. As a result of the change in accounting policy, the comparative figures as at 31 December 2013 for other assets, other liabilities and loans and advances were adjusted for consistency purposes and, accordingly other assets and other liabilities were increased by AED 4,525,016 thousand and AED 3,177,931 thousand, respectively, and loans and advances were decreased by AED 1,347,085 thousand.

Letters of credit, guarantees and acceptances commit the Group to make payments on behalf of customers in the event of a specific act, such as the export or import of goods, or contingent upon the failure of the customer to perform under the terms of a contract. These contracts would have market risk if issued or extended at a fixed rate of interest. However, these contracts are primarily made at a floating rate.

Commitments to extend credit represent contractual irrevocable commitments to make loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

### Related Party Transactions

Certain related parties (principally the major shareholders, associated companies, directors and senior management of the Group and companies of which they are principal owners) are customers of the Group in the ordinary course of business. The transactions with these parties were made on substantially the same terms, including interest and commission rates and the requirements for collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve an amount of risk which was more than the amount of risk relating to such comparable transactions. All loans and advances to related parties are performing advances and are free of any provision for impaired loans and advances.

The table below sets out the amounts outstanding as at 31 December and the transactions for the years ended 31 December in each of 2013, 2014 and 2015 in respect of transactions entered into by the Group with related parties (other than shareholders).

| | As at 31 December | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| | | *(AED millions)* | |
| *Board members and key management personnel* | | | |
| Loans and advances to customers | 6,074.6 | 4,199.8 | 5,094.2 |
| Customers' deposits | 5,727.0 | 6,827.3 | 9,081.8 |
| Finance lease payable | 120.6 | 120.1 | 119.6 |
| Commitments and contingent liabilities | 1,728.4 | 2,367.0 | 6,041.7 |
| Interest and commission income | 138.7 | 189.9 | 272.4 |
| Interest expense and Islamic financing expense | 91.7 | 116.8 | 133.4 |
| **Associates** | | | |
| Loans and advances to customers | 1.2 | - | — |
| Customers' deposits | 161.1 | 240.7 | 24.5 |
| Commitments and contingent liabilities | 555.3 | 175.2 | 5.2 |
| Interest and commission income | 5.6 | 0.8 | 0.003 |
| Interest expense and Islamic financing expense | 1.0 | 2.5 | 1.2 |
| **Compensation of key management personnel:** | | | |
| Short term employee benefits | 101.5 | 106.1 | 90.8 |
| Post employment benefits | 10.8 | 11.3 | 9.1 |

## FINANCIAL REVIEW

*The following discussion should be read in conjunction with the Financial Statements. The financial data discussed below has been extracted without material adjustment from the Financial Statements.*

*References in this financial review to 2013 and 2014 and 2015 are for the year ended 31 December and references to average balances in relation to a year are (except where otherwise stated) references to monthly averages based on management information prepared by FGB. As a result of rounding, the totals stated in the tables below may not be an exact arithmetical sum of the numbers in respect of which they are expressed to be a total.*

***Overview***

FGB was incorporated in the U.A.E. in 1979 and began operations in that year with a focus on corporate banking and has since developed into a diversified banking group. The Group currently provides a broad range of financial services including corporate banking, through WBG (principally comprising loans and other credit facilities and deposit and current accounts for corporate, institutional and high net worth customers), treasury and investment operations, through TGM (principally comprising money market, portfolio management, brokerage, treasury services, foreign exchange and structured derivative products), consumer banking, through CBG (principally comprising consumer deposits, loans and overdrafts, credit cards and funds transfer facilities) and Real Estate (principally comprising the development, acquisition, leasing, brokerage, management and resale of properties) to its customers who are predominantly based in the U.A.E. FGB operates through its head office and seven other branches in Abu Dhabi and through 14 other branches in Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah.

The principal revenue earning activities of the Group comprise lending, including the making of guarantees and commitments (which generates interest, fee and commission income), investment activities (which generate investment income) and other services (including the provision of credit and debit cards, brokerage and fund management) which principally generate fee and commission income.

As at 31 December 2015, the Group had total assets of AED 227.5 billion compared with AED 212.2 billion at 31 December 2014, total net loans and advances to customers of AED 149.8 billion at 31 December 2015 compared with AED 139.7 billion at 31 December 2014 and total deposits from customers of AED 142.5 billion at 31 December 2015 compared with AED 141.3 billion at 31 December 2014. For the year ended 31 December 2015, the Group recorded total operating income of AED 9.4 billion and net profit attributable to equity holders of AED 6.0 billion compared with total operating income of AED 9.0 billion and net profit of AED 5.7 billion for the year ended 31 December 2014. The Group's shareholders' equity was AED 36.3 billion at 31 December 2015 compared with AED 34.7 billion at 31 December 2014. The Group's return on average assets for the year ended 31 December 2015 was 2.7 per cent. and its return on average equity was 17.1 per cent. For 2014, the return on average assets was 2.8 per cent. and its return on average equity was 17.3 per cent. For the years ended 31 December 2015, 2014 and 2013, these returns were calculated on period end averages only. The Group's net interest margin for the year ended 31 December 2015 was 3.3 per cent. compared with 3.6 per cent. for the year ended 31 December 2014.

**Significant Factors Affecting Results of Operations**

The Group's results during the three full years under review have been affected, among other things, by the following:

***Real Estate Values***

As at 31 December 2015 the Group's investment in real estate was AED 8,242.2 million as compared with AED 8,469.6 million as at 31 December 2014 and AED 8,044.2 million as at 31 December 2013.

In 2015 the Group's gain on real estate revaluations was AED 548.9 million, compared to AED 113.3 million in 2014 and AED 125.2 million in 2013.

***Significant Accounting Policies***

Certain accounting policies for the Group's business involve management estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingencies.

The most important of these accounting policies are discussed below. For more information on the Group's accounting policies and the use of estimates in the preparation of the Financial Statements, see Note 2 to the 2015 Financial Statements.

### *Classification of Investments*

FGB's management decides on the categorisation of its investments at the time of their acquisition. Trading investments (being those acquired primarily for the purpose of making a short-term profit) and non-trading investments, which are classified at fair value through the income statement, are recorded in the accounts at cost and periodically marked to market with any gains and losses arising on such revaluation being recorded as profit or loss in the income statement. Particularly at times of stock market volatility, this classification can have a material effect on the Group's investment income.

### *Impairment of Investments*

Available for sale investments are treated as impaired when there has been a significant or prolonged decline in fair value below the cost of the investment or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires management judgment. Available for sale investments are recorded at cost and periodically marked to market with any gains and losses arising on such revaluation being recorded as a separate component of equity until the investment is sold or determined to have been impaired. On sale or impairment, the cumulative gain or loss of the investment concerned is recorded in the income statement for the period concerned.

### *Impairment of Loans and Advances*

All loans and advances are stated at cost, as adjusted for effective hedges, and net of interest in suspense, any amounts written off and any provision for impairment. Loans and advances are reviewed quarterly to determine whether any provision for impairment should be recorded in the income statement. Management judgment is required in this respect, in particular with regard to the estimation of the amount and timing of future receipts when determining the level of provision required. In addition to specific provisions against individually significant loans and advances, the Group also makes a collective provision against loans and advances which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of this provision is based on the historical loss pattern for such loans and advances and is adjusted to reflect current economic conditions.

## Results of Operations for the years ended 2013, 2014 and 2015

### *Net Interest Income and Income from Islamic Financing*

The following table sets out the Group's interest income and income from Islamic financing, interest expense and Islamic financing expense and the resulting net interest income and income from Islamic financing for each of the years indicated.

| | Year ended 31 December | | | Percentage change | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2013/2014 | 2014/2015 |
| | | *(AED millions)* | | | |
| Interest income and income from Islamic financing ............................. | 7,868.6 | 8,249.1 | 8,289.8 | 4.8 | 0.5 |
| Interest expense and Islamic financing expense ............................................ | (1,875.0) | (1,779.3) | (1,860.3) | 5.1 | (4.6) |
| Net interest income and income from Islamic financing ............................. | 5,993.6 | 6,469.8 | 6,429.5 | 7.9 | (0.6) |

The following table sets out the principal components of the Group's interest income and income from Islamic financing for each of the years indicated.

| | Year ended 31 December | | | Percentage change | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2013/2014 | 2014/2015 |
| | | *(AED millions)* | | | |
| **Interest income** | | | | | |
| Loans and advances ...................................... | 6,785.7 | 6,987.7 | 7,041.7 | 3.0 | 0.8 |

| | | | | | |
|---|---|---|---|---|---|
| Deposits with banks | 165.1 | 199.6 | 122.7 | 20.9 | (38.6) |
| Investment Securities | 539.9 | 561.4 | 604.2 | 4.0 | 7.6 |
| Notional interest on impaired loans and advances | 96.7 | 158.5 | 94.5 | 63.9 | (40.4) |
| **Total** | **7,587.4** | **7,907.2** | **7,863.1** | **4.2** | **(0.6)** |
| Income from Islamic financing | | | | | |
| Islamic financing income | 281.2 | 341.9 | 426.7 | 21.6 | 24.8 |
| **Total** | **281.2** | **341.9** | **426.7** | **21.6** | **24.8** |
| **Interest income and income from Islamic financing** | **7,868.6** | **8,249.1** | **8,289.8** | **4.8** | **0.5** |

The Group principally derives interest income from loans and advances which it makes to its customers, from its investments in fixed income securities and from deposits which it makes with other banks. Together, these sources accounted for 95.2 per cent. of the Group's total interest income and income from Islamic financing in 2013 compared to 93.9 per cent. in 2014 and 93.7 per cent. in 2015. Interest income, excluding income from Islamic financing decreased in 2015 by AED 44.1 million, or 0.6 per cent., as compared to 2014 and increased in 2014 by AED 319.8 million, or 4.2 per cent., as compared to 2013. The decrease in 2015 was primarily due to a lower yield on loans and advances and pressure on margins and the increase in 2014 was primarily due to increases in interest income from loans and advances to customers, principally reflecting an increase in the underlying asset portfolio. The average balance of loans and advances to customers increased in 2015 by AED 12.1 billion, or 9.1 per cent., as compared to 2014 and increased in 2014 by AED 12.5 billion, or 10.4 per cent., as compared to 2013. The average rate of interest earned on the Group's portfolio of loans and advances was 4.8 per cent. in 2015 compared to 5.5 per cent. in 2014 and 5.7 per cent. in 2013 and the average rate on interest earned on its debt securities portfolio was 3.0 per cent. in 2015 compared to 3.7 per cent. in 2014 and 3.6 per cent. in 2013.

The Group also earns significant interest income from short-term deposits it makes with other banks in the U.A.E. and abroad. The amount of this income has varied over the period under review, reflecting variations in the Group's funds available for placement on a short-term basis.

In 2006, the Group commenced its Islamic finance business, principally offering floating profit rate *ijara* (lease) and *murabaha* (cost plus) financings. Income from this business totalled AED 281.2 million in 2013, AED 341.9 million in 2014 and AED 426.7 million in 2015.

***Interest Expense and Islamic Financing Expense***

The following table sets out the principal components of the Group's consolidated interest expense and Islamic financing expense for each of the years indicated.

| | **Year ended 31 December** | | | **Percentage change** | |
|---|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2013/2014** | **2014/2015** |
| | | *(AED millions)* | | | |
| **Interest expense** | | | | | |
| Customers' deposits | 1,217.4 | 1,065.1 | 1,105.9 | (12.5) | 3.8 |
| Bank deposits | 60.1 | 118.0 | 156.7 | 96.3 | 32.8 |
| Term loans | 246.3 | 282.9 | 301.4 | 14.9 | 6.6 |
| **Total** | **1,523.8** | **1,466.0** | **1,564.0** | **(3.8)** | **6.7** |
| Islamic financing expense | | | | | |
| Islamic financing expense | 351.2 | 313.4 | 296.3 | (10.8) | (5.5) |
| **Total** | **351.2** | **313.4** | **296.3** | **(10.8)** | **(5.5)** |
| **Interest expense and Islamic financing expense** | **1,875.0** | **1,779.4** | **1,860.3** | **(5.1)** | **4.5** |

The Group principally pays interest on deposits made by its customers. This expense accounted for 64.9 per cent. of the Group's total interest and Islamic financing expense in 2013 compared to 59.9 per cent. in 2014 and 59.5 per cent. in 2015.

Interest expense increased in 2015 by AED 80.9 million, or 4.5 per cent., compared to 2014 and decreased in 2014 by AED 95.6 million, or 5.1 per cent., compared to 2013. The increase in 2015 was primarily due to increased competition in the market for deposits and the decrease in 2014 was principally due to decreases in the interest rates paid on customers' deposits. The average balance of customer deposits increased in 2015 by AED 2.3 billion, or 1.6 per cent., compared to 2014 and increased in 2014 by AED 11.0 billion, or 8.5 per cent., compared to 2013. The average rate of interest paid on customer deposits was 0.8 per cent. in 2015 compared to 0.8 per cent. in 2014 and 1.1 per cent. in 2013.

***Net Interest Income and Income from Islamic Financing and Margin***

The Group's net interest income and income from Islamic financing in 2014 increased by 7.9 per cent. compared to 2013 to AED 6,469.8 million and in 2015, decreased by 0.6 per cent. compared to 2014 to AED 6,429.5 million.

The Group's net interest margin (defined as net interest income and income from Islamic financing divided by the average of total interest earning assets) was 3.3 per cent. in 2015 compared to 3.6 per cent. in 2014 and 3.7 per cent. in 2013. The Group's interest spread (defined as the difference between the rate of interest earned on average interest earning assets and the rate of interest paid on average interest bearing liabilities) was 3.2 per cent. in 2015 compared to 3.5 per cent. in 2014 and 3.6 per cent. in 2013.

***Fees and Commission Income, Other Operating Income and Share of Profit of Associates***

The following table sets out the Group's fees and commission income, other operating income and share of profit of associates for each of the years indicated.

| | **Year ended 31 December** | | | **Percentage change** | |
|---|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2013/2014** | **2014/2015** |
| | | *(AED millions)* | | | |
| Commission income ....................................... | 527.1 | 574.8 | 496.2 | 9.1 | (13.7) |
| Fee Income ..................................................... | 612.5 | 748.5 | 844.2 | 22.2 | 12.8 |
| Fees and commissions on credit cards ............ | 409.5 | 571.5 | 650.1 | 39.6 | 13.8 |
| Brokerage and fund management fee income .. | 14.9 | 13.7 | 8.3 | (8.1) | (39.4) |
| **Total fees and commission income** | 1,564.0 | 1,908.5 | 1,998.8 | 22.0 | 4.7 |
| Fees and commission expenses....................... | (199.0) | (274.0) | (298.4) | 37.8 | 8.9 |
| Fees and commission income, net[1]................ | **1,365.0** | **1,634.5** | **1,700.4** | **19.7** | **4.0** |

Note:
(1) Fees and commission income, net of related expenses are now presented separately on the face of the consolidated income statement. In prior years they were included in other operating income and general and administrative expenses, respectively. The comparative financial statements were reclassified to conform to the current year presentation.

*Fee Income*

The Group's fee income amounted to AED 612.5 million in 2013, AED 748.5 million in 2014 and AED 844.2 million in 2015, principally due to an increase in consumer banking and wholesale banking income related to credit cards and syndications. At 31 December 2013, the Group had granted AED 49.2 billion in consumer loans. By 31 December 2014, this had increased to AED 54.1 billion and by 31 December 2015, it was AED 59.0 billion. Fees charged on consumer loans accounted for 33.4 per cent. of the Group's total fee income in 2013 compared to 33.9 per cent. in 2014 and 37.7 per cent. in 2015. As at 31 December 2013, the Group had granted AED 80.3 billion in corporate loans, compared to AED 90.1 billion as at 31 December 2014 and AED 95.2 billion as at 31 December 2015. Fees charged on corporate loans accounted for 66.6 per cent. of the Group's total fee income in 2013, compared to 66.1 per cent. in 2014 and 62.3 per cent. in 2015.

*Foreign Exchange and Derivative Income*

The Group's foreign exchange and derivative income amounted to AED 142.2 million in 2013, AED 194.6 million in 2014 and AED 267.0 million in 2015, principally reflecting an increase in trading volumes.

*Commission Income*

The Group's commission income amounted to AED 527.1 million in 2013, AED 574.8 million in 2014 and AED 496.2 million in 2015. The decrease between 2014 and 2015 principally reflected a decrease in the Group's contingent liabilities, being letters of credit and guarantees, which decreased from AED 79.5 billion at 31 December 2013 to AED 72.6 billion at 31 December 2014 and AED 63.7 billion at 31 December 2015.

*Fees and Commissions on Credit Cards*

The Group's fees and commission on credit cards amounted to AED 409.5 million in 2013, AED 571.5 million in 2014 and AED 650.1 million in 2015. At 31 December 2013 the Group had approximately 524,262 credit cards in issue compared to approximately 505,520 credit cards at 31 December 2014 and approximately 457,334 credit cards at 31 December 2015, representing a decrease of 3.6 per cent. in 2014 and a decrease of 9.5 per cent. in 2015. The increase in credit cards in issue in 2013 was mainly due to the consolidation of Dubai First in the Group.

| | Period ended 31 December | | | Percentage change | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2013/2014 | 2014/2015 |
| | | *(AED millions)* | | | |
| Investment income (loss) | 190.9 | 169.4 | 138.8 | (11.3) | (18.0) |
| Foreign exchange and related derivative income | 131.7 | 155.3 | 200.3 | 17.9 | 29.0 |
| Other derivative income | 10.4 | 39.3 | 66.7 | 277.9 | 69.7 |
| Gain on sale of investment properties | 73.8 | 167.5 | 98.1 | 127.0 | (41.4) |
| Gain (loss) on revaluation of investment properties | 125.2 | 113.3 | 548.9 | (9.5) | 384.4 |
| Gain on exchange of investment properties | 186.0 | — | — | (100) | 0.0 |
| Gain on sale of an associate | — | — | 15.1 | 0.0 | 100.0 |
| Loss on sale of property and equipment | (3.8) | (13.0) | (0.9) | 242.1 | (93.1) |
| Impairment of property and equipment | — | (8.6) | — | 100.0 | (100.0) |
| Rental income | 72.6 | 111.0 | 107.6 | 52.9 | (3.1) |
| Other income | 77.2 | 119.0 | 127.6 | 54.1 | 7.2 |
| Share of profits (losses) of associates | (1.0) | 8.7 | 1.6 | (970) | (81.6) |
| **Total other operating income and share of profits of associates** | **863.0** | **861.9** | **1,303.8** | **(0.1)** | **51.3** |

The Group earns investment income on its investment securities portfolio, fee income principally on loans made by it although it also charges a range of treasury, cash management and other fees, foreign exchange and derivative income on foreign exchange and derivative products traded by it for its customers, commission income principally from guarantees and letters of credit granted by it and fees charged by it on credit cards issued by it. Together, these sources of operating income accounted for 75.5 per cent. of other operating income in 2013, 79.5 per cent. of other operating income in 2014 and 69.8 per cent. of other operating income in 2015. Each of these sources of operating income is described further below.

The Group's share of profits (losses) of associates was AED (1.0) million in 2013. In 2014 and in 2015, the Group's share of profit of associates was AED 8.7 million and AED 1.6 million, respectively. The increase in the share of profits (losses) of associates in 2014 was due to increase in profit of GEP. The decrease in the share of profits (losses) of associates in 2015 was due to a decrease in profit of GEP and the sale of a stake in FGFS. The Group's brokerage and fund management fee income was AED 14.9 million in 2013, AED 13.7 million in 2014 and AED 8.3 million in 2015.

The Group's other sources of operating income have experienced an increase in 2013, 2014 and 2015, mainly due to gains from the revaluation of properties and foreign exchange and derivative income.

***Investment Income***

The following table sets out the Group's investment income for each of the years indicated.

| | Year ended 31 December | | | Percentage change | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2013/2014 | 2014/2015 |
| | | *(AED millions)* | | | |
| Gains on disposal of available for sale investments | 128.1 | 125.5 | 156.9 | (2.0) | 25.0 |
| Gains (losses) on disposal of investments carried at fair value through income statement | 39.6 | 15.3 | (26.2) | (61.4) | (271.2) |
| Change in fair value of investments carried at fair value through income statement | 16.5 | 12.3 | 4.0 | (25.5) | (67.5) |

| | Year ended 31 December | | | Percentage change | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2013/2014 | 2014/2015 |
| | (AED millions) | | | | |
| Other investment income | 6.7 | 16.3 | 4.1 | 143.3 | (74.8) |
| **Total investment income** | **190.9** | **169.4** | **138.8** | **(11.3)** | **(18.0)** |

Net gains on the disposal of investments totalled AED 167.7 million in 2013, AED 140.8 million in 2014 and AED 130.7 million in 2015. The Group's portfolio of investments carried at fair value through the income statement (which it marked to market at the end of 2013, 2014 and 2015) showed a gain of AED 16.5 million in 2013, a gain of AED 12.3 million in 2014 and a gain of AED 4.0 million in 2015.

### *General and Administrative Expenses*

The following table sets forth the principal components of the Group's general and administrative expenses for the years indicated.

| | Year ended 31 December | | | Percentage change | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2013/2014 | 2014/2015 |
| | *(AED millions)* | | | | |
| Staff costs | 812.3 | 875.7 | 868.8 | 7.8 | (0.8) |
| Depreciation | 62.9 | 80.8 | 102.1 | 28.5 | 26.3 |
| Amortisation of intangible assets | — | 25.4 | 21.9 | 100.0 | (13.8) |
| Other general and administrative expenses | 691.8 | 874.3 | 954.6 | 26.4 | 9.2 |
| **Total general and administrative expenses** | **1,567.0** | **1,856.2** | **1,947.4** | **18.4** | **4.9** |

Staff costs and depreciation together accounted for 55.8 per cent., 51.5 per cent. and 49.9 per cent. of the Group's total general and administrative expense in 2013, 2014 and 2015, respectively. The Group incurs a range of other operating expenses, including the fees paid to the entity which manages its direct sales force, the fees paid to the entity to which it has outsourced the management of its credit cards, equipment costs, communications costs, advertising and other costs.

*Staff Costs*

Staff costs increased by AED 63.4 million, or 7.8 per cent., in 2014 compared to 2013 and decreased by AED 6.9 million, or 0.8 per cent., in 2015 compared to 2014. The increase in 2014 reflected an increase in direct staff costs and the decrease in 2015 reflected a decrease in direct staff costs, principally reflecting a decrease in the number of FGB's staff. Based on the number of full time equivalent staff at the start and end of each year, the Group employed an average of 1,282 staff during 2013, an average of 1,453 staff during 2014 and an average of 1,445 staff during 2015, an increase of an increase of 13.3 per cent. in 2014 compared to 2013 and a decrease of 0.6 per cent. in 2015 compared to 2014. The staff cost per employee was AED 634,000 in 2013 compared to AED 603,000 in 2014 and AED 601,000 in 2015, a decrease of 4.9 per cent. in 2014 compared to 2013 and a decrease of 0.2 per cent. in 2015 compared to 2014. As a percentage of total general and administrative expenses, staff cost was 44.6 per cent. in 2015, 47.2 per cent. in 2014 and 51.8 per cent. in 2013.

*Depreciation*

Depreciation increased by 28.5 per cent. in 2014 compared to 2013 and increased by 26.3 per cent. in 2015 compared to 2014. As a percentage of total general and administrative expenses, depreciation was 4.0 per cent. in 2013, 4.4 per cent. in 2014 and 5.2 per cent. in 2015.

*Other general and administrative expenses*

The most significant components of other general and administrative expenses are the Group's outsourcing costs which together comprised 51.7 per cent. of other general and administrative expenses in 2013, 39.2 per cent. in 2014 and 41.9 per cent. in 2015, principally reflecting increases in the expenses of the Group's outsourced sales force over the period.

### *Impaired Assets Charge*

The Group's impaired assets charge net of recoveries was AED 1,761.0 million in 2013, AED 1,361.4 million in 2014 and AED 1,407.2 million in 2015. Recoveries were AED 100.1 million in 2013, AED 77.2 million in 2014 and AED 144.5 million in 2015. The full amount of the impaired assets charge was charged against the Group's portfolio of loans and advances. As a percentage of the Group's average net loans and advances (based only on numbers at the start and end of each year), the impairment charge (net of recoveries) was 1.5 per cent. in 2013, 1.0 per cent. in 2014 and 1.0 per cent. in 2015.

### *Financial Condition as at 31 December 2013, 2014, 2015*

*Total Assets*

As at 31 December 2013, the Group had total assets of AED 198.2 billion as compared to AED 212.2 billion at 31 December 2014 and AED 227.5 billion at 31 December 2015. The increases over the discussed period principally reflect increases in loans and advances to customers and fixed income bonds.

*Loans and Advances, Net*

As at 31 December 2013, the Group had net loans and advances of AED 125.6 billion as compared to AED 139.7 billion at 31 December 2014 and AED 149.8 billion at 31 December 2015. The increases over the discussed period were mainly the result of strong demand for loans by the Group's customers, particularly in the retail, financial services, other services, government and public sectors. As a percentage of total assets, net loans and advances were 63.4 per cent. at 31 December 2013, 65.8 per cent. at 31 December 2014 and 65.8 per cent. at 31 December 2015.

The Group's loan portfolio comprises loans and advances to corporate and consumer customers across a range of economic sectors made on both a conventional and Islamic basis. The table below sets out the gross loans and advances portfolio by economic sector, and as a percentage of the total portfolio, as at 31 December 2013, 2014 and 2015.

| | **2013** | **2014** | **2015** | **% of Total Loans & Adv. - 2013** | **% of Total Loans & Adv. - 2014** | **% of Total Loans & Adv. - 2015** |
|---|---|---|---|---|---|---|
| | | *(AED millions)* | | | | |
| Agriculture | 1,130.7 | 1,280.3 | 1,330.6 | 0.9% | 0.9% | 0.9% |
| Energy | 1,808.7 | 1,641.3 | 2,398.7 | 1.4% | 1.1% | 1.6% |
| Trading | 7,694.4 | 7,922.6 | 8,876.4 | 5.9% | 5.5% | 5.8% |
| Construction | 5,665.0 | 6,185.1 | 6,267.9 | 4.4% | 4.3% | 4.1% |
| Transport | 764.3 | 2,530.9 | 1,147.3 | 0.6% | 1.8% | 0.7% |
| Personal – retail | 49,158.4 | 54,123.2 | 59,028.2 | 38.0% | 37.5% | 38.3% |
| Personal – others | 4,064.1 | 4,148.4 | 3,153.2 | 3.1% | 2.9% | 2.0% |
| Government | 157.9 | 168.6 | 1,393.3 | 0.1% | 0.1% | 0.9% |
| Share financing | 1,440.6 | 1,073.5 | 633.8 | 1.1% | 0.7% | 0.4% |
| Real estate | 17,345.3 | 15,065.8 | 12,800.0 | 13.4% | 10.4% | 8.3% |
| Services | — | — | — | 0.0% | 0.0% | 0.0% |
| Financial Services | 6,767.1 | 8,845.8 | 10,405.9 | 5.2% | 6.1% | 6.7% |
| Other Services | 17,955.1 | 21,807.4 | 26,048.0 | 13.9% | 15.1% | 16.9% |
| Public sector | 10,758.0 | 12,355.1 | 13,787.4 | 8.3% | 8.6% | 8.9% |
| Manufacturing | 4,722.0 | 7,036.1 | 6,914.9 | 3.6% | 4.9% | 4.5% |
| Others | 67.9 | 2.6 | — | 0.1% | 0.0% | 0.0% |
| **Total gross loans and advances** | **129,499.5** | **144,186.7** | **154,185.6** | **100.0%** | **100%** | **100%** |
| Less provision for impaired loans and advances | (3,905.1) | (4,478.0) | (4,419.5) | | | |
| **Total net loans and advances** | **125,594.4** | **139,708.7** | **149,766.1** | | | |

The majority of the growth in the Group's loans and advances between 31 December 2013 and 31 December 2015 is concentrated in the retail, public sector, financial services and other services sectors. The growth in the retail portfolio reflects the Group's focus on growing this business. The retail portfolio largely consists of personal loans secured by salary assignments, credit cards to individuals and small business solutions lending to business entities. The Group's loans to the real estate sector are subject to a limit of 20.0 per cent. of its deposit base and, at 31 December 2015, comprised 9.0 per cent. of its deposit base. The decrease in the real estate portfolio from 13.4 per cent. as at 31 December 2013 to 10.4 per cent. as at 31 December 2014 and 8.3 per cent. as at 31 December 2015, was mainly due to the repayment of real estate loans over this period.

*Investments*

As at 31 December 2013, the Group had an investments portfolio of AED 17.1 billion as compared to AED 16.7 billion at 31 December 2014 and AED 22.7 billion at 31 December 2015. The changes over the period discussed reflected a change in USD-denominated investments within the fixed income portfolio. As a percentage of total assets, investments were 8.6 per cent. at 31 December 2013, 7.9 per cent. at 31 December 2014 and 10.0 per cent. at 31 December 2015. Information on the Group's investments portfolio is set out under "*Description of First Gulf Bank P.J.S.C. – Investments*".

***Total Liabilities***

As at 31 December 2013, the Group had total liabilities of AED 166.4 billion as compared to AED 177.4 billion at 31 December 2014 and AED 191.2 billion at 31 December 2015. The increase between 2013 and 2014 principally reflected an increase in customer deposits while the increase between 2014 and 2015 principally reflected increases in medium term funding, repurchase agreements and international funding diversification through euro commercial paper issuance.

*Customers' Deposits*

As at 31 December 2013, the Group had total customers' deposits of AED 138.0 billion compared to AED 141.3 billion at 31 December 2014 and AED 142.5 billion at 31 December 2015. The increases over the discussed period principally reflect the Group's strong relationships with its key corporate and governmental depositors and the need to fund the Group's growth. As a percentage of the Group's total liabilities, customers' deposits were 82.9 per cent. at 31 December 2013, 79.6 per cent. at 31 December 2014 and 74.5 per cent. at 31 December 2015.

## Funding

The table below sets out the principal sources of the Group's funding as at 31 December 2013, 2014 and 2015.

| | As at 31 December | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| | | *(AED millions)* | |
| Customer deposits | 137,953.5 | 141,271.8 | 142,462.6 |
| Term loans | 11,729.1 | 11,674.3 | 15,857.5 |
| Sukuk financing instruments | 4,224.0 | 4,224.0 | 4,224.0 |
| Due to banks | 5,204.6 | 12,590.5 | 17,883.1 |
| Shareholders' equity | 31,770.5 | 34,737.0 | 36,304.1 |
| **Total** | **190,881.7** | **204,497.6** | **216,731.3** |

The Group's funding base principally consists of customer deposits, which grew from AED 138.0 billion as at 31 December 2013 to AED 141.3 billion as at 31 December 2014 and to AED 142.5 billion at 31 December 2015. As at 31 December 2015, the Group had a 9.7 per cent. market share of customer deposits in the U.A.E. compared to 9.9 per cent. as at 31 December 2014 and 10.8 per cent. as at 31 December 2013, based on total U.A.E. bank deposits data published by the U.A.E. Central Bank.

*Customers' Deposits*

The following table sets out the break-down of funding from customers' deposits for the Group as at 31 December 2013, 2014 and 2015.

| | As at 31 December | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| | | *(AED millions)* | |
| Current accounts | 25,615.9 | 27,273.1 | 26,923.9 |
| Saving accounts | 2,118.0 | 1,901.5 | 2,544.7 |
| Time deposits | 89,985.4 | 88,066.6 | 88,019.7 |

| | As at 31 December | | |
|---|---|---|---|
| | 2013 | 2014 | 2015 |
| | | (AED millions) | |
| Call and other deposits | 20,234.2 | 24,030.6 | 24,974.3 |
| **Total** | **137,953.5** | **141,271.8** | **142,462.6** |

A significant proportion of the Group's customer deposits are from its major corporate customers and have maturities of less than three months. Although short-term in theory, in practice these deposits have tended to be stable. As at 31 December 2013, the five largest depositors accounted for 29.6 per cent. at that date as compared to 29.0 per cent. at 31 December 2014 and 28.0 per cent. at 31 December 2015. As at 31 December 2015, the 10 largest and 20 largest depositors accounted for 39.0 per cent. and 49.5 per cent., respectively, of total customer deposits.

As at 31 December 2015, time deposits included AED 31.7million from overseas financial institutions held against the sale of debt securities under an arrangement to repurchase the debt securities at a fixed future date compared to AED 24.7 million at 31 December 2014 and AED 33 million at 31 December 2013.

In December 2006, FGB received an initial amount of AED 5.0 billion from the Government to fund a housing loans scheme for U.A.E. nationals which is recorded in call and other deposits. Since then, this amount has increased to AED 19.6 billion as at 31 December 2015. The scheme is being administered by FGB based on various terms and conditions agreed with the Government including the requirement for FGB to advance the full AED 19.6 billion within 30 years, failing which any outstanding amount is to be transferred back to the Government. As at 31 December 2015, the Government time deposits amounted to AED 19,614.0 million compared with AED 17,688.0 million at 31 December 2014 and AED 15,067 million at 31 December 2013. As at 31 December 2015 housing loans amounting to AED 19,261.0 million, compared with AED 17,196.0 million at 31 December 2014 and AED 14,864.0 million at 31 December 2013, had been disbursed by FGB. Interest is payable on this deposit at market rates based on the amount of the deposit net of housing loans disbursed.

***Bank Loans***

As at 31 December 2015, FGB had two bank loans outstanding (one bi-lateral and one syndicated), totalling U.S.$1,050 million. The bi-lateral loan of U.S.$50 million was repaid in March 2016. FGB obtained the loan of U.S.$1,000 million from a syndicate comprising several banks. The syndicated loan is repayable in September 2018. Each bank loan bears interest at LIBOR plus a margin.

***Sukuk Financing Instruments***

In August 2011, FGB raised financing by way of a sukuk issued by FGB Sukuk Company Limited (a special purpose vehicle) amounting to U.S.$650.0 million (equivalent to AED 2,387.0 million) and maturing in August 2016 (the "**2011 Sukuk**"). The 2011 Sukuk carries a fixed profit rate of 3.797 per cent. per annum payable semi-annually and is listed on the London Stock Exchange. The 2011 Sukuk was the inaugural issuance under the U.S.$3.5 billion trust certificate issuance programme. Pursuant to the sukuk structure, FGB Sukuk Company Limited (as *Rab-al-Maal* and Trustee) will receive certain payments from FGB (as *mudareb* of certain *mudaraba* assets and *wakeel* of certain *wakala* assets). FGB Sukuk Company Limited will use such amounts received from FGB to discharge its payment obligations under the 2011 Sukuk. Such payment obligations of FGB rank *pari passu* with all other senior unsecured obligations of FGB.

On 18 January 2012, FGB Sukuk Company Limited issued its second series of trust certificates amounting to U.S.$500.0 million (equivalent to AED 1,836.0 million) due in 2017 under the same trust certificate issuance programme.

### *Due to banks*

The following table sets out the breakdown of due to banks for the Group as at 31 December 2013, 2014 and 2015.

| | As at 31 December | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| | | *(AED millions)* | |
| Current and demand accounts | 97.2 | 1,009.8 | 992.9 |
| Deposits maturing within one year | 5,107.4 | 11,580.7 | 16,890.2 |
| **Total** | **5,204.6** | **12,590.5** | **17,883.1** |

### *Total Equity*

The Group's total equity amounted to AED 31.8 billion at 31 December 2013 as compared to AED 34.7 billion at 31 December 2014 and AED 36.3 billion at 31 December 2015. The Group's total equity comprises its issued share capital (the latter of which was AED 3.0 billion at 31 December 2013, AED 3.9 billion at 31 December 2014 and AED 4.5 billion at 31 December 2015), its reserves and its retained earnings (the latter of which were AED 9.6 billion at 31 December 2013, AED 10.1 billion at 31 December 2014 and AED 11.1 billion on 31 December 2015). Of the reserves, the most significant is the legal reserve into which, under U.A.E. law and FGB's articles of association, 10.0 per cent. of net profit each year must be contributed until the legal reserve reaches 50.0 per cent. of the nominal value of the Group's paid up share capital. This reserve is not available for distribution and amounted to AED 8.8 billion at 31 December 2015, 31 December 2014 and 31 December 2013.

At 31 December 2015, shareholders' equity includes AED 4.0 billion Tier 1 capital notes issued by FGB in February 2009 to the Government.

### *Other potential funding sources*

Since 2007, FGB has been active in international debt capital markets transactions. It has issued capital markets instruments under its U.S.$ 5 billion Euro Medium Term Note Programme established in 2007 (the "**EMTN Programme**"), and under its AUD 2 billion Medium Term Note Programme established in 2014 (the "**AUD MTN Programme**"), along with undertaking several CHF denominated stand-alone issuances.

As at 31 December 2015, there was an aggregate amount (converted into U.S. Dollars) of U.S.$2.7 billion (equivalent AED 10.0 billion) outstanding under the EMTN Programme, with maturities ranging from 2016 to 2045.

As at 31 December 2015, there was an aggregate amount of AUD 250.0 million (equivalent AED 672.0 million) outstanding under the AUD MTN Programme which matures in 2019.

As at 31 December 2015, there were two CHF denominated stand-alone issuances outstanding, as follows: (i) CHF 100 million bonds (equivalent to AED 369 million) which matured in January 2016; and (ii) CHF 200 million bonds (equivalent to AED 737 million) which matured in February 2016.

### *Capital Adequacy*

The U.A.E. Central Bank is FGB's principal regulator. It sets and monitors its capital requirements on both a consolidated and an unconsolidated basis. The U.A.E. Central Bank requires each U.A.E. based bank or banking group to maintain a minimum ratio of total capital to risk-weighted assets of 12.0 per cent., taking into account both on and off balance sheet transactions. This is greater than the 8.0 per cent. minimum ratio recommendation of the Basel Committee under its 1988 Capital Accord.

In accordance with U.A.E. Central Bank timelines, FGB has implemented the Basel II standardised approach in relation to credit risk, market risk and operational risk and steps are underway to move towards more advanced approaches towards risk based capital management.

The Group's capital management is aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always meeting minimum regulatory capital adequacy ratio requirements. The principal difference between the U.A.E. Central Bank's guidelines and BIS requirements is that, under the U.A.E. Central Bank's guidelines, GCC government exposure is risk weighted at zero per cent. whereas, under the BIS, GCC government exposure is risk weighted according to the relevant country's credit rating. Details of the Group's risk weighted assets and capital base as at each of 31 December 2013, 2014 and 2015, calculated in accordance with U.A.E. Central Bank guidelines are set out in the table below.

| | As at 31 December | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| | | (AED millions) | |
| **Tier I capital:** | | | |
| Share capital | 3,000.0 | 3,900.0 | 4,500.0 |
| Capital notes | 4,000.0 | 4,000.0 | 4,000.0 |
| Legal reserves | 8,780.0 | 8,780.1 | 8,780.1 |
| Special reserves | 1,500.0 | 1,950.0 | 2,250.0 |
| General reserves | 120.0 | 120.0 | 120.0 |
| Retained earnings | 9,592.5 | 10,074.5 | 11,132.1 |
| Proposed bonus shares | 900.0 | 600.0 | — |
| Deferred exchange gains / losses | (13.1) | — | (69.8) |
| **Total** | **27,879.4** | **29,424.6** | **30,712.4** |
| Non-controlling interests | 539.5 | 587.2 | 400.4 |
| Goodwill and intangible assets | (238.9) | (213.4) | (194.5) |
| Investments in unconsolidated associates | (22.3) | (23.2) | — |
| **Total Tier I capital (A)** | **28,157.7** | **29,775.2** | **30,918.3** |
| **Tier II capital:** | | | |
| Undisclosed reserves / General provisions | 1,754.2 | 2,103.4 | 2,163.0 |
| Cumulative changes in fair value | 118.8 | 233.6 | 184.8 |
| **Total Tier II capital (B)** | **1,873.0** | **2,337.0** | **2,347.8** |
| **Total capital base (A + B)** | **30,030.7** | **32,112.2** | **33,266.1** |
| **Risk weighted assets:** | | | |
| Balance sheet & Off Balance sheet items | | | |
| Credit Risk | 158,767.8 | 168,270.0 | 173,042.4 |
| Market Risk | 1,059.4 | 962.8 | 1,219.7 |
| Operational Risk | 12,613.6 | 14,388.1 | 15,768.8 |
| **Total risk weighted assets** | **172,440.8** | **183,620.9** | **190,030.9** |
| Tier 1 capital adequacy ratio (%) | 16.3% | 16.2% | 16.3% |
| Total capital adequacy ratio (%) | 17.4% | 17.5% | 17.5% |

In March 2009, FGB's capital adequacy ratio benefited from the injection of AED 4.0 billion by the Government through the subscription of Tier 1 capital notes issued by FGB. FGB intends to maintain a Tier 1 ratio which is above the U.A.E. Central Bank's minimum required ratio of total capital to risk-weighted assets of 12.0 per cent. FGB's ALCO is responsible for monitoring FGB's capital adequacy ratio on a quarterly basis.

## Risk Management

### *Overview*

In common with other financial institutions, the Group faces a range of risks in its business and operations including: (i) credit risk; (ii) market risk (including interest rate risk in the trading book, currency risk, equity risk in the trading book); (iii) liquidity risk; (iv) interest rate risk in the banking book; and (v) operational risk (including legal risk). Each of these risks is described in more detail below and is also discussed in Note 32 to the Group's consolidated financial statements as at and for the year ended 31 December 2015, which are incorporated by reference in this document (the "**2015 Financial Statements**"), Note 30 to the Group's consolidated financial statements as at and for the year ended 31 December 2014, which are incorporated by reference in this document (the "**2014 Financial Statements**").

Efficient and timely management of the risks involved in the Group's activities is critical to its financial soundness and profitability. Risk management involves identifying, measuring, monitoring, controlling and reporting these risks on a regular basis. The objective of risk management is to protect the Group's capital and achieve a return on capital that is commensurate with the risks assumed.

***Risk management structure***

The overall responsibility for risk management lies with the Board of Directors. The principal role of the Board of Directors is to oversee implementation of FGB's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures. Several Board level committees and management level committees form part of the overall risk management structure within the Group. The Board level committees include: (i) the EC, which is responsible for overseeing of FGB's overall business strategy and ensuring that the business policies and practices are in line with the overall strategy and in alignment with sound corporate governance and related regulatory requirements and guidelines; (ii) the RCMC, which is responsible for establishment, monitoring and review of the compliance and risk management framework within the Group; (iii) the AC, which has overall responsibility for assessing the internal audit findings, directing the implementation of audit recommendations and overseeing the internal audit activities being undertaken; and (iv) the REMCO, which is responsible for overseeing the appointment of the Board of Directors and senior management and ensuring that they discharge their responsibilities in the interests of the shareholders and FGB as well as overseeing the overall compensation and reward mechanism of the Group. The management level committees include: (i) EMCO, which has the overall management responsibility for the Group, (ii) ALCO, which has principal responsibility for the Group's ALM process; (iii) the WBCC, which is responsible for approval and decisions on the wholesale banking funded and non-funded credit limits / exposures; (iv) the FGCC, which is responsible for approval and decisions on the consumer banking funded and non funded credit limits / exposures; (v) the IMCO, which has the responsibility of approving investment decisions within the limits set by the EC.; (vi) the Compliance Committee, which is responsible for overseeing Group's compliance; (vii) the ORC, which is responsible for overseeing operational risk responsibilities; (viii) the HRSC, which is responsible for implementation of human resource policies applicable to the bank staff; (ix) the TSC, which is responsible for implementation of IT related goals of the Group; and (x) and RECO, which is responsible for overseeing Group’s strategy for its real estate business. The Group's Chief Risk Officer ("**GCRO**") is responsible for risk management for the Group.

The Group has also established an independent risk management unit, responsible for continuous monitoring identification, measurement, control, mitigation and reporting of risks arising out of the Group's activities. The risk management unit also monitors compliance with regulatory policies and procedures (including the Group's anti-money laundering procedures). The HORMCG reports to the GCRO and is responsible for day-to-day risk management for the Group. The risk management unit has separate sub-units responsible for management of credit risk, market risk, ALM risk, operational risk, compliance and Basel II and IFRS 9. Each of these sub-units reports to the HORMCG.

The Group's treasury, under the strategic direction of ALCO, is responsible for managing the Group's assets and liabilities and its overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Group. Risk management processes throughout the Group are audited on an annual basis by internal auditors who examine both the adequacy of the processes and compliance with regulatory requirements. The results of each internal audit are reported directly to the AC.

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

FGB has established the ERMP framework to support FGB's risk management objectives. See “*Description of First Gulf Bank P.J.S.C. – Risk and Compliance Management Framework – Enterprise Risk Management Policy Framework*”.

As a part of the ERMP framework, the Group has established a formal risk appetite structure in the form of a top-down approach that incorporates requirements of various stakeholders, including shareholders, holders of its debt securities and regulators through a dialogue process between risk taking functions after a careful consideration of the risk-return trade-off.

Risk monitoring and control is primarily based on limits established by the Group's senior management. These limits reflect the Group's business strategy and the market environment in which it operates as well as the risk appetite of the Group. Information from all parts of the Group is collected, examined and processed in order to identify, analyse and control risks. This information is presented to RCMC on a quarterly basis and the head of each business division on a monthly basis. The information covers credit, market, liquidity and operational risks and is designed to enable the Board of Directors and senior management to receive all necessary information so as to independently assess the possible impact of these risks on the Group's businesses. The Group uses a range of measures to mitigate and control risks including use of credit risk mitigation techniques (collaterals, guarantees, netting, etc.) to reduce exposure to credit risk and use of derivative instruments to hedge exposure to certain interest and currency exchange rate risks. The Group is working on diversifying its lending activities in order to minimise risk concentrations across specific customer groups, industries or businesses and is considering securitisation and other structured solutions as a way of mitigating credit risk. The risk profile of all major transactions is assessed and authorised by appropriate management representatives before the transactions are concluded and the effectiveness of all risk mitigation measures is closely monitored by the risk management unit.

***Credit Risk***

Credit risk is the risk of a customer failing to meet its obligations in accordance with the agreed terms and, as a result, causing the Group to incur a financial loss. The Group is exposed to credit risk through its lending, trading, hedging and investing activities as well as through activities in which it acts as an intermediary on behalf of customers/other third parties or issues guarantees. The Group is also exposed to credit concentration risk. Various forms of credit risk concentrations can be distinguished in this context including large exposures to individual clients or groups of connected clients, large exposures to clients of poor credit quality, large exposures to clients in certain countries and large exposures to clients belonging to specific industries, amongst others. Indirect credit risk concentrations can also arise as a result of certain credit risk mitigation techniques.

The Group's primary exposure to credit risk arises through its loans and advances to customers, as well as through its interbank lending operations. The amount of credit exposure in this regard is a function of assets being carried on the consolidated balance sheet. In addition, the Group is exposed to off balance sheet credit risk through the contingent liabilities it assumes. The Group is also exposed to credit risk on various other financial assets, including derivative instruments and debt investments.

The Group has established an independent credit risk team within the risk management unit to track the magnitude of credit risk. The middle office reports this risk to senior management on a regular basis.

The table below sets out the Group's maximum exposure to credit risk for the different components of the balance sheet, including derivatives as at 31 December 2013, 2014 and 2015. This exposure does not take into account netting and collateral agreements that serve as credit risk mitigants. Where financial instruments are recorded at fair value, the amounts shown in the table represent the then current credit risk exposure but not the maximum credit risk exposure that could arise in the future as a result of changes in values.

| | As at 31 December | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| | | *(AED millions)* | |
| Balances with Central Banks | 15,574.2 | 21,113.7 | 20,707.5 |
| Due from banks and financial institutions | 22,864.5 | 14,907.5 | 13,597.8 |
| Loans and advances | 125,594.4 | 139,708.7 | 149,766.1 |
| Investments – debt securities | 15,318.6 | 14,974.2 | 20,908.4 |
| Other assets | 7,382.7 | 9,224.8 | 10,327.4 |
| **Total** | **186,734.4** | **199,928.9** | **215,307.2** |
| Contingent liabilities | 79,479.8 | 72,630.2 | 63,685.3 |
| Commitments | 5,875.6 | 9,423.7 | 7,502.8 |
| **Total** | **85,355.4** | **82,053.9** | **71,188.1** |
| Derivatives | 628.2 | 1,526.2 | 1,920.2 |
| Total | 628.2 | 1,526.2 | 1,920.2 |
| **Total credit risk exposure** | **272,718.0** | **283,509.1** | **288,415.6** |

In terms of concentration, the Group's funded and non-funded credit exposure to its top five borrowers as at 31 December 2015 was AED 16,338.2 million compared to AED 21,992.3 million at 31 December 2014 and AED 24,050.1 million at 31 December 2013, in each case before taking account of any collateral or other credit enhancements. Net of this protection, the credit exposures were AED 15,598.9 million at 31 December 2015, AED 15,050.8 million at 31 December 2014 and AED 19,383.6 million at 31 December 2013.

The table below sets out the Group's financial assets by geographic region and by industry sector at 31 December 2013, 2014 and 2015.

| | As at 31 December | | |
|---|---|---|---|
| | 2013 | 2014 | 2015 |
| | | *(AED millions)* | |
| **Geographic region** | | | |
| U.A.E. | 142,704.7 | 153,437.0 | 165,579.6 |
| Other Arab countries | 10,462.8 | 10,394.7 | 11,967.3 |
| Asia | 18,080.9 | 16,137.2 | 19,188.9 |
| Europe | 10,379.1 | 16,823.6 | 11,702.9 |
| USA | 3,593.4 | 586.9 | 4,809.4 |
| Rest of the world | 1,513.5 | 2,549.5 | 2,059.1 |
| Total financial assets subject to credit risk | 186,734.4 | 199,928.9 | 215,307.2 |
| Non-financial assets | 11,475.9 | 12,239.6 | 12,189.2 |
| **Total assets** | **198,210.3** | **212,168.5** | **227,496.4** |
| **Industry sector** | | | |
| Commercial and business | 79,948.7 | 87,815.8 | 89,868.2 |
| Personal | 47,958.9 | 53,286.1 | 58,209.0 |
| Government | 17,711.3 | 24,631.3 | 27,833.5 |
| Banks and financial institutions | 38,584.7 | 33,423.0 | 35,768.0 |
| Other | 2,530.8 | 772.7 | 3,628.5 |
| Total financial assets subject to credit risk | 186,734.4 | 199,928.9 | 215,307.2 |
| Non-financial assets | 11,475.9 | 12,239.6 | 12,189.2 |
| **Total assets** | **198,210.3** | **212,168.5** | **227,496.4** |

The Group controls credit risk by monitoring credit limits / exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties, diversification of lending activities, compliance with internal limits to avoid undue concentrations of risks and by obtaining security as appropriate. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group's credit policy is reviewed and approved by the Board of Directors on an ongoing basis. The Group's credit policy allows for a certain degree of flexibility if circumstances warrant deviations from standard practice. All such exceptions are clearly documented and ratified by the Board of Directors.

The Group's credit risk limits are set in line with its credit criteria and reviewed on an annual basis. Credit exposure to individual customers or groups of customers is controlled through a tiered hierarchy of delegated approval authorities and is based on several factors including, but not limited to, country risk rating, industry risk rating, counterparty risk rating and assessment of facility risk.

Significant counterparty credit exposures, industry exposures and sector exposures are reviewed by senior management on a regular basis.

The Group operates a system of approval limits for its corporate lending, which is reviewed on a regular basis. The approval powers within these approval limits have been vested in the WBCC by the Board of Directors. Exposures beyond these limits are approved by the EC. All funded exposures exceeding seven per cent. of the Group's capital are referred to the U.A.E. Central Bank for approval in accordance with the U.A.E. Central Bank's regulations.

The Group's consumer lending mainly consists of loans to U.A.E. nationals and resident expatriates fulfilling certain specified criteria. Loans are generally secured by salary assignment, with a maximum loan amount of AED 4,500,000 for UAE Nationals and AED 1,000,000 for expatriates. New credit scoring models based on the Basel II dual rating framework have been developed for application and behavioural scoring of customers. These have also been implemented in the loan origination systems.

As per the Group's credit policy, various types of credit risk mitigants – such as collaterals, guarantees, netting agreements and credit derivatives – are being used to mitigate risks. The mitigants are usually in the form of cash collateral or securities, legal charges over customer's assets, third party guarantees or assignments over receivables. As per the Group's internal policies all of the mitigants are valued and monitored at regular intervals. Responsibility for day-to-day management of existing credit exposure is delegated to credit officers who comply with the regular credit review requirements set out in the Group's credit manual. Credits are assessed using an internal credit risk evaluation system based on detailed qualitative and quantitative criteria. The Group is in the process of implementing a new credit risk management system that will consist of a revised dual rating mechanism based on Basel II principles.

In assessing its credit exposure, the Group's corporate customers are classified into 10 rating categories ranging from 1 (highest rating) to 10 (default rating). For regulatory reporting purposes, the Group reports its loans to the U.A.E. Central Bank as per five grade scale where 1 is performing, 2 is watch list, 3 is sub-standard, 4 is doubtful and 5 is loss. In accordance with Circular 28/2010 issued by the U.A.E. Central Bank on 11 November 2010, Grades 1 and 2 are considered as performing whereas Grades 3, 4 and 5 are considered as non-performing.

The tables below set out the Group's categorisation by credit quality of the following asset classes at 31 December 2013, 2014 and 2015.

| | **As at 31 December 2013** | | | |
|---|---|---|---|---|
| | **Pass grade** | **Watch grade** | **Past due or individually impaired** | **Total** |
| | *(AED millions)* | | | |
| Cash and balances with Central Banks | 15,574.2 | — | — | 15,574.2 |
| Due from banks and financial institutions | 22,864.5 | — | — | 22,864.5 |
| Loans and advances | 116,192.0 | 5,978.0 | 7,329.5 | 129,499.5 |
| Other assets | 7,382.7 | — | — | 7,382.7 |
| Non-trading investments | 15,318.6 | — | 176.1 | 15,494.7 |
| **Total** | **177,332.0** | **5,978.0** | **7,505.6** | **190,815.6** |

| | **As at 31 December 2014** | | | |
|---|---|---|---|---|
| | **Pass grade** | **Watch grade** | **Past due or individually impaired** | **Total** |
| | *(AED millions)* | | | |
| Cash and balances with Central Banks | 21,113.7 | — | — | 21,113.7 |
| Due from banks and financial institutions | 14,907.5 | — | — | 14,907.5 |
| Loans and advances | 131,814.3 | 5,217.7 | 7,154.7 | 144,186.7 |
| Other assets | 9,224.9 | — | — | 9,224.9 |
| Non-trading investments | 14,974.2 | — | 187.1 | 15,161.3 |
| **Total** | **192,034.6** | **5,217.7** | **7,341.8** | **204,594.1** |

| | **As at 31 December 2015** | | | |
|---|---|---|---|---|
| | **Pass grade** | **Watch grade** | **Past due or individually impaired** | **Total** |
| | *(AED millions)* | | | |
| Cash and balances with Central Banks | 20,707.5 | — | — | 20,707.5 |
| Due from banks and financial institutions | 13,597.8 | — | — | 13,597.8 |
| Loans and advances | 142,321.0 | 3,542.4 | 8,322.2 | 154,185.6 |
| Other assets | 10,327.4 | — | — | 10,327.4 |
| Non-trading investments | 20,908.5 | — | 140.0 | 21,048.5 |
| **Total** | **207,862.2** | **3,542.4** | **8,462.2** | **219,866.8** |

Loans and advances categorised under the "watch" grade are those which exhibit some weakness in the borrower's financial condition and credit worthiness, requiring more than normal attention but no allocation of provisions. "Substandard" loans are those where payment of principal is in arrears beyond 90 days or some loss is possible due to adverse factors. These are the assets which exhibit credit weaknesses, where the paying capacity of the obligor is not assured and timely repayment of the obligations is in jeopardy. They are characterised by the distinct possibility that the bank will sustain some loss unless the deficiencies are corrected. Such assets are considered as Non Performing Assets ("**NPAs**"). "Doubtful" loans are those wherein full recovery seems doubtful on the basis of information available, leading generally to a loss of part of these loans. Such assets are also considered as NPAs. Loans falling under the "Loss" grade are loans in respect of which FGB has exhausted all courses of action available but has failed to recover anything or where there is possibility that nothing will be recovered. The tables below set out an analysis of past due loans by age at 31 December 2013, 2014 and 2015.

| | **As at 31 December 2013** | | | | |
|---|---|---|---|---|---|
| | **<30 days** | **31 to 60 days** | **61 to 90 days** | **>91 days** | **Total** |
| | | | *(AED millions)* | | |
| Past due but not impaired loans and advances ......... | 1,598.6 | 588.7 | 318.9 | 535.9 | 3,042.1 |
| Past due and impaired loans and advances............... | | | | | 7,329.5 |
| Less: | | | | | |
| Past due but not impaired loans and advances ......... | | | | | (3,042.1) |
| Impaired loans and advances: | | | | | |
| Loans and advances under restructuring .................. | | | | | 456.5 |
| Other loans and advances......................................... | | | | | 3,830.9 |
| | | | | | **4,287.4** |
| **Impaired loans, excluding loans and advances under restructuring** ............................................... | | | | | **3,830.9** |

| | **As at 31 December 2014** | | | | |
|---|---|---|---|---|---|
| | **<30 days** | **31 to 60 days** | **61 to 90 days** | **>91 days** | **Total** |
| | | | *(AED millions)* | | |
| Past due but not impaired loans and advances ......... | 1,709.8 | 612.9 | 628.9 | 670.1 | 3,621.6 |
| Past due and impaired loans and advances............... | | | | | 7,154.7 |
| Less: | | | | | |
| Past due but not impaired loans and advances ......... | | | | | (3,621.6) |
| Impaired loans and advances: | | | | | |
| Loans and advances under restructuring .................. | | | | | – |
| Other loans and advances......................................... | | | | | 3,533.1 |
| | | | | | **3,533.1** |
| **Impaired loans, excluding loans and advances under restructuring** ............................................... | | | | | **3,533.1** |

| | **As at 31 December 2015** | | | | |
|---|---|---|---|---|---|
| | **<30 days** | **31 to 60 days** | **61 to 90 days** | **>91 days** | **Total** |
| | | | *(AED millions)* | | |
| Past due but not impaired loans and advances ......... | 1,868.9 | 812.0 | 790.0 | 557.2 | 4,028.1 |
| Past due and impaired loans and advances............... | | | | | 8,322.2 |
| Less: | | | | | |
| Past due but not impaired loans and advances ......... | | | | | (4,028.1) |
| Impaired loans and advances: | | | | | — |
| Loans and advances under restructuring .................. | | | | | — |
| Other loans and advances......................................... | | | | | 4,294.1 |
| **Impaired loans, excluding loans and advances under restructuring** ............................................... | | | | | **4,294.1** |

The table below shows the movements in the Group's provision for impairment of loans and advances.

| | 2013 | 2014 | 2015 |
|---|---|---|---|
| | | *(AED millions)* | |
| At 1 January | 3,751.8 | 3,905.1 | 4,478.0 |
| Amounts written off | (1,588.0) | (630.0) | (1,371.2) |
| Recoveries | (100.1) | (77.2) | (144.5) |
| Charge for the year | 1,861.0 | 1,438.6 | 1,551.7 |
| Acquired in business combination | 77.1 | - | - |
| Notional interest on impaired loans and advances | (96.7) | (158.5) | (94.4) |
| **At 31 December** | **3,905.1** | **4,478.0** | **4,419.6** |

The total carrying amount of loans and advances which have been renegotiated at 31 December 2015 was AED 1,596.5 million compared to AED 3,251.0 million at 31 December 2014 and AED 3,164.7 million at 31 December 2013.

Corporate loans are deemed non-performing when an instalment of principal or interest is unpaid for 90 days. The Group reviews its problem loans and advances on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated income statement. Specific provisions are taken in accordance with the regulations of the U.A.E. Central Bank. In addition, specific provisions are made in accordance with IAS 39 and reflect the short-fall in net present value of future cash flows. The Group also makes portfolio provisions against the corporate loan book on the recommendation of the WBCC for wholesale business and the FGCC for consumer business.

Consumer loans are monitored in buckets once overdue by more than 30 days. Interest on overdue consumer loans is suspended after 90 days and provisions are taken in accordance with the regulations of the U.A.E. Central Bank. In addition, collective provisions are made against consumer loan average net receivables and credit card balances.

Prior to an account becoming non-performing, loans may be placed on the watch list and such loans are monitored by the Group's dedicated team responsible for monitoring impaired corporate and consumer loans.

The Group ceases to accrue income on any loan wherein a reasonable doubt, with respect to collection of unpaid interest or fees, exists or where a loan is more than 180 days overdue. At 31 December 2015, loans and advances on which interest is not being accrued or is suspended amounted to AED 4,294.1 million (equal to 2.8 per cent. of total gross loans at 31 December 2015).

At 31 December 2013 the provision for impaired loans and advances amounted to AED 3,905.1 million representing 91.1 per cent. of all non-accruing loans (which totalled AED 4,287.4 million at the same date). In comparison, the provision for impaired loans and advances at 31 December 2014 amounted to AED 4,478.0 million representing 126.7 per cent. of all non-accruing loans (which totalled AED3,533.1 million at the same date) and the provision for impaired loans and advances at 31 December 2015 amounted to AED 4,419.6 million representing 102.9 per cent. of all non-accruing loans (which totalled AED 4,294.1 million at the same date). The ratio of non-accruing loans to total gross loans was 3.3 per cent. at 31 December 2013, 2.5 per cent. at 31 December 2014 and 2.8 per cent. at 31 December 2015.

As per a revised circular, the U.A.E. Central Bank changed the past due criteria for classification of non-performing loans to 90 days from 180 days, which resulted in additional provisions and non-performing loans for the Group.

It is the Group's policy to write off impaired assets only after all reasonable restructuring and collection efforts have been undertaken and where the possibility of any further recovery is considered remote. For the year ended 31 December 2013, the Group wrote off AED 1,588.0 million compared to AED 630.0 million in 2014 and AED 1,371.2 million in 2015. The decrease in write-offs in 2014 was mainly due to the write-off of corporate loans in 2013 as per the Group's policy. The increase in write offs during 2015 was mainly due to the write off of both consumer and corporate loans as per the Group’s policy.

In 2013, provisions net of recoveries (which were AED 100.1 million) were AED 1,760.9 million compared to AED 1,361.4 million net of recoveries (which were AED 77.2 million) in 2014 and AED 1,407.2 million net of recoveries (which were AED 144.5 million) in 2015.

At 31 December 2015, other balances in accounts classified as impaired amounted to AED 4,294.1 million (as compared to AED 3,533.1 million at 31 December 2014).

***Market Risk***

Market risk is defined as the risk of losses in the Group's on or off balance sheet positions arising from movements in interest rates, credit spreads, foreign exchange rates and the prices of its debt, equity and commodity investments.

FGB has established an independent middle office to track the magnitude of market risk on a daily basis. The Group has established policies and guidelines for undertaking investments in the trading book that are subject to market risk. These policies and guidelines are reviewed and approved by IMCO and further ratified by Board level committee on a yearly basis. These guidelines stipulate inter-alia the risk appetite for market risk through a comprehensive limit structure covering exposure, sensitivities, concentration, Value-at-Risk and stop loss and lay down the investment criteria for each asset class.

Positions in the FGB's trading book portfolio and funds are created subject to compliance with the investment policies and guidelines. The Group has established an independent market risk team within the risk management unit to track the magnitude of market risk on a daily basis. The middle office reports this risk to senior management on a daily basis.

FGB's market risk unit also carries out regular scenario analysis and stress testing exercises to ascertain the level of risk in the event of unforeseen movements in FGB's key risk factors.

***Interest Rate Risk***

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Group manages this risk through hedging and by reviewing the re-pricing of assets and liabilities through risk management strategies. The ALM risk team monitors the gaps and reports both interest rate risk and liquidity risk to the ALCO on a monthly basis.

Note 32.3 to the 2015 Financial Statements includes a table which shows the sensitivity to a reasonable possible change in interest rates of the Group's consolidated income statement as at 31 December 2015 and 31 December 2014. The sensitivity of the income statement is the effect of an assumed increase or decrease of 0.5 per cent. in interest rates on net interest income for one year based on floating rate financial assets and financial liabilities held at 31 December 2015, assuming all other variables remain constant. An increase of 0.5 per cent. in AED rates would have had a theoretical positive impact on the Group's net interest income in 2015 of AED 30.9 million (as compared with a positive impact of AED 38.7 million in 2014). An equivalent decrease in interest rates would have had exactly the opposite theoretical effect. The Group's sensitivity to interest rate changes is reduced by the fact that a very significant part of its loans and advances can be re-priced on either a monthly or quarterly basis.

***Currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's functional currency is the U.A.E. dirham. As the U.A.E. dirham has been pegged to the U.S. dollar since 1980, positions in U.S. dollars have not generally been considered as a significant currency risk, although this assessment changed in the second half of 2007 as market speculation grew concerning the possible abolition of the currency peg in a number of GCC countries. The Group's foreign exchange positions are monitored on a daily basis to ensure that they are maintained within established limits set by the IMCO. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

Note 32.4 to the 2015 Financial Statements includes a table which shows the currencies to which the Group had significant exposure at 31 December 2015 and 31 December 2014. The analysis estimates the effect of an increase or decrease of 1.0 per cent. in certain currency exchange rates on the Group's operating income for one year based on its monetary assets and liabilities held at 31 December 2015 and 31 December 2014, respectively, and its forecast cash flows, assuming all other variables remain constant. An increase of 1.0 per cent. in the U.S. dollar exchange rates would have had a theoretical negative impact on the Group's operating income in 2015 of AED 82.0 million (as compared with a negative impact of AED 53.9 million in 2014). An equivalent decrease in interest rates would have had exactly the opposite theoretical effect.

***Equity price risk***

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group invests in international equities and hedge funds and also acts as a broker for trading in local and international equities. The Group manages its equity price risk through limits for each product and limits by country, currency, sector and dealer where appropriate in order to ensure diversification of its equity investments in terms of both geographical distribution and industry concentration. All outstanding own-account open positions are monitored daily and appropriate stop loss limits are in place.

Note 32.3.4 to the 2015 Financial Statements includes a table which shows the sensitivity to a possible change in equity markets of the Group's income statement. The sensitivity of the income statement is the effect of an assumed change of 5.0 per cent. in one or more appropriate benchmarks on the fair value of investments carried at fair value through the income statement based on the Group's portfolio of those securities held at 31 December 2015 and 31 December 2014, respectively, assuming all other variables remain constant. A change of 5.0 per cent. in the Abu Dhabi Exchange Market Index and the Dubai Financial Market Index would have had a theoretical effect of AED 0.3 million and AED 0.3 million respectively on the Group's net income in 2015 and AED 0.5 million and AED 0.1 million respectively on the Group's net income in 2014. An equivalent change in the net asset value of the managed funds in which the Group was invested would have had a theoretical effect of AED 3.9 million on the Group's net income in 2015 and AED 10.5 million on the Group's net income in 2014.

Note 32.3.4 to the 2015 Financial Statements also includes a table which shows the effect on the Group's equity (as a result of a change in the fair value of equity investments held as available for sale at 31 December 2015 and 31 December 2014, respectively) due to a reasonably possible change in one or more appropriate benchmarks based on the Group's portfolio of those securities held at 31 December 2015 and 31 December 2014, respectively, assuming all other variables remain constant. A change of 5.0 per cent. in the net asset value of the private equity funds in which the Group has invested would have had a theoretical effect of AED 74.8 million on the Group's equity as at 31 December 2015 and AED 64.5 million on the Group's equity as at 31 December 2014.

***Liquidity Risk***

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or deterioration in the Group's credit quality which may adversely impact certain sources of funding. Liquidity risk management seeks to ensure that, even under adverse conditions, the Group has access to the funds necessary to cover customer needs, maturing liabilities and the capital requirements of its operations. Liquidity risk arises in the general funding of the Group's financing, trading and investment activities and in the management of liquidity positions. This risk involves the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner on reasonable terms and the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain.

The Group seeks to maintain liquid assets at prudent levels to ensure that cash can be made available quickly to honour its obligations, even under adverse conditions. To further address liquidity risk, the Group's management has established liquidity monitoring procedures and is diversifying the Group's funding sources in terms of origin and tenor. In addition, the Group maintains a statutory deposit with the U.A.E. Central Bank and has a range of credit lines from banks and financial institutions.

The liquid assets of the Group (cash and due from the U.A.E. Central Bank and financial institutions) amounted to AED 38.8 billion at 31 December 2013, AED 36.4 billion at 31 December 2014 and AED 34.7 billion at 31 December 2015.

The following table sets out the percentage of liquid assets (cash and due from the U.A.E. Central Bank and financial institutions) compared to total assets for each of the three years ended 31 December 2013, 2014 and 2015.

| | As at 31 December | | |
|---|---|---|---|
| | 2013 | 2014 | 2015 |
| | | (per cent.) | |
| Liquid assets | 19.6 | 17.2 | 15.2 |
| Loans and advances | 63.4 | 65.8 | 65.8 |
| Investments | 8.6 | 7.9 | 10.0 |
| Other assets | 8.4 | 9.1 | 9.0 |
| **Total assets** | **100.0** | **100.0** | **100.0** |

The day-to-day management of liquidity within the framework of the Group's liquidity risk policy is the responsibility of the treasury money market desk which is overseen in this regard by the ALCO. The Group uses a maturity ladder (time bucket) approach for managing its liquidity.

The tables below summarise the maturity profile of the Group's financial assets and liabilities as at 31 December in each of 2013, 2014 and 2015 based on contractual repayment arrangements (which do not take into account the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds).

| | As at 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | Less than 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Total |
| | | | (AED millions) | | |
| **ASSETS** | | | | | |
| Cash and balances with Central Banks | 12,125.9 | 6,450.0 | 2,500.0 | - | 21,075.9 |
| Due from banks and financial institutions | 13,597.8 | - | - | - | 13,597.8 |
| Loans and advances, net | 28,396.6 | 20,816.4 | 57,563.9 | 42,989.2 | 149,766.1 |
| Investments | 1,122.4 | 4,060.6 | 13,974.9 | 3,534.2 | 22,692.1 |
| Other assets | 10,327.4 | - | - | - | 10,327.4 |
| Financial assets | 65,570.1 | 31,327.0 | 74,038.8 | 46,523.4 | 217,459.3 |
| Non-financial assets | | | | | 10,037.1 |
| **Total assets** | | | | | **227,496.4** |
| **LIABILITIES** | | | | | |
| Due to banks | 11,115.1 | 6,768.0 | - | - | 17,883.1 |
| Customers' deposits | 84,450.2 | 29,195.0 | 9,556.9 | 19,260.5 | 142,462.6 |
| Term loans | 1,367.4 | 235.2 | 12,570.7 | 1,684.1 | 15,857.4 |
| Sukuk financing instruments | - | 2,387.5 | 1,836.5 | - | 4,224.0 |
| Euro Commercial Paper | 2,325.8 | 509.0 | - | - | 2,834.8 |
| Other liabilities | 7,930.4 | - | - | - | 7,930.4 |
| **Total liabilities** | **107,188.9** | **39,094.7** | **23,964.1** | **20,944.6** | **191,192.3** |

| | As at 31 December 2014 | | | | |
|---|---|---|---|---|---|
| | Less than 3 months | 3 months to1 year | 1 year to 5 years | Over 5 years | Total |
| | | | (AED millions) | | |
| **ASSETS** | | | | | |
| Cash and balances with Central Banks | 14,291.4 | 6,250.0 | 1,000.0 | — | 21,541.4 |
| Due from banks and financial institutions | 13,680.0 | 1,227.5 | — | — | 14,907.5 |
| Loans and advances, net | 30,767.8 | 16,175.2 | 49,916.6 | 42,849.1 | 139,708.7 |
| Non-trading investments | 1,148.8 | 832.4 | 9,950.9 | 4,775.7 | 16,707.8 |
| Other assets | 9,224.8 | — | — | — | 9,224.8 |
| Financial assets | 69,112.8 | 24,485.1 | 60,867.5 | 47,624.8 | 202,090.2 |
| Non-financial assets | | | | | 10,078.3 |
| **Total assets** | | | | | **212,168.5** |
| **LIABILITIES** | | | | | |
| Due to banks | 12,204.8 | 385.7 | — | — | 12,590.5 |
| Customers' deposits | 94,801.2 | 28,032.2 | 1,217.7 | 17,220.6 | 141,271.8 |
| Term loans | — | 3,676.3 | 7,173.6 | 824.4 | 11,674.3 |

| | | | | | |
|---|---|---|---|---|---|
| Sukuk financing instruments | — | — | 4,224.0 | — | 4,224.0 |
| Other liabilities | 7,671.0 | — | — | — | 7,671.0 |
| **Total liabilities** | **114,676.9** | **32,094,2.3** | **12,615.2** | **18,045.1** | **177,431.5** |

| | As at 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | **Less than 3 months** | **3 months to1 year** | **1 year to 5 years** | **Over 5 years** | **Total** |
| | | | *(AED millions)* | | |
| **ASSETS** | | | | | |
| Cash and balances with Central Banks | 8,944.6 | 7,000.0 | — | — | 15,944.6 |
| Due from banks and financial institutions | 20,446.6 | 2,417.9 | — | — | 22,864.5 |
| Loans and advances, net | 31,043.9 | 17,572.7 | 42,842.1 | 34,135.7 | 125,594.4 |
| Investments | 1,626.7 | 3,367.0 | 6,900.7 | 5,219.0 | 17,113.4 |
| Other assets | 7,692.1 | — | — | — | 7,692.1 |
| Financial assets | 69,753.9 | 30,357.5 | 49,742.9 | 39,354.7 | 189,209.0 |
| Non-financial assets | | | | | 9,001.3 |
| **Total assets** | | | | | **198,210.3** |
| **LIABILITIES** | | | | | |
| Due to banks | 4,805.6 | 399.0 | — | — | 5,204.6 |
| Customers' deposits | 92,240.3 | 28,313.4 | 2,510.9 | 14,889.0 | 137,953.5 |
| Term loans | — | 1,536.8 | 7,956.8 | 2,235.5 | 11,729.1 |
| Sukuk financing instruments | — | — | 4,224.0 | — | 4,224.0 |
| Other liabilities | 7,328.6 | — | — | — | 7,328.6 |
| **Total liabilities** | **104,374.5** | **30,249.2** | **14,691.6** | **17,124.5** | **166,439.8** |

The above tables illustrate the fact that the Group's liabilities, in particular its customer deposits, are principally short-term in nature whereas its assets, in particular its loans and advances, are generally of a longer term. The Group believes that this apparent maturity gap is mitigated by the fact that a large part of its customer deposits, although contractually of a short-term nature, as is customary practice in the U.A.E., historically have been maintained for longer periods. The Group believes that this reflects the strength of its relationship with its principal depositors. Other mitigants include the Group's liquid asset balances, including a part of its investment portfolio and the fact that a number of its loans repay on an instalment basis whereas the above tables reflect payments due only on their final maturity. Notwithstanding these facts, there remains a risk that the Group could be exposed to liquidity risks should there be a significant downturn in market conditions allied with a significant removal of deposits from the Group. This potential risk may be exacerbated by the Group's deposit concentrations, evidenced by the fact that at 31 December 2015 its five largest depositors accounted for 28.0 per cent. of its total customer deposits and its 10 largest depositors accounted for 39.0 per cent. of its total customer deposits.

The table below shows the contractual expiry by maturity date of the Group's contingent liabilities and commitments at 31 December 2013, 2014 and 2015.

| | **Less than 3 months** | **3 months to 1 year** | **1 year to 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|
| | | | *(AED millions)* | | |
| **31 December 2015** | | | | | |
| Contingent liabilities | 46,448.5 | 8,652.9 | 8,583.9 | — | 63,685.3 |
| Commitments | 219.3 | 7,756.4 | 848.8 | — | 8,824.5 |
| **Total** | **46,667.8** | **16,409.3** | **9,432.7** | **—** | **72,509.8** |
| **31 December 2014** | | | | | |
| Contingent liabilities | 50,785.2 | 10,801.3 | 11,043.8 | — | 72,630.3 |
| Commitments | 266.2 | 9,992.6 | 758.4 | — | 11,017.2 |
| **Total** | **51,051.3** | **20,793.9** | **11,802.2** | **—** | **83,647.5** |
| **31 December 2013** | | | | | |
| Contingent liabilities | 55,363.7 | 11,189.5 | 12,926.6 | — | 79,479.8 |
| Commitments | 257.3 | 6,640.5 | 1,291.7 | — | 8,189.5 |
| **Total** | **55,621.0** | **17,830.0** | **14,218.3** | **—** | **87,669.3** |

During the year ended 31 December 2014, the Bank changed its policy in respect of accounting for: (i) acceptances issued to clients from disclosing those as part of commitments and contingencies to recognising them within other assets and other liabilities; and (ii) discounted acceptances from classifying them under loans and advances to including them under other assets. As a result of the change in accounting policy, the comparative figures as at 31 December 2013 for other assets, other liabilities and loans and advances were adjusted for consistency purposes and, accordingly other assets and other liabilities were increased by AED 4,525,016 thousand and AED 3,177,931 thousand, respectively, and loans and advances were decreased by AED 1,347,085 thousand.

***Prepayment Risk***

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay, or request repayment, earlier or later than expected. The effect on profit for one year, assuming 10.0 per cent. of repayable financial instruments were to repay at the beginning of the year, with all other variables held constant, is AED 429.6 million for the year ended 31 December 2015, AED 502.0 million for the year ended 31 December 2014 and AED 417.3 million for the year ended 31 December 2013.

***Derivatives***

In the ordinary course of its business, the Group enters into a range of transactions that involve derivative instruments. In these transactions the Group assists its customers and counterparties (typically other financial institutions) in altering their risk profile in a particular area by structuring transactions to meet the particular needs of the customer or counterparty. The positions accumulated from such activity are typically passed on to others in the market but may also be managed as open positions with a view to a limited profit. The Group manages the risks involved in this activity through appropriate limits and stop loss parameters established and monitored by the risk management division.

The Group also enters into derivative transactions to hedge its currency, interest rate and cash flow risks as part of its ALM activities. This hedging may be in respect of specific financial instruments, forecasted transactions or strategic hedging against overall balance sheet exposures.

The total derivatives book by notional value at 31 December 2015 was AED 148.9 billion compared to AED 98.5 billion at 31 December 2014 and AED 71.4 billion at 31 December 2013. The increase in the total derivatives book by notional value during this period is mainly due to the growth in activity of TGM. Further information on the Group's transactions involving derivatives is set out in Note 30 to the 2015 Financial Statements and Note 28 to the 2014 Financial Statements.

***Operational Risk and Legal Risk***

Operational risk is the risk of loss resulting from inadequate or failed internal processes / people / systems or from external events. The Group has set up an independent operational risk team within the risk management unit for development and automation of an operational risk framework, for monitoring of operational losses on a regular basis and for necessary reporting to senior management.

Detailed operational manuals, internal control mechanisms (including segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes), periodic reviews and internal and external audits are tools employed for sound assessment, monitoring and management of operational risk in the Group's business. The Group is in the process of automating the process related to operational risk management through system implementation.

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

## OVERVIEW OF THE UNITED ARAB EMIRATES

The U.A.E. is a federation of seven Emirates. Formerly known as the Trucial States, the Emirates were a British protectorate until they achieved independence in December 1971 and merged to form the federation of the United Arab Emirates. Each Emirate – being Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Fujairah and Ras Al Khaimah – has a local government headed by the Ruler of the Emirate. There is a federal government, the Federal Government of the U.A.E., which is headed by the President.

The federation is governed by the Supreme Council of the Rulers of the seven Emirates (the "**Supreme Council**"). The Supreme Council elects from its own membership the President and the Vice President (for renewable five year terms). HH 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. Following his death, his son HH Sheikh Khalifa Bin Zayed Al-Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the U.A.E.

According to data published by the International Monetary Fund ("**IMF**") in October 2015, the U.A.E. is the second largest economy in the GCC region after the Kingdom of Saudi Arabia, based on nominal GDP. According to OPEC data, at 31 December 2014, the U.A.E. had approximately 6.6 per cent. of proven global crude oil reserves (giving it the sixth largest oil reserves in the world) and export of petroleum products generated U.S.$111.6 billion for the year ended 31 December 2014 (being 30.1 per cent. of the total value of exports and 27.9 per cent. of the U.A.E.'s GDP at market prices). According to the U.A.E. National Bureau of Statistics' (the "**NBS**") preliminary calculation, the U.A.E.'s nominal GDP for 2014 was AED 1,467 billion, an increase of 3.1 per cent. on the U.A.E.'s GDP for 2013 of AED 1,422 billion. This is reflected in increased spending in both public infrastructure and private investment projects. The increasingly diversified economy of the U.A.E., particularly with a focus on tourism, is expected to decrease the country's reliance on its dominant oil sector. Fluctuations in energy prices do have a bearing on economic growth, but the U.A.E. is viewed as being in a less vulnerable position than some of its GCC neighbours, due to the robust growth in its non-oil sector and the sizeable wealth of the Government of Abu Dhabi. The governments of Abu Dhabi and Dubai are spending substantial amounts on expanding infrastructure.

Based on IMF data (extracted from the World Economic Outlook (October 2015)) real GDP growth in the U.A.E. increased by 4.6 per cent. in 2014, 4.3 per cent. in 2013 and 7.2 per cent. in 2012. On 11 March 2015, Moody's Singapore reaffirmed the U.A.E. 's long-term credit rating of Aa2 with a stable outlook. The principal reason stated for this high investment grade rating is the assumption that the obligations of the Federal Government will be fully supported by the government of Abu Dhabi. On 4 March 2016, Moody’s placed the credit ratings of Abu Dhabi (rated Aa2) and the United Arab Emirates (rated Aa2) on review for downgrade as they assess the impact of the sharp fall in oil prices, since September 2014, on 18 sovereigns. The U.A.E. is not rated by any other rating agency.

In 2014, the MSCI Emerging Markets Index upgraded the U.A.E. to an "emerging market" economy (compared to the previous classification of "frontier market") with nine U.A.E. companies being added to the benchmark index.

The U.A.E. population was estimated to have reached almost 8.3 million people in mid-2010 according to data released on 31 March 2011 by the NBS. The completion of results of the census for 2011 is underway but, as at the date of this Base Prospectus, census records have not been published. The World Bank estimated the population of the U.A.E. to be approximately 9.1 million at the end of 2014.

The U.A.E. enjoys good relations with the other states in the GCC and its regional neighbours. The U.A.E. does have, however, a long-standing territorial dispute with the Islamic Republic of Iran over three islands in the Gulf and, as such, is not immune to the political risks and volatility that have overshadowed the region, particularly in the last couple of years. The economy remains heavily protected and nearly all utilities and most major industries are controlled by the state. However, tight restrictions placed on foreign investment are gradually being relaxed. For example, foreigners are not permitted to have a controlling interest in U.A.E. businesses and corporates. Reflecting this rule, many of the Emirates have established trade and industry free zones as a means of attracting overseas investment and diversifying the economy. Despite the U.A.E.'s membership of the WTO, progress towards economic liberalisation has been slow, though trade agreements with Europe and the United States are being negotiated.

# THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

## Summary

According to data published by the U.A.E. Central Bank, as at 31 December 2015 there were a total of 49 banks (23 locally incorporated banks and 26 foreign banks) licensed to operate in the U.A.E., to serve a national population of approximately 9.1 million people at the end of 2014 (source: the World Bank). As a result, the U.A.E. could be viewed as an over-banked market. Even by regional standards, there has traditionally been little impetus for consolidation. The U.A.E.'s membership in 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 U.A.E. and across the region generally.

As a banking regulator, the U.A.E. 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 U.A.E. The U.A.E. 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 U.A.E. Central Bank.

Historically, the U.A.E. Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirs of each Emirate, see "*Supervision of Banks*" below. However, the introduction by the U.A.E. Central Bank in 2014 of the Interim Marginal Lending Facility (the "**IMLF**") is expected to enable non-Islamic U.A.E. banks to use certain rated or U.A.E. federal government entity issued assets as collateral to access U.A.E. Central Bank liquidity overnight in order to help their liquidity management, see "*– Recent Trends in Banking – Liquidity*" below.

## Characteristics of the Banking System

### *Limited Progress towards Consolidation*

Traditionally there has been little impetus for consolidation in the U.A.E. banking market. In the past, mergers have tended to occur as a result of banks facing financial difficulties and some commentators suggest that the 2008 global financial crisis created more favourable conditions for consolidation. The federal structure of the U.A.E. 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 U.A.E.'s 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. and, in October 2011, Dubai Bank was acquired by Emirates NBD P.J.S.C. pursuant to a decree of the Ruler of Dubai.

The relatively small size of most U.A.E. banks has sometimes 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 IT 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, possibly even creating banks with pan-Gulf franchises.

### *Domestic Focus*

The U.A.E. 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, IT, employment and premises costs have been a prominent feature of many banks' expenses.

### *Limited Foreign Ownership*

In 1987, the U.A.E. Federal Government placed a freeze on new foreign banks opening operations in the U.A.E. 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 U.A.E. Central Bank following an agreement to allow 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, U.A.E. banks are potentially vulnerable to business erosion during long periods of low oil prices. 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 U.A.E. economy is becoming less susceptible to oil price movements.

### *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 U.A.E. is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates Islamic Bank, Noor Bank, Al Hilal Bank, Sharjah Islamic Bank, Ajman Bank, 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 rise, 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 U.A.E.: (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*

Banking and financial institutions established or operating in the U.A.E. are subject to supervision and regulation by the competent federal authorities, principally the U.A.E. Central Bank and the Securities and Commodities Authority (the "**SCA**"), as well as the competent local authority in the Emirate in which they are established or operate. The U.A.E. Central Bank was established under Union Law No. (10) of 1980 Concerning the Central Bank, the Monetary System and Organization of Banking (the "**Union Law**"), and the SCA was established by U.A.E. Federal Law No. 4 of 2000. The U.A.E. has begun to transition towards a "twin peaks" model, where the U.A.E. Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for macro-economic stability, systemic risk management and ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the U.A.E., 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

Government of Abu Dhabi would ultimately stand as *de facto* defender of the currency and the "lender of last resort".

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the U.A.E. Central Bank to issue government debt. However, the U.A.E. Central Bank does issue certificates of deposit ("**CDs**") to the banks, denominated in both U.S. dollars and U.A.E. 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 U.A.E. Central Bank at any time. In 2007, the U.A.E. Central Bank introduced an auction system which allows U.S. dollar drawings against U.A.E. dirham CD holdings.

The U.A.E. dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in reality, the U.A.E. 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 U.A.E. 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 U.A.E. has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

The U.A.E. 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 U.A.E. inter-agency liaison.

The SCA, whose role has historically been limited to being the U.A.E.'s federal securities regulator, is expected to become increasingly active in more commercial and consumer-oriented areas previously regulated by the U.A.E. Central Bank, including exercising oversight over financial markets and consumer protection in financial services generally, including banking services and the establishment and marketing of investment products in the U.A.E. The SCA also has responsibility for oversight of certain day-to-day corporate law matters affecting public joint stock companies incorporated in the U.A.E., such as the conduct of general assembly meetings and the passing of shareholder resolutions.

Although the U.A.E. Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the U.A.E., the Dubai Financial Services Authority ("**DFSA**") regulates all banking and financial services activities in the DIFC. The U.A.E. 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 U.A.E. 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 (the "**DFM**") and the ADX (both of which were established in 2000), have grown over recent years and have benefitted from the inclusion of the U.A.E. 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 May 2011, the DFM acquired two thirds of the shares in NASDAQ Dubai, in accordance with plans announced in December 2009 to consolidate markets. The two markets linked their platforms in July 2010, through the outsourcing by NASDAQ Dubai of its trading, clearing, settlement and custody functions for equities to DFM's systems. Responsibility for maintaining NASDAQ Dubai's Official List was transferred to the DFSA with effect from 1 October 2011. The DFM 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 U.A.E.

### *Government Involvement*

There is a high degree of state involvement in the U.A.E. banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to happen in practice. The state is also the banking sector's largest customer, in terms of both deposits and project financing.

### *Expatriate Workforce*

An unusual feature of the U.A.E. economy is its reliance on overseas labour, with expatriates making up approximately 80 per cent. of the workforce according to estimates published by the Statistics Centre 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 U.A.E. has been an increasing concern for the U.A.E. Federal Government and as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase the percentage of U.A.E. 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 U.A.E. nationals.

### *Accounting Standards*

Since 1 January 1999, all U.A.E. 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 U.A.E. fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as "National" banks, of which there were 23 as at 31 December 2015 (source: U.A.E. 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 U.A.E. nationals. Licensed foreign banks, of which there were 26 as at 31 December 2015 (source: U.A.E. Central Bank), need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the U.A.E. 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 U.A.E. 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 U.A.E. between 2004 and 2008 allowed U.A.E. 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 U.A.E. banking system. Equity prices declined generally in the U.A.E. 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 1,622.5 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 U.A.E. 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 U.A.E. banks being less profitable in this period than in previous years.

However, according to the IMF country report for the U.A.E. in 2014, profitability of U.A.E. 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 U.A.E. Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the U.A.E. Central Bank. In this context, loans comprise loans and advances to customers.

U.A.E. 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 U.A.E. Central Bank, together, these deposits constituted approximately 88.5 per cent. of total deposits of the U.A.E. banking sector as at 31 December 2015. The U.A.E. federal government and the public sector constituted approximately 23.8 per cent. of total deposits within the U.A.E. banking sector as at 31 December 2015. Non-resident and other sources contributed approximately 11.7 per cent. as at the same date (source: U.A.E. Central Bank Statistical Bulletin December 2015).

In response to the 2008 global financial crisis, the U.A.E. Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the U.A.E. In September 2008, the U.A.E. Central Bank established an AED 50.0 billion liquidity facility which banks can draw upon subject to posting eligible debt securities or *Shari'a*-compliant 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 U.A.E. Central Bank also established a CD repo facility which also includes an Islamic-compliant version under which banks can use CDs as collateral for dirham or U.S. dollar funding from the U.A.E. Central Bank. Further, banks can access funds through the Marginal Lending Facility of the U.A.E. Central Bank.

In addition to these measures, the U.A.E. Federal Government also provided AED 50.0 billion in deposits to U.A.E. banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the U.A.E. have converted the U.A.E. Federal Government deposits made with them into Tier 2 capital.

During 2008, Abu Dhabi 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., First Gulf Bank P.J.S.C., Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank P.J.S.C.

A press statement issued by the Department of Finance of the Government of Dubai on 25 February 2009 announced that it had established a U.S.$20.0 billion funding programme and that the first tranche, valued at U.S.$10.0 billion with a five year tenure and paying a coupon rate of four per cent. per annum, had been issued in its entirety to the U.A.E. Central Bank. In November 2009, the Department of Finance of the Government of Dubai announced that a second U.S.$5.0 billion tranche was fully subscribed equally by National Bank of Abu Dhabi P.J.S.C. and Al Hilal Bank P.J.S.C.

In line with Basel III requirements, the U.A.E. Central Bank has issued a notice which entered into force in the U.A.E. on 1 July 2015 and includes a set of qualitative and quantitative liquidity requirements for U.A.E. banks (the "**Liquidity Notice**"). The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a U.A.E. bank's board of directors and senior management as well as the overall liquidity risk framework. The regulations are intended to ensure that liquidity risks are well managed at banks operating in the U.A.E. and are in line with the Basel Committee for Banking Supervision 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 U.A.E. 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 U.A.E. 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 U.A.E. 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 U.A.E. 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 U.A.E. 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 to be communicated to the Board of Directors and the U.A.E. 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 U.A.E. 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 U.A.E. bank holds a minimum level of liquid assets which allow it to sustain a short term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which are intended to apply until the Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio come into effect. These include the following:

| | Ratio | Applicability Period |
|---|---|---|
| Interim ratios | Liquid Asset Ratio ("**LAR**") (LAR > = 10%) | 1 January 2013 – 30 June 2015 |
| | Eligible Liquid Assets Ratio (ELAR > = 10%) | 1 July 2015 – December 2017 |
| | Uses to Stable Resources Ratio (USRR < 100%) | 1 June 2013 – December 2017 |
| Basel III ratios | Liquidity Coverage Ratio (LCR > 100%) | January 2018 onwards |
| | Net Stable Funding Ratio (NSFR > 100%) | January 2018 onwards |

The LAR was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the ELAR. Under the ELAR, U.A.E. banks are required to hold an amount equivalent to 10 per cent. of their liabilities in high quality liquid assets (including cash held with the U.A.E. Central Bank, U.A.E. Central Bank CDs and certain U.A.E. local government and public sector entity publicly traded instruments).

The Liquidity Notice also includes the option for U.A.E. banks to apply to the U.A.E. 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 U.A.E. 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 U.A.E. Central Bank approval).

The LCR represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario. The LCR requires that U.A.E. banks should always be able to cover the net cash outflow with eligible liquid assets at the minimum LCR determined by the U.A.E. 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.

The Uses (of funds) to Stable Resources Ratio (the "**USRR**") is an interim ratio designed to prepare U.A.E. banks for the implementation of NSFR (as described below). The USRR identifies key uses of funds as well as different types of funding sources used by banks. It assigns stability factors to sources of funds and required stable funding (usage) factors to asset classes.

The Net Stable Funding Ratio ("**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 U.A.E. 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 U.A.E. 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.

On 15 April 2014, the U.A.E. Central Bank introduced the IMLF which is expected to enable non-Islamic U.A.E. banks to use certain rated or U.A.E. federal government entity-issued assets to access U.A.E. Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

***Position of Depositors***

There is no formal deposit protection scheme in the U.A.E. 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 U.A.E. Federal Government announced that it intended to guarantee the deposits of all U.A.E. banks and foreign banks with core operations in the

U.A.E. Following therefrom, in May 2009 the U.A.E.'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 U.A.E. Central Bank has supervisory responsibility for banking institutions in the U.A.E. 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 U.A.E. 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 U.A.E. Central Bank Circular Number 27/2009. Since 1993, the U.A.E. Central Bank had imposed a 10 per cent. minimum total capital ratio on all U.A.E banks. In a circular dated 30 August 2009, the U.A.E. Central Bank announced amendments to their capital adequacy requirements stating that U.A.E. banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the U.A.E. Central Bank required banks operating in the U.A.E. to increase their Tier I capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter through its circular dated 17 November 2009, the U.A.E. Central Bank stated that it was expected that the main banks in the U.A.E. would move to the Foundation Internal Ratings Based approach of Basel II in due course. Through this circular, the U.A.E. Central Bank reiterated that all banks operating in the U.A.E. 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 U.A.E. follows the BIS guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent and GCC government non-commercial public sector entities are risk-weighted at 50 per cent.

Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by U.A.E. banks have to be authorised in advance by the U.A.E. Central Bank.

### *Reserve Requirements*

Reserve requirements are used by the U.A.E. 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 U.A.E. 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.

By a circular dated 23 February 2011 on retail banking, the U.A.E. Central Bank 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.

***Mortgage Cap***

U.A.E. Central Bank notice no. 31/2013 was published in the U.A.E. official gazette on 28 November 2013 and entered into force on 28 December 2013. Notice no. 31/2013 (which supersedes U.A.E. Central Bank notice no. 3871/2012) specifies that the amount of mortgage loans for non-U.A.E. nationals should not exceed 75 per cent. of the property value for a purchase of a first home with a value of less than or equal to AED 5 million and, for a purchase of a first home with a value greater than AED 5 million, the amount of mortgage loans should not exceed 65 per cent. of the property value. For purchases of second and subsequent homes, the limit for non-U.A.E. nationals is set at 60 per cent. of the property value (irrespective of the value of the property in question). The corresponding limits for U.A.E. nationals are set at 80 per cent. in respect of a purchase of a first 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 home purchase (irrespective of the value of the property).

***Large Exposures***

The U.A.E. 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. (U.A.E. 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 17 November 2013, the U.A.E. Central Bank published a notice amending certain of the large exposure limits set out above (the "**Large Exposure Notice**"). 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 U.A.E. 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 U.A.E. 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):

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

***Provisions for Loan Losses***

The U.A.E. 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 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 U.A.E. 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 U.A.E. banks when compared to banks operating in other economies.

***Establishing a Credit Bureau in the U.A.E.***

Al Etihad Credit Bureau ("**AECB**") is a federal government company specialised in providing U.A.E.-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval of the bureau's regulations and credit report charges from the U.A.E. Cabinet. AECB has approached all U.A.E.-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.

The implementation of regulations for the sharing of credit report data and the commercial operation of the U.A.E.'s first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

# TAXATION

*The following is a general description of certain United Arab Emirates and European Union tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

**United Arab Emirates Taxation**

The following summary of the anticipated tax treatment in the U.A.E. in relation to payments on the Notes is based on the taxation law and practice in force at the date of this Base Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of any payments with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the oil industry, some related service industries and branches of foreign banks operating in the U.A.E. 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 U.A.E. or Abu Dhabi taxation in respect of payments of interest and principal to any holder of the Notes. In the event of such imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject to certain limited exceptions.

The Constitution of the U.A.E. specifically reserves to the U.A.E. government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The U.A.E. has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

**FATCA**

Pursuant to certain provisions of FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the U.A.E.) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "Terms and Conditions—Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

**The proposed financial transactions tax (**"**FTT**"**)**

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Australia and New Zealand Banking Group Limited, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Daiwa Capital Markets Europe Limited, DBS Bank Ltd., Deutsche Bank AG, London Branch, First Gulf Bank P.J.S.C., HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Merrill Lynch International, Mitsubishi UFJ Securities International plc, Mizuho International plc, Morgan Stanley & Co. International plc, National Bank of Abu Dhabi P.J.S.C., Natixis, Nomura International plc, Standard Chartered Bank and Wells Fargo Securities International Limited (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated Dealer Agreement dated 18 April 2016 (the "**Dealer Agreement**") and made between, amongst others, the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### General

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has (to the best of its knowledge and belief) complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus, any Final Terms or any Pricing Supplement or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus, any Final Terms or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus, any Final Terms or any Pricing Supplement or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the 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 Exempt Notes or Notes which are the subject of a Pricing Supplement or Drawdown Prospectus, the applicable Pricing Supplement or Drawdown Prospectus.

### United States of America

The Notes have not been and will not be registered under the Securities Act 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.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder. The relevant Final Terms (or, as applicable, the relevant Pricing Supplement) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA rules are not applicable.

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that, except as permitted by the Dealer

Agreement, it will not offer, sell or deliver Notes: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S.

**United Kingdom**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Notes which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**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 further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) ***Qualified investors*:** at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) ***Fewer than 150 offerees***: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) ***Other exempt offers***: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the 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, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

**Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than: (i) to "**professional investors**" within the meaning of the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CO**") or which do not constitute an offer to the public within the meaning of the CO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

**Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Dealer has represented warranted and agreed, and each further Dealer appointed under the Programme will be required to represent warrant and agree, that it will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and any regulations of Japan.

**The People's Republic of China**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) as part of the initial distribution of the Notes.

**Malaysia**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia; and

(b) accordingly, the Notes have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the Capital Markets and Services Act 2007 of Malaysia, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

**Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

**United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programmehave not been and will not be offered, sold or publicly promoted or advertised by it in the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities.

**Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

**Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority to carry on the securities activity of arranging and following a notification to the Capital Market Authority under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations places restrictions on secondary market activity with respect to the Notes, including as follows:

(i) a Saudi Investor (referred to as a "**transferor**") who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:

    (a) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

    (b) the Notes are offered or sold to a sophisticated investor; or

    (c) the Notes are being offered or sold in such other circumstances as the Capital Market Authority may prescribe for these purposes;

(ii) if the requirement of paragraph (i)(a) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(iii) if the requirement in paragraph (ii) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of Notes to one transferee; and

the provisions of paragraphs (i), (ii) and (iii) above shall apply to all subsequent transferees of the Notes.

**Kingdom of Bahrain**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

**Qatar**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, delivered or sold, and will not offer, sell or deliver at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar. This Base Prospectus has not been reviewed or approved by the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

## GENERAL INFORMATION

1. **Authorisation**

The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer passed on 19 June 2007. The update of the Programme and issue of Notes thereunder was authorised by a resolution of the board of directors of the Issuer passed on 6 March 2016. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

2. **Listing of Notes**

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

Application has been made to the U.K. Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Regulated Market. The listing of the Programme in respect of Notes is expected to be granted on or before 18 April 2016. Prior to the official listing and admission to trading however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Regulated Market will normally be effected for delivery on the third working day after the day of the transaction. However, Exempt Notes may be issued pursuant to the Programme.

3. **Legal and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware) which may have, or have had during the twelve months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

4. **Significant/Material Change**

Since 31 December 2015 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries and there has not been any significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries.

5. **Auditors**

The consolidated financial statements of the Issuer have been audited without qualification in accordance with International Standards on Auditing for each of the two years ended 31 December 2014 and 31 December 2015 by Ernst & Young Middle East (Abu Dhabi branch) of 27th Floor, Nation Tower 2, Abu Dhabi Corniche, United Arab Emirates as stated in their reports, incorporated by reference herein. Ernst & Young Middle East (Abu Dhabi branch) are public accountants registered to practise as auditors with the Ministry of Economy in Abu Dhabi.

6. **Documents on Display**

Copies of the following documents may be inspected during normal business hours at the specified offices of the Paying Agent for twelve months from the date of this Base Prospectus:

(a) the certificate of membership and articles of association of the Issuer (together with direct and accurate English translations thereof);

(b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2014 and 31 December 2015 in each case, together with the audit reports prepared in connection therewith;

(c) the Agency Agreement;

(d) the Deed of Covenant; and

(e) the Programme Manual (which contains the forms of the Notes in global and definitive form).

7. **Material Contracts**

Neither the Issuer nor any of its Subsidiaries has entered into any material contracts outside the ordinary course of business which could result in its being under an obligation or entitlement which is, or may be, material to the ability of the Issuer to meet its obligations in respect of the Notes.

8. **Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms (or, as applicable, the relevant Pricing Supplement).

9. **Conditions for Determining Price and Yield**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes will be calculated on an annual or semi-annual basis using the relevant issue price at the relevant issue date. It is not an indication of future yield.

10. **Passporting**

The Issuer may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in the United Kingdom to be issued by the FCA to the competent authority in any Member State.

11. **Dealers transacting with the Issuer and its Subsidiaries**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its Subsidiaries in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the 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.

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