

## IMPORTANT NOTICE

**THIS 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 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 FGB Sukuk Company Limited (the “**Trustee**”) or FGB (as defined below) as a result of such access.

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

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE ARRANGERS (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 Citigroup Global Markets Limited, HSBC Bank plc and Standard Chartered Bank as arrangers (together the “**Arrangers**”), and the Trustee, as issuer of the Certificates (as defined in the attached Base Prospectus), that (i) you understand and agree to the terms set out herein, (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions, (iii) you consent to delivery 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 Arrangers and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

You are reminded that the 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 email software, will be ignored or rejected. If you receive this Base Prospectus by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in 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 Arrangers, the Trustee, First Gulf Bank P.J.S.C. (“**FGB**”) nor any person who controls or is a director, officer, employee or agent of the Arrangers, the Trustee, FGB nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arrangers.

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 Arrangers, the Trustee and FGB to inform themselves about, and to observe, any such restrictions.

## BASE PROSPECTUS



### FGB SUKUK COMPANY LIMITED

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

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

#### Trust Certificate Issuance Programme

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

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

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

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

Each Series (as defined herein) of Certificates issued under the Programme will be constituted by (i) a master declaration of trust dated 11 July 2011 (the “**Closing Date**”) (the “**Master Declaration of Trust**”) entered into between the Trustee, First Gulf Bank P.J.S.C. (“**FGB**”) and Citicorp Trustee Company Limited as delegate of the Trustee (in such capacity, the “**Delegate**”) and (ii) a supplemental declaration of trust (the “**Supplemental Declaration of Trust**”) in relation to the relevant Series. Certificates of each Series confer on the holders of the Certificates from time to time (the “**Certificateholders**”) the right to receive certain payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the “**Trust**”) over (i) an undivided ownership interest in a portfolio of real estate assets, as will be established pursuant to a certificate signed by authorised officers of FGB, in accordance with the powers delegated to such authorised officers by the board of directors of FGB, that are subject to *ijara* contracts (including any ancillary rights under such *ijara* contracts) (such assets being the “**Initial Mudaraba Assets**”, and the portfolio of such assets being the “**Initial Mudaraba Portfolio**”, and following the Issue Date of a Series, together with certain non-real estate *ijara* assets that are subject to *ijara* contracts (including any ancillary rights under such *ijara* contracts) acquired and other *Shari’a*-compliant deposits made with FGB (“**Shari’a-Compliant Investments**”) by the Mudarib, the “**Mudaraba Portfolio**” and each asset comprising the Mudaraba Portfolio, a “**Mudaraba Asset**”) and (ii) non-real estate *ijara* assets that are subject to *ijara* contracts (including any ancillary rights under such *ijara* contracts), receivables under *murabaha* (sale of commodities or goods on a cost plus basis) contracts (including any ancillary rights under such *murabaha* contracts) and other *Shari’a*-compliant assets originated, held or owned by FGB, including the income generated therefrom and any agreement and documents in relation to such assets (each such asset an “**Initial Wakala Asset**” and the portfolio of such assets, as will be established pursuant to a certificate signed by authorised officers of FGB, in accordance with the powers delegated to such authorised officers by the board of directors of FGB, being the “**Initial Wakala Portfolio**”, and following the Issue Date of a Series, together with certain other eligible non-real estate *ijara* assets that are subject to *ijara* contracts (including any ancillary rights under such *ijara* contracts) and other *Shari’a*-compliant assets originated, held or owned by FGB (including the income generated therefrom and any agreement and documents in relation to such assets), as the case may be, which may have been substituted for any Initial Wakala Asset in accordance with the Management Agreement, the Master Wakala Purchase Agreement, the relevant Supplemental Purchase Contract and the Wakala Asset Sale Undertaking Deed, the “**Wakala Portfolio**” and each asset comprising the Wakala Portfolio, a “**Wakala Asset**”). The Mudaraba Assets and the Wakala Assets together constitute the “**Sukuk Assets**”. The Sukuk Assets, together with any other assets in the relevant Trust, constitute the “**Trust Assets**” for the relevant Series.

Application has been made (i) to the United Kingdom Financial Services Authority (the “**FSA**”) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**FSMA**”) (the “**UK Listing Authority**”) for Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and (ii) to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Certificates to be admitted to trading on the Regulated Market of the London Stock Exchange (the “**Regulated Market**”) which is a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”).

References in this Base Prospectus to Certificates being “**listed**” (and all related references) shall mean that such Certificates have been admitted to the Official List and to trading on the Regulated Market.

Notice of the aggregate face amount of Certificates and any other terms and conditions not contained herein which are applicable to each Series of Certificates will be set out in final terms (the “**Final Terms**”) which, with respect to Certificates to be listed on the London Stock Exchange, will be delivered to the FSA and the London Stock Exchange.

The Programme permits Certificates to be issued on the basis that they may not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system 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 between the Trustee and the relevant Dealer.

The Trustee may agree with any Dealer that Certificates may be issued with terms and conditions not contemplated by the Terms and Conditions of the Certificates herein, in which event a supplemental Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Certificates.

The rating of certain Series of Certificates to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Certificates will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (the “**CRA Regulation**”) will be disclosed in the Final Terms.

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the *Shari’a* advisory board of FGB and each of the Arrangers. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari’a* advisers as to whether the proposed transaction described in the approval referred to above is in compliance with *Shari’a* principles.

*Arrangers and Dealers*

Citi

HSBC

Standard Chartered Bank

The date of this Base Prospectus is 11 July 2011

## IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”) and for the purpose of giving information with regard to the Trustee, FGB and the Certificates which, according to the particular nature of the Trustee, FGB and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and FGB.

The Trustee and FGB accept responsibility for the information contained in this Base Prospectus and each 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.

The Dealers and the Delegate have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers and the Delegate as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Trustee or FGB in connection with the Programme. No Dealer nor the Delegate accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Trustee and FGB in connection with the Programme.

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

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

None of the Arrangers, the Dealers, the Delegate or 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 Certificate shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Trustee or FGB 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 Delegate and the Dealers expressly do not undertake to review the financial condition or affairs of the Trustee or FGB during the life of the Programme or to advise any investor in the Certificates of any information coming to their attention.

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

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Trustee, FGB and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Certificates and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Certificates, see “*Subscription and Sale*”. In particular, Certificates have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”). Subject to certain exceptions, Certificates may not be offered, sold or delivered within the United States or to U.S. persons as defined in Regulation S under the Securities Act (“**Regulation S**”). The Trustee, FGB, the Delegate and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such

jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

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

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

In connection with the issue of any Series, the stabilising manager (the “**Stabilising Manager**”) (or persons acting on behalf of the Stabilising Manager) may over allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Trustee or FGB. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Issue Date of the relevant Series, 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 Series and 60 days after the date of the allotment of the relevant Series. The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) must conduct such stabilisation in accordance with all applicable laws and rules with the prior consultation and prior agreement of the Dealers. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Dealers, with the prior consultation and prior agreement of the Dealers.

## 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**” herein 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.\$**”, “**dollars**” and “**\$**” refer to United States dollars being the legal currency for the time being of the United States of America; 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 Union, 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.

## CREDIT RATING AGENCIES

Moody's Investors Service Ltd. ("Moody's") has rated the U.A.E., see page 150.

Fitch Ratings Ltd. ("Fitch") and Moody's are established in the European Union and have applied for registration under the CRA Regulation, although notification of the corresponding registration decisions have not yet been provided by the relevant competent authority.

## NOTICE TO UK RESIDENTS

Any Certificates to be issued under the Programme which do not constitute "alternative finance investment bonds" within the meaning of Article 17A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the FSA. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

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

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

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

## CAYMAN ISLANDS NOTICE

No invitation, whether directly or indirectly, may be made to any member of the public of the Cayman Islands to subscribe for the Certificates.

## DUBAI INTERNATIONAL FINANCIAL CENTRE NOTICE

This Base Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules (the "Rules") of the Dubai Financial Services Authority. This Base Prospectus is intended for distribution only to Persons of a type specified in those Rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The Certificates to which this Base Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Certificates offered should conduct their own due diligence on the Certificates. If you do not understand the contents of this Base Prospectus you should consult an authorised financial adviser.

## NOTICE TO THE KINGDOM OF BAHRAIN RESIDENTS

Any offer of Certificates in the Kingdom of Bahrain will be undertaken by way of private placement.

Such offers are subject to the regulations of the Central Bank of Bahrain that apply to private offerings of securities and the disclosure requirements and other protections that these regulations contain. This Base Prospectus is therefore intended only for “accredited investors” (as defined below, see “*Subscription and Sale – Kingdom of Bahrain*”).

The Certificates offered in the Kingdom of Bahrain may only be offered in registered form in minimum denominations of U.S.\$100,000 (or equivalent in other currencies).

The Central Bank of Bahrain and the Bahrain Stock Exchange assume no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Base Prospectus. Each potential investor intending to subscribe for Certificates on the Issue Date of such Certificates (each, a “potential investor”) may be required to provide satisfactory evidence of identity and, if so required, the source of funds to purchase the Certificates within a reasonable time period determined by the Trustee, FGB and the relevant Dealer(s). Pending the provision of such evidence, an application to subscribe for Certificates will be postponed. If a potential investor fails to provide satisfactory evidence within the time specified, or if a potential investor provides evidence but none of the Trustee, FGB or the relevant Dealer(s) are satisfied therewith, its application to subscribe for Certificates may be rejected in which event any money received by way of application will be returned to the potential investor (without any additional amount added thereto and at the risk and expense of such potential investor). In respect of any potential investors, the Trustee will comply with Bahrain’s Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and various Ministerial Orders issued thereunder including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions’ Obligations Concerning the Prohibition and Combating of Money Laundering.

## NOTICE TO RESIDENTS OF MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to person 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 Market and Services Act, 2007 of Malaysia. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or FGB and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

## NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Certificates have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (“Qatar”) in a manner that would constitute a public offering. This Base Prospectus has not been reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange or the Qatar Financial Markets Authority. This Base Prospectus is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

## KINGDOM OF SAUDI ARABIA NOTICE

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 the Certificates issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Base Prospectus he or she should consult an authorised financial adviser.

## CONTENTS

	<b>Page</b>
DOCUMENTS INCORPORATED BY REFERENCE.....	7
STRUCTURE DIAGRAM AND CASHFLOWS .....	8
OVERVIEW OF THE PROGRAMME.....	13
RISK FACTORS .....	21
TERMS AND CONDITIONS OF THE CERTIFICATES .....	34
FORM OF THE CERTIFICATES .....	79
APPLICABLE FINAL TERMS .....	81
USE OF PROCEEDS .....	90
DESCRIPTION OF THE TRUSTEE .....	91
DESCRIPTION OF FIRST GULF BANK P.J.S.C. ....	93
SELECTED FINANCIAL INFORMATION.....	119
FINANCIAL REVIEW .....	122
OVERVIEW OF THE UNITED ARAB EMIRATES .....	150
THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS .....	151
GENERAL DESCRIPTION OF THE SUKUK ASSETS .....	157
SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS .....	159
TAXATION .....	171
SUBSCRIPTION AND SALE .....	173
GENERAL INFORMATION .....	178

## **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 the audited consolidated financial statements of FGB for the year ended 31 December 2009;
2. the auditors' report and the audited consolidated financial statements of FGB for the year ended 31 December 2010; and
3. the auditors' review report and the unaudited interim condensed consolidated financial statements of FGB for the three months ended 31 March 2011.

Copies of the documents incorporated by reference in this Base Prospectus can be obtained from the specified offices of the Principal Paying Agent for the time being in London.

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

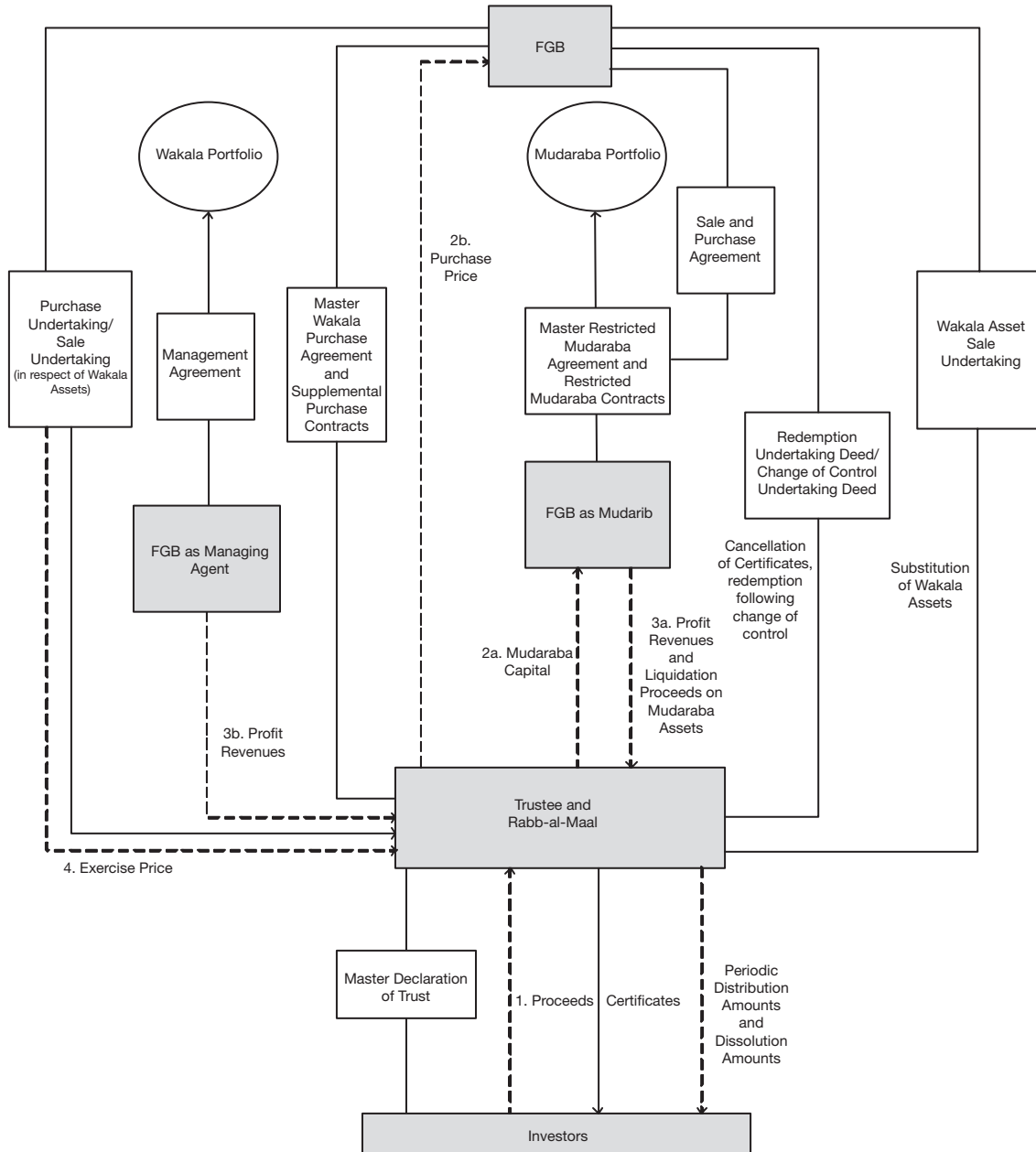
Any statement contained in a document, all or a portion of which is deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for the purposes of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus.

This Base Prospectus should be read and construed with any amendment or supplement hereto and with any other document incorporated by reference herein.

## STRUCTURE DIAGRAM AND CASHFLOWS

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

### Structure Diagram



## Cashflows

### *Payments by the Certificateholders and the Trustee*

On the Closing Date, the Trustee will enter into a sale and purchase agreement (the “**Master Wakala Purchase Agreement**”) with FGB and, on the issue date of each Series of Certificates (each, an “**Issue Date**”), the relevant Certificateholders will pay the issue price to the Trustee and, in accordance with the terms of the Master Wakala Purchase Agreement, the Trustee will enter into a supplemental purchase contract (a “**Supplemental Purchase Contract**”) with FGB pursuant to which the Trustee shall, using a proportion of the proceeds of a Series of Certificates (the “**Proceeds**”), purchase and receive from FGB, non-real estate *ijara* assets (each a “**Non-Real Estate Ijara Asset**”) that are subject to *ijara* contracts (each a “**Non-Real Estate Ijara Contract**”) (including any ancillary rights under such Non-Real Estate Ijara Contracts), receivables under *murabaha* (sale of commodities or goods on a cost plus basis) contracts (including any ancillary rights under such *murabaha* contracts) and other *Shari’a*-compliant assets originated, held or owned by FGB, including the income generated therefrom and any agreement and documents in relation to such assets (each such asset an “**Initial Wakala Asset**” and the portfolio of such assets, as will be established pursuant to a certificate signed by authorised officers of FGB, in accordance with the powers delegated to such authorised officers by the board of directors of FGB, being the “**Initial Wakala Portfolio**”, and following the Issue Date of a Series, together with Eligible Non-Real Estate Ijara Assets and other *Shari’a*-compliant assets originated, held or owned by FGB, (including the income generated therefrom and any agreement and documents in relation to such assets) as the case may be, which may have been substituted for any Initial Wakala Asset in accordance with the Management Agreement, the Master Wakala Purchase Agreement, the relevant Supplemental Purchase Contract and the Wakala Asset Sale Undertaking Deed, the “**Wakala Portfolio**” and each asset comprising the Wakala Portfolio, a “**Wakala Asset**”). The Trustee shall appoint FGB as its managing agent (the “**Managing Agent**”) to manage the Wakala Portfolio in respect of each Series under, and in accordance with the terms of, a management agreement (the “**Management Agreement**”). Under the Management Agreement, the Managing Agent shall be obliged, in accordance with an investment plan (the “**Wakala Investment Plan**”), to manage the Wakala Portfolio through the provision of certain services (the “**Services**”) including, but not limited to, ensuring timely receipt of all revenues from each Wakala Asset (the “**Wakala Portfolio Revenues**”), collecting or enforcing the collection of such Wakala Portfolio Revenues and investing all Wakala Portfolio Revenues which do not comprise Wakala Portfolio Income Revenues (including fixed rentals (in the case of *ijara* assets) and cost element (in the case of receivables under *murabaha* contracts)) (the “**Wakala Portfolio Principal Revenues**”) in acquiring further eligible Wakala Assets from FGB. Pursuant to the terms of the Management Agreement, the Managing Agent shall be obliged to maintain separate ledgers in the Collection Account to record: (1) any amount of Wakala Portfolio Principal Revenues received in respect of the Wakala Portfolio; (2) the amount of Wakala Portfolio Income Revenues received in respect of the Wakala Portfolio; and (3) any amount of Wakala Portfolio Income Revenues remaining after deducting amounts payable to the Trustee.

On the Closing Date, the Trustee will enter into a master restricted mudaraba agreement (“**Master Restricted Mudaraba Agreement**”) (as the same will be supplemented, on the Issue Date of each Series, by an individual restricted mudaraba contract (each a “**Restricted Mudaraba Contract**”) with FGB as the mudarib (the “**Mudarib**”), pursuant to which, in relation to each Series, the Trustee (as “**Rabb-al-Maal**”) will deposit the remainder of the Proceeds, as a capital contribution (the “**Mudaraba Capital**”) into a ledger account maintained by the Rabb-al-Maal with the Mudarib (the “**Mudaraba Account**”) for investment pursuant to a restricted *mudaraba* arrangement (a “**Restricted Mudaraba**”) in accordance with an investment plan (the “**Mudaraba Investment Plan**”) contained in the applicable Restricted Mudaraba Agreement. On the Issue Date of each Series, the Mudarib will enter into a sale and purchase agreement with FGB pursuant to which it will purchase and receive from FGB an undivided ownership interest in a portfolio of real estate assets (each a “**Real Estate Ijara Asset**”), as will be established pursuant to a certificate signed by authorised officers of FGB, in accordance with the powers delegated to such authorised officers by the board of directors of FGB, (each a “**Real Estate Ijara Asset**”) for which FGB (or another person on its behalf) has provided *Shari’a*-compliant financing pursuant to *ijara* contracts (each a “**Real Estate Ijara Contract**”) (including any ancillary rights under such Real Estate Ijara Contracts) (each such asset being an “**Initial Mudaraba Asset**” and the portfolio of such assets being the “**Initial Mudaraba Portfolio**”, and following the Issue Date of a Series, together with Eligible Non-Real Estate Ijara Assets that are subject to Non-Real Estate Ijara Contracts (including any ancillary rights under such Non-Real Estate Ijara Contracts) and other *Shari’a*-compliant deposits with FGB (“**Shari’a-Compliant Investments**”) acquired by the Mudarib in

accordance with the Master Restricted Mudaraba Agreement, the related Restricted Mudaraba Contract and the relevant Mudaraba Investment Plan, the “**Mudaraba Portfolio**” and each asset comprising the Mudaraba Portfolio, a “**Mudaraba Asset**”).

Under the terms of the Master Restricted Mudaraba Agreement, in relation to each Restricted Mudaraba, the Mudarib shall be obliged, among other things, to ensure that the Mudaraba Capital is invested in accordance with the terms of the Master Restricted Mudaraba Agreement, the Restricted Mudaraba Contract and the related Mudaraba Investment Plan, to monitor, subject to, and in accordance with its usual and standard practices from time to time, on a monthly basis the Value and the income generating properties of the relevant Mudaraba Assets and use its best endeavours to manage the Mudaraba Portfolio such that the Value of the relevant Mudaraba Portfolio is, on the Business Day immediately preceding the relevant Dissolution Date, equal to or greater than the Mudaraba Capital. The Mudarib shall, to the extent possible, reinvest all revenues from the Mudaraba Portfolio in the nature of principal (including fixed rentals (in the case of *ijara* assets)) (the “**Mudaraba Portfolio Principal Revenues**”) in additional eligible Real Estate Ijara Assets that are subject to Real Estate Ijara Contracts (including any ancillary rights under such Real Estate Ijara Contracts) or, to the extent that no such Real Estate Ijara Assets are available, the Mudarib shall reinvest the Mudaraba Portfolio Principal Revenues in eligible Non-Real Estate Ijara Assets that are subject to Non-Real Estate Ijara Contracts (including any ancillary rights under such Non-Real Estate Ijara Contracts) or to the extent that no such Real Estate Ijara Assets are or Non-Real Estate Ijara Assets are available, the Mudarib shall reinvest the Mudaraba Portfolio Principal Revenues in other eligible *Shari’a*-compliant assets originated, held or owned by FGB. Pursuant to the terms of the Master Restricted Mudaraba Agreement, the Mudarib shall be obliged to maintain separate ledgers to record: (1) any amount of Mudaraba Portfolio Principal Revenues received in respect of an Actual Liquidation or Constructive Liquidation of the relevant Restricted Mudaraba; (2) the amount of Mudaraba Profit received in respect of the Mudaraba Portfolio which is payable to the Rabb-al-Maal; and (3) any amounts of Mudaraba Profit remaining after deducting amounts payable to the Rabb-al-Maal. For these purposes, “**Actual Liquidation**” means the realisation of the Value of the Mudaraba Portfolio in relation to a Restricted Mudaraba Contract as liquidated by the Mudarib on the relevant Mudaraba End Date and “**Constructive Liquidation**” means the realisation of the Value of the Mudaraba Portfolio in relation to a Restricted Mudaraba Contract should such Mudaraba Portfolio be liquidated by the Mudarib on the relevant Constructive Liquidation Distribution Date. The acts of the Mudarib under the Master Restricted Mudaraba Agreement and each Restricted Mudaraba Contract will be monitored and audited from time to time by the *Shari’a* Board of FGB in accordance with its standard practices.

The Wakala Assets and the Mudaraba Assets shall together constitute the “**Sukuk Assets**” for each Series. The Trustee will be under an obligation to invest a proportion of the Proceeds of each Series in a Wakala Portfolio in accordance with the terms of the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract. In the event that, on the Issue Date of a Series, no eligible Real Estate Ijara Assets are available for investment in accordance with the Master Restricted Mudaraba Agreement and the relevant Restricted Mudaraba Contract, the Trustee may invest the whole of the Proceeds of such Series in a Wakala Portfolio. On the Issue Date of each Series only, at least 51 per cent. of the aggregate of the Value of: (i) the Mudaraba Portfolio; and (ii) the Wakala Portfolio, shall be derived from Real Estate Ijara Assets, Non-Real Estate Ijara Assets and/or *Shari’a*-compliant assets that have associated with them underlying tangible assets. In addition, on and following the Issue Date: (i) at least 30 per cent. of the Value of the Wakala Portfolio, shall be derived from Non-Real Estate Ijara Assets and/or any other *Shari’a*-compliant assets that have associated with them underlying tangible assets; and (ii) at least 30 per cent. of the Value of the Mudaraba Portfolio shall be derived from Real Estate Ijara Assets and/or Non-Real Estate Ijara Assets. For each Series, the percentage of the Proceeds used to purchase and receive the Wakala Portfolio shall be the “**Wakala Percentage**” and the percentage of the Proceeds of a Series paid to the Mudarib as the Mudaraba Capital shall be the “**Mudaraba Percentage**” for such Series. The Trustee will, pursuant to the Master Declaration of Trust (as the same will be supplemented, on the occasion of the issue of each Series of Certificates, by a Supplemental Declaration of Trust), declare a Trust over, *inter alia*, the Proceeds for each Series in favour of the relevant Certificateholders.

#### ***Periodic Distribution Payments***

Prior to each Periodic Distribution Date, following the distribution of profit between the Mudarib and FGB in respect of their respective undivided ownership interests in FGB’s portfolio of assets: (i) the Mudarib will pay to the Trustee (as Rabb-al-Maal), in accordance with a pre-agreed profit

sharing ratio, amounts representing the Mudaraba Profit in respect of the Mudaraba Portfolio; and (ii) the Managing Agent will pay to the Trustee amounts representing the Wakala Portfolio Income Revenues in respect of the Wakala Portfolio, which, in aggregate, are intended to be sufficient to fund the Periodic Distribution Amounts payable by the Trustee under the Certificates.

#### ***Redemption of the Certificates***

On maturity of a Series, the occurrence of a Dissolution Event or upon the redemption of all of the Certificates in a Series following the exercise of the relevant Redemption Undertaking or Change of Control Undertaking:

- (a) pursuant to the Purchase Undertaking Deed, the Trustee (or, prior thereto following the occurrence of a Dissolution Event, the Delegate), may exercise its rights under the relevant Purchase Undertaking and require FGB to purchase and receive from the Trustee by way of assignment and transfer the relevant Wakala Portfolio. The price (the “**Exercise Price**”) payable by FGB upon exercise of the relevant Purchase Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the Purchase Undertaking, less the Wakala Percentage of any relevant Surrender Amount; (ii) an amount equal to any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; (iii) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*)) in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*); and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date;
- (b) pursuant to the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba will be liquidated (by way of an Actual Liquidation or Constructive Liquidation) and the Mudarib will distribute to the Rabb-al-Maal an amount equal to the aggregate of: (i) an amount equal to the Value of the relevant Mudaraba Portfolio upon the date of the relevant Liquidation, less the Mudaraba Percentage of any relevant Surrender Amount; plus (ii) any Mudaraba Portfolio Principal Revenues held by the Mudarib in relation to such Restricted Mudaraba Contract at the relevant time that have not yet been invested in further Eligible Mudaraba Assets (the “**Final Liquidation Proceeds**”); and
- (c) pursuant to the Management Agreement, the Managing Agent will pay to the Trustee the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the relevant Series that have not at the relevant time been invested in Eligible Wakala Assets, less the Wakala Percentage of any Surrender Amount, by crediting such amounts into the Transaction Accounts.

For these purposes, “**Surrender Amount**” means, in respect of each Series, the aggregate face amount of any Certificates cancelled by the Trustee following the exercise of the Redemption Undertaking Deed or the Change of Control Undertaking Deed.

“**Value**”:

- (a) means: (1) in respect of any Mudaraba Asset, the amount determined by FGB on the relevant date as: (i) in the case of a Real Estate Ijara Asset or a Non-Real Estate Ijara Asset, the aggregate of all due and unpaid fixed rental instalment amounts payable by the lessee to FGB under the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract (as applicable) on such date; or (ii) the outstanding face amount or par value then outstanding of a *Shari’a*-Compliant Investment; and (2) in respect of the relevant Mudaraba Portfolio, the aggregate of the amounts determined under (i) and (ii) in respect of the Mudaraba Assets comprising the Mudaraba Portfolio on such date; and
- (b) means: (1) in respect of any Wakala Asset, the amount determined by FGB on the relevant date as: (i) in the case of a Non-Real Estate Ijara Asset, the aggregate of all due and unpaid fixed rental instalment amounts payable by the lessee to FGB under such Non-Real Estate Ijara Contract on such date; (ii) in the case of a Wakala Asset comprising *murabaha* receivables under a *murabaha* contract, the outstanding face amount or par value then outstanding of such Wakala Asset on such date; or (iii) in the case of any other *Shari’a*-compliant asset that is a Wakala Asset, the outstanding face amount or par value then outstanding of that *Shari’a*-

compliant asset on such date; and (2) in respect of the relevant Wakala Portfolio, the aggregate of the amounts determined under sub-paragraphs (i), (ii) and (iii) in respect of the Wakala Assets comprising the Wakala Portfolio on such date;

Any amount payable as part of the relevant Exercise Price pursuant to (a)(ii) above will be set-off against the equivalent amount owed by the Trustee to the Managing Agent.

FGB may, in the event of certain tax gross-ups being required or, in the event that FGB exercises a call option in relation to a Series (the “**Optional Dissolution Right**”) (if applicable to the relevant Series):

- (a) pursuant to the Sale Undertaking Deed, exercise its rights under the relevant Sale Undertaking to require the Trustee to sell and transfer the relevant Wakala Portfolio to FGB. The Exercise Price payable by FGB upon exercise of the relevant Sale Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the Sale Undertaking, less the Wakala Percentage of any relevant Surrender Amount; (ii) an amount equal to any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; (iii) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date;
- (b) liquidate the relevant Restricted Mudaraba (by way of an Actual Liquidation or Constructive Liquidation) and distribute the Final Liquidation Proceeds; and
- (c) pursuant to the Management Agreement, the Managing Agent will pay to the Trustee the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the relevant Series that have not at the relevant time been invested in Eligible Wakala Assets, less the Wakala Percentage of any Surrender Amount, by crediting such amounts into the Transaction Accounts.

Any amount payable as part of the relevant Exercise Price pursuant to (a)(ii) above will be set-off against the equivalent amount owed by the Trustee to the Managing Agent.

#### ***Change of Control***

Pursuant to the Change of Control Undertaking Deed, FGB will grant to the Trustee the right, in respect of each Series, following the occurrence of a Change of Control Event and the service by the Transfer Agent on FGB of a Change of Control Purchase Notice, to require FGB to: (i) purchase from Certificateholders the Certificates which are to be redeemed at an amount (the “**Change of Control Amount**”) equal to the sum of: (a) the aggregate face amount of such Certificates; and (b) any due but unpaid Periodic Distribution Amounts under such Certificates calculated in accordance with either Condition 8(c) (*Fixed Periodic Distribution Provisions – Determination of Periodic Distribution Amount*) or Condition 9(e) (*Floating Periodic Distribution Provisions – Calculation of Periodic Distribution Amount*), or any other amount specified in the applicable Final Terms; and (ii) surrender such purchased Certificates to the Trustee in exchange for: (A) the Trustee granting FGB a *pro-rata* co-ownership interest in the relevant Wakala Portfolio and the relevant Mudaraba Portfolio; and (B) the cancellation of the Certificates which have been surrendered.

#### ***Cancellation of Certificates held by FGB and/or any of its subsidiaries***

Pursuant to the Conditions, FGB and/or any of its subsidiaries may at any time purchase Certificates in the open market or otherwise. If FGB wishes to cancel such Certificates purchased by it and/or any of its subsidiaries, FGB may, in accordance with the terms of the Redemption Undertaking Deed, deliver a cancellation notice to the Trustee requiring it to cancel any relevant Certificates surrendered to it by FGB and/or any of its subsidiaries in exchange for the Trustee granting FGB a *pro-rata* co-ownership interest in the relevant Wakala Portfolio and the relevant Mudaraba Portfolio.

## 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 Series of Certificates, the Final Terms.*

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

<b>Trustee:</b>	FGB Sukuk Company Limited, as trustee for and on behalf of the Certificateholders and, in such capacity, as issuer of the Certificates, a limited liability exempted company incorporated on 1 June 2011 in accordance with the laws of, and formed and registered in, the Cayman Islands with registered number 257247 with its registered office at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party. FGB Sukuk Company Limited shall on each Issue Date issue the Certificates to the Certificateholders and act as Trustee in respect of the Trust Assets for the benefit of the Certificateholders.
<b>Ownership of the Trustee:</b>	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee’s entire issued share capital is held by MaplesFS Limited, with registered office at P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands on trust for charitable purposes.
<b>Administration of the Trustee:</b>	The affairs of the Trustee are managed by MaplesFS Limited (the “ <b>Trustee Administrator</b> ”), who will provide, <i>inter alia</i> , corporate administrative services and director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement dated 8 July 2011 made between, <i>inter alios</i> , the Trustee and the Trustee Administrator (the “ <b>Corporate Services Agreement</b> ”).
<b>Arrangers:</b>	Citigroup Global Markets Limited, HSBC Bank plc and Standard Chartered Bank.
<b>Dealers:</b>	Citigroup Global Markets Limited, HSBC Bank plc, Standard Chartered Bank and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates.
<b>Delegate:</b>	Citicorp Trustee Company Limited (the “ <b>Delegate</b> ”). In accordance with the Master Declaration of Trust, the Trustee will, <i>inter alia</i> , unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future duties, powers, authorities and discretions vested in the Trustee by certain provisions in the Master Declaration of Trust in accordance with the terms of the Master Declaration of Trust. In addition, pursuant to the Master Declaration of Trust, certain powers will be vested solely in the Delegate.
<b>Principal Paying Agent, Calculation Agent and Transfer Agent:</b>	Citibank N.A., London Branch.
<b>Registrar:</b>	Citigroup Global Markets Deutschland AG.
<b>Wakala Portfolio:</b>	Pursuant to the terms of a Master Wakala Purchase Agreement (as supplemented on each Issue Date by a Supplemental Purchase Contract), a proportion of the Proceeds in respect of each Series will be used to purchase and receive the Wakala Portfolio, which

	will be managed by FGB as Managing Agent pursuant to the terms of the Management Agreement and the Wakala Investment Plan.
<b>Restricted Mudaraba:</b>	Pursuant to the terms of the Master Restricted Mudaraba Agreement, in respect of each Series, the Trustee (as Rabb-al-Maal) will enter into a Restricted Mudaraba Contract with FGB (as Mudarib) pursuant to which the remainder of the Proceeds of such Series will be applied by the Mudarib in accordance with the Mudaraba Investment Plan as Mudaraba Capital for investment in the Mudaraba Portfolio, which the Mudarib will hold and manage in favour of the Rabb-al-Maal.
<b>Initial Programme Amount:</b>	Up to U.S.\$3,500,000,000 (or its equivalent in other currencies) aggregate face amount of Certificates outstanding at any one time. The amount of the Programme may be increased in accordance with the terms of the Programme Agreement.
<b>Issuance in Series:</b>	The Certificates will be issued in series (each series of Certificates being a “ <b>Series</b> ”). The specific terms of each Series will be completed in a final terms document (the “ <b>applicable Final Terms</b> ”). Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Certificates 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 Certificates may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Certificates are denominated.
<b>Maturities:</b>	The Certificates will have such maturities as may be agreed between the Trustee and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the Specified Currency (as defined in the applicable Final Terms).
<b>Issue Price:</b>	Certificates may be issued at any price on a fully paid basis, as specified in the applicable Final Terms. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, FGB and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Status of the Certificates:</b>	Each Certificate will represent an undivided ownership interest in the Trust Assets of the relevant Series, will be a limited recourse obligation of the Trustee and will rank <i>pari passu</i> , without preference or priority, with all other Certificates of the relevant Series issued under the Programme.
<b>Periodic Distribution Amounts:</b>	Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.
<b>Cross-Default:</b>	The Certificates will have the benefit of a cross-default provision, as described in Condition 15 ( <i>Dissolution Events</i> ).
<b>The Trust Assets:</b>	Pursuant to the Master Declaration of Trust, as supplemented by a Supplemental Declaration of Trust for each Series, the Trustee will declare that it will hold, for each Series, certain assets (the “ <b>Trust Assets</b> ”), consisting of: <ul style="list-style-type: none"> <li>(a) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets;</li> </ul>

- (b) all of the Trustee's rights, title, interest and benefit, present and future, in and to the Transaction Documents (excluding:
  - (i) any representations given by FGB to the Trustee and the Delegate pursuant to any of the Transaction Documents; and
  - (ii) the covenant given to the Trustee pursuant to clause 17.1 of the Master Declaration of Trust);
- (c) all monies standing to the credit of the Transaction Account (as defined in Condition 6(c) (*Trust – Operation of Transaction Account*));
- (d) any other assets, rights, cash or investments as may be specified in the applicable Final Terms,

and all proceeds of the foregoing upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder for the relevant Series.

**Dissolution on the Scheduled  
Dissolution Date:**

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem the Series at the relevant Dissolution Amount and the Trust in relation to the relevant Series will be dissolved by the Trustee on the relevant Scheduled Dissolution Date specified in the applicable Final Terms for such Series.

**Dissolution Amount:**

Means, in relation to a particular Series, the aggregate of:

- (a) the outstanding face amount of such Series; and
- (b) any due but unpaid Periodic Distribution Amounts for such Series.

**Early Dissolution of the Trust:**

The Trust may only be dissolved prior to the Scheduled Dissolution Date upon:

- (a) the occurrence of a Dissolution Event;
- (b) the exercise of an Optional Dissolution Right (if the Optional Dissolution Right is applicable to the relevant Series);
- (c) the occurrence of a Tax Event (as defined in Condition 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*)); or
- (d) all of the Certificates of the relevant Series being cancelled upon the exercise of a Change of Control Exercise Option (if the Change of Control Exercise Option is applicable to the relevant Series) or upon the exercise of the relevant Redemption Undertaking.

In each case, the Certificates of a Series will be redeemed pursuant to the exercise of the relevant Purchase Undertaking or the relevant Sale Undertaking (as applicable) whereupon FGB will purchase and receive from the Trustee the relevant Wakala Assets and the relevant Restricted Mudaraba will be liquidated (by way of Actual Liquidation or Constructive Liquidation). The Exercise Price payable under the relevant foregoing undertaking together with the proceeds from the liquidation of the Restricted Mudaraba will be used to fund the redemption of the Certificates at an amount equal to the Dissolution Amount.

**Dissolution Events:**

The Dissolution Events are described in Condition 15 (*Dissolution Events*). Following the occurrence of a Dissolution Event which is continuing, the Certificates of the relevant Series may be redeemed in full at an amount equal to the relevant Dissolution Amount.

**Early Dissolution for Tax Reasons:**

Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 12 (*Taxation*) or FGB has or will become obliged to pay any

additional amounts in respect of amounts payable under the Transaction Documents as a result of a change in the laws of a Relevant Jurisdiction (as defined in the Conditions) and such obligation cannot be avoided by the Trustee or FGB, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of a notice (the “**Exercise Notice**”) and payment of the Exercise Price under the relevant Sale Undertaking and following the liquidation of the relevant Restricted Mudaraba in accordance with the provisions of the Master Restricted Mudaraba Agreement and the relevant Mudaraba Contract, redeem the Certificates at an amount equal to the relevant Dissolution Amount on the relevant exercise date specified in the Exercise Notice.

**Optional Dissolution Right:**

If so specified in the applicable Final Terms as being applicable, FGB may, in accordance with Condition 11(c) (*Capital Distributions of the Trust – Dissolution at the Option of FGB*), require the Trustee to redeem the Certificates of the relevant Series at any time prior to the relevant Scheduled Dissolution Date at an amount equal to the relevant Dissolution Amount.

**Change of Control Exercise Option:**

If so specified in the applicable Final Terms as being applicable, the Trustee may, in accordance with Condition 14(c) (*Purchase and Cancellation of Certificates – Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*), upon the occurrence of a Change of Control Event (and following the notification thereof by FGB to the Trustee and the Delegate), in the event that Certificateholders holding Certificates of the relevant Series elect within 90 days (or such other period as set out in the applicable Final Terms) of a notice that a Change of Control Event has occurred being delivered to the Certificateholders (the “**Change of Control Exercise Period**”) by the Trustee to redeem their Certificates (the “**Change of Control Certificates**”), in accordance with the terms of the Change of Control Undertaking Deed, require FGB, on the seventh day after the last day of the Change of Control Exercise Period to:

- (a) redeem the Change of Control Certificates at an amount equal to the sum of:
  - (i) the aggregate face amount of the Change of Control Certificates; and
  - (ii) any due but unpaid Periodic Distribution Amounts under the Change of Control Certificates calculated in accordance with either Condition 8(c) (*Fixed Periodic Distribution Provisions – Determination of Periodic Distribution Amount*) or Condition 9(e) (*Floating Periodic Distribution Provisions – Calculation of Periodic Distribution Amount*), or any other amount specified in the applicable Final Terms, (the “**Change of Control Amount**”); and
- (b) surrender such Change of Control Certificates to the Trustee in exchange for:
  - (i) the Trustee granting FGB a *pro-rata* co-ownership interest in the relevant Wakala Portfolio and the relevant Mudaraba Portfolio; and
  - (ii) the cancellation by the Trustee of the Change of Control Certificates.

**Change of Control Event:**

A “**Change of Control Event**” 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 FGB; or (B) such number of shares of the issued share capital of FGB carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of FGB.

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

Pursuant to Condition 14(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by FGB and/or any of its Subsidiaries*), FGB and/or any of its subsidiaries may at any time purchase Certificates in the open market or otherwise. If FGB wishes to cancel such Certificates purchased by it and/or any of its subsidiaries (the “**Cancellation Certificates**”), FGB may, in accordance with the terms of the Redemption Undertaking Deed, and following the service of a cancellation notice by FGB to the Trustee, require the Trustee, any time prior to the relevant Scheduled Dissolution Date, to cancel any Cancellation Certificates surrendered to it by FGB and/or any of its subsidiaries in exchange for the Trustee granting FGB a *pro-rata* co-ownership interest in the relevant Wakala Portfolio and the relevant Mudaraba Portfolio.

**Limited Recourse:**

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

Certificateholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or FGB (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been enforced, realised and fully discharged following which all obligations of the Trustee and FGB shall be extinguished.

**Denomination of Certificates:**

The Certificates will be issued in such denominations as may be agreed between the Trustee and the relevant Dealer save that the minimum denomination of each Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Specified Currency and save that the minimum denomination of each Certificate admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area, in circumstances which require the publication of a prospectus under the Prospectus Directive, will be at least EUR100,000 (or, if the Certificates are denominated in a currency other than euro, the equivalent amount in such currency, as calculated on the Issue Date of such Series).

**Form and Delivery of the Certificates:**

The Certificates will be issued in registered form only. The Certificates will be represented on issue by beneficial interests in a global Certificate (the “**Global Certificate**”), which will be deposited with, and registered in the name of a nominee for, a common depositary (the “**Common Depositary**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective

participants. See the section entitled “*Form of the Certificates*”. Certificates in definitive form evidencing holdings of Certificates (“**Definitive Certificates**”) will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances.

**Clearance and Settlement:**

Certificateholders must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

**Withholding Tax:**

All payments by FGB under the Transaction Documents to which it is a party are to be made without withholding or deduction for, or on account of, any Taxes imposed in the U.A.E. (or any political subdivision or any authority thereof or therein having power to tax) unless the withholding is required by law. In the event that any such deduction is made by FGB as a result of any requirement of law, FGB will be required, pursuant to the relevant Transaction Document, to pay to the Trustee additional amounts so that the Trustee will receive the full amount which otherwise would have been due and payable under the relevant Transaction Document.

All payments by the Trustee in respect of the Certificates shall be made without withholding or deduction for, or on account of, Taxes imposed in the Cayman Islands (or any political subdivision or any authority thereof or therein having power to tax). FGB has agreed in the Transaction Documents that, if the Trustee is required to make any payment under the Certificates after deduction or withholding for: (i) Taxes; or (ii) as otherwise required by applicable law and is required to pay additional amounts in respect thereof, FGB will pay to the Trustee additional amounts to cover the amounts so deducted as would have been paid had no such deduction or withholding been required.

**Listing and Trading:**

Application has been made to the UK Listing Authority for the Certificates to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the Regulated Market.

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

**Certificateholder Meetings:**

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

**Tax Considerations:**

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

**Governing Law:**

The Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by English law.

Each of the Master Declaration of Trust, each Supplemental Declaration of Trust, the Agency Agreement, the Programme Agreement, the Master Wakala Purchase Agreement, the Purchase Undertaking Deed, the Sale Undertaking Deed, the Redemption Undertaking Deed, the Change of Control Undertaking Deed, the Wakala Asset Sale Undertaking Deed, each Supplemental Purchase Contract and any non-contractual obligations arising out of or in

connection with the same will be governed by and construed in accordance with English law and subject to the exclusive jurisdiction of the English courts.

The Master Restricted Mudaraba Agreement and each Restricted Mudaraba Contract will be governed by and construed in accordance with, the laws of the Emirate of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the United Arab Emirates (“**Abu Dhabi law**”) and subject to the non-exclusive jurisdiction of the courts of Abu Dhabi.

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

**Transaction Documents:**

The Transaction Documents are the Master Restricted Mudaraba Agreement, each Restricted Mudaraba Contract, the Management Agreement, the Master Wakala Purchase Agreement and each Supplemental Purchase Contract, the Master Declaration of Trust, each Supplemental Declaration of Trust, the Purchase Undertaking Deed, the Sale Undertaking Deed, any sale agreement which may be entered into as a result of exercise of rights under the Purchase Undertaking Deed or the Sale Undertaking Deed, the Redemption Undertaking Deed, the Change of Control Undertaking Deed, the Wakala Asset Sale Undertaking Deed, the Agency Agreement, the Programme Agreement, the Corporate Services Agreement, the Certificates and any documents specified in the applicable Final Terms.

**Rating:**

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

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

**Selling and Transfer Restrictions:**

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

**United States Selling Restrictions:**

Regulation S, Category 2.

**Waiver of Sovereign Immunity:**

FGB acknowledges in the Transaction Documents to which it is a party that to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, 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, FGB has represented and agreed in the

Transaction Documents to which it is a party that it will not claim and irrevocably and unconditionally waives to the fullest extent possible under applicable law such immunity in relation to any proceedings.

## RISK FACTORS

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

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

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

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

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

The Trustee was incorporated under the laws of the Cayman Islands on 1 June 2011 as an exempted company with limited liability and has a limited operating history. As at the date of this Base Prospectus, the only activity the Trustee has engaged in is the issuance of Certificates under the Programme, the acquisition of Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents. The Trustee has not engaged in any other business activity.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets relating to each Series of Certificates, including the obligation of FGB to make payments under the Master Restricted Mudaraba Agreement, the Management Agreement, the Purchase Undertaking Deed and each Restricted Mudaraba Contract to the Trustee.

The ability of the Trustee to pay amounts due on the Certificates will primarily be dependent upon receipt by the Trustee from FGB of amounts of Mudaraba Profit and Wakala Portfolio Income Revenues (together, the “**Profit Revenues**”) paid under the Master Restricted Mudaraba Agreement, the Management Agreement, the Purchase Undertaking Deed and each Restricted Mudaraba Contract (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents in the event that FGB does not fully perform its obligations thereunder) (as applicable).

### **Risk factors relating to FGB and the Group**

#### ***General***

Investors should note that FGB is a U.A.E. company and is incorporated in, and has its operations and the majority of its assets located in, the U.A.E. Accordingly, FGB may have insufficient assets located outside the U.A.E. to satisfy in whole or part any judgment obtained from an English court relating to amounts owing in connection with the Certificates. If investors were to seek enforcement of an English judgment in the U.A.E. or to bring proceedings in relation to the Certificates in the U.A.E., then certain limitations would apply (see “*Risks factors relating to enforcement – Investors may experience difficulty in enforcing arbitration awards and foreign judgments in Abu Dhabi*” below).

#### ***Majority of business in the U.A.E.***

FGB has all its operations and the majority of its assets in the U.A.E. and accordingly its business 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, the Trustee and FGB to have made, their own investigations in relation to such factors before making any investment decisions in relation to the Certificates.

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. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in the Certificates is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

### ***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.

The Group’s credit policy is reviewed and approved by FGB’s Board of Directors (the “**Board of Directors**” or the “**Board**”) on an ongoing basis.

The Group’s principal country and bank credit risk limits are set by the Financial Institutions division while the Group’s industry and customer credit risk limits are set by the Corporate Credit Committee and Retail Credit Committee (each as defined under “*Description of First Gulf Bank P.J.S.C. – Risk Management and Compliance*”), respectively, in line with FGB’s 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, based on the amount sought to be borrowed/risk rating of the customer. Significant aggregated credit exposures are reviewed periodically by senior management on a regular basis as are industry/sectoral exposures.

### ***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, 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 for conducting its investment (including trading investments) and foreign exchange business which stipulate limits for these activities. In addition, investments must be made in accordance with defined investment criteria which are formulated by IMCO (as defined under “*Description of First Gulf Bank P.J.S.C. – Risk Management and Compliance*”) and are reviewed by the Executive Committee (as defined under “*Description of First Gulf Bank P.J.S.C. – Risk Management and Compliance*”) on a yearly basis and which aim to ensure that the investments are of a satisfactory quality and liquidity.

### ***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. Currently, FGB is considering the implications of the Basel II Accord (“**Basel II**”) and expects to follow the industry standard approach for calculating operational risk charges in this regard. Detailed operational manuals, internal control mechanics, period 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 either FGB or the Group 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 relation to the Certificates 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 the amounts of Profit Revenues under the Master Restricted Mudaraba Agreement, the Management Agreement, the Purchase Undertaking Deed and the Restricted Mudaraba Contract (as applicable) when due.

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 under the Transaction Documents.

Like most banks, FGB has been affected by the decreased availability and increased cost of wholesale funding that has been a feature of recent dislocations in global financial markets. As described in more detail in this Base Prospectus, FGB has continued to perform well in its funding activities during this period. However, until global financial markets regain stability, it is difficult to predict what impact the current markets are likely to have on FGB and other participants in the financial sector.

### ***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 payments in connection with the Certificates.

### ***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 rate growth rates, have been adversely affected by the crisis.

In common with other banks in the GCC region, FGB has suffered a deterioration in its portfolio, 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*”). Whilst FGB’s non-performing loan levels have shown improvement in stability during 2011, FGB has the majority of its operations in the U.A.E. Consequently its operations 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. Moreover, 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 has been impacted by the general level of oil and gas prices.

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 perform its obligations under the Transaction Documents or which could adversely affect the market price and liquidity of the Certificates.

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 Middle East and North Africa (“MENA”) region, including Egypt, Algeria, Libya, Bahrain, Saudi Arabia, Yemen, Syria, Tunisia and Oman. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and has given rise to increased political uncertainty across the region. As a result of events in Libya, FGB suspended the management agreement in place with its former banking subsidiary in Libya, First Gulf Libya Bank (“FGLB”), with effect from March 2011 and all the FGB nominated members in FGLB have resigned (see “*Description of First Gulf Bank P.J.S.C. – History*”). As a result of these changes, FGB de-recognised the assets, liabilities and non-controlling interest relating to FGLB. Accordingly, FGB has no involvement in the day-to-day operations of FGLB and FGLB is no longer classified as a subsidiary of FGB. FGB’s investment in FGLB is now classified as an available for sale investment which, as of 31 March 2011, had a net carrying amount of AED 396.0 million. 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 perform its obligations under the Transaction Documents.

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 the inter-relationships with global financial markets.

***FGB’s financial performance is affected by general economic conditions***

Risks arising from changes in credit quality and the recoverability of amounts due from borrowers and counterparties are inherent in banking businesses. Adverse changes in global economic conditions, or arising from systemic risks in the financial systems, could affect the recovery and value of FGB’s assets and require an increase in FGB’s provisions. FGB uses different hedging strategies to minimise risk, including securities, collaterals and insurance that reduce the credit risk level to be within FGB’s strategy and risk appetite. However, there can be no guarantee that such measures will continue to eliminate or reduce such risks.

### ***Competition***

FGB faces competition in all of its business areas from locally incorporated and foreign banks operating in the U.A.E. FGB also faces competition from both Islamic banks and conventional banks. There are 51 different banks (comprising of 23 locally incorporated banks and 28 foreign banks) licensed to operate inside the U.A.E. (excluding the Dubai International Financial Centre).

The banking market in the U.A.E. has generally 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 FGB and other domestic financial institutions. This could have an adverse effect on the FGB's business, results of operations, financial condition and prospects and thereby affect its ability to perform its obligations in respect of any Certificates.

### ***Principal Shareholder***

FGB's principal beneficial shareholders are the members of the ruling family of Abu Dhabi, holding approximately 67.3 per cent. of FGB's share capital as at 31 March 2011. By virtue of such shareholding, the ruling family of Abu Dhabi has the ability to influence FGB's business significantly through their ability to control 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 Certificateholders, Certificateholders 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 79,363.0 million as at 31 December 2008 to AED 90,385.9 million as at 31 December 2009, to AED 95,628.0 million as at 31 December 2010, and to AED 97,064.4 million as at 31 March 2011. The significant increase in the loan portfolio size has increased FGB's credit exposure.

In addition, FGB's strategy of continuing to grow its core banking activities organically within the U.A.E. 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 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 under the Transaction Documents.

### ***Loan portfolio concentration***

FGB's loan portfolio is concentrated, geographically, in the U.A.E., where certain sectors (including the real estate sector) and certain regions (including Dubai) have been more significantly 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 68.0 per cent. of its total assets, or AED 97.1 billion, as at 31 March 2011. Of such total loans as at 31 March 2011, around 72.1 per cent. are located in Abu Dhabi, 18.7 per cent. are located in Dubai, and the remaining 9.2 per cent. are located in other Emirates of the U.A.E. or outside the U.A.E. FGB's loan portfolio is also concentrated in particular economic sectors. Of total loans as at 31 December 2010, 34.3 per cent. were classified as personal – retail, 18.6 per cent. as real estate, and 16.1 per cent. as services (the remainder being of insignificant concentrations and falling within a number of other sectors).

FGB's customers' deposits constituted 82.9 per cent. of its total liabilities, or AED 98.5 billion, as at 31 March 2011, of which 82.7 per cent. are located in the U.A.E.

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 effectively manage its risk concentrations 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 any Certificates.

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

FGB maintains its accounts, and reports its results, in dirham. The 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 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 result of operations and financial condition. Any such de-

pegging, particularly if the dirham weakens against the U.S. dollar, 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 any Certificates.

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

FGB is subject to the laws, regulations, administrative actions and policies of the U.A.E. and each other jurisdiction in which it operates. These regulations may limit FGB's activities and changes in supervision and regulation, particularly within the U.A.E., could materially affect FGB's business (such as pursuant to the Basel II Accord ("**Basel II**")), the products or services offered, the value of its assets and its financial condition. Although FGB works closely with its regulators and continuously monitors the situation, 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*".

#### **Risk factors relating to the Certificates**

##### ***Absence of secondary market/limited liquidity***

There is no assurance that a secondary market for the Certificates of any Series will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of such Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity. An application has been made for the listing of the Certificates on the London Stock Exchange but there can be no assurance that any such listing will occur on or prior to the date of this Base Prospectus or at all, if it does occur, that it will enhance the liquidity of the Certificates.

##### ***The Certificates are limited recourse obligations***

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an interest in the Trust Assets. Recourse to the Trustee in respect of each Series of Certificates is limited to the Trust Assets of that Series and the proceeds of such Trust Assets are the sole source of payments on the relevant Certificates. Upon the occurrence of a Dissolution Event, or early dissolution pursuant to Conditions 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*) or 11(c) (*Capital Distributions of the Trust – Dissolution at the Option of FGB*), the sole rights of each of the Trustee, the Delegate and the Certificateholders of the relevant Series of Certificates will be against FGB to: (i) pay the Exercise Price in respect of such Series; (ii) liquidate the relevant Restricted Mudaraba (by way of an Actual Liquidation or Constructive Liquidation) and pay the Final Liquidation Proceeds to the Trustee (subject to any applicable set-off provisions under the Redemption Undertaking Deed); and (iii) otherwise perform its obligations under the Transaction Documents to which it is a party. Certificateholders will otherwise have no recourse to any assets of the Delegate, FGB, the relevant Dealer, the Trustee (including its directors and service providers), and the Principal Paying Agent or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts due under the relevant Trust Assets. FGB is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Trustee and the Delegate will have direct recourse against FGB to recover payments due to the Trustee from FGB pursuant to the Transaction Documents. There can be no assurance that the proceeds of the realisation of, or enforcement with respect to, the Trust Assets will be sufficient to make all payments due in respect of the Certificates of the relevant Series. Furthermore, under no circumstances shall any Certificateholder, the Trustee or the Delegate have (i) any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking Deed or the Master Restricted Mudaraba Agreement (by liquidating the relevant Restricted Mudaraba) or (ii) any other recourse against the Trust Assets, except the right to receive distributions derived from the Trust Assets in accordance with the Conditions, and the sole right of the Trustee, the Delegate and the Certificateholders against FGB shall be to enforce the obligation of FGB to pay the relevant Exercise Price under the Purchase Undertaking Deed, liquidate the relevant Restricted

Mudaraba for an amount equal to the relevant Final Liquidation Proceeds and otherwise perform its obligations under the Transaction Documents to which it is a party.

***The Certificates may be subject to Early Dissolution***

In certain circumstances, the Certificates may be subject to early dissolution. If the Optional Dissolution Right is specified as being applicable in the applicable Final Terms, FGB shall (i) exercise its option under the Sale Undertaking Deed and (ii) liquidate the relevant Restricted Mudaraba (by way of an Actual Liquidation or Constructive Liquidation) and distribute the Final Liquidation Proceeds to procure the Trustee to dissolve the Trust and redeem the Certificates (in whole, but not in part) on the relevant Optional Dissolution Date at the relevant Optional Dissolution Amount as specified in the applicable Final Terms.

In addition, the Certificates may be redeemed prior to their stated maturity if FGB has or will become obliged to provide funding to ensure that the funds available to the Trustee are sufficient to pay the relevant Periodic Distribution Amount or the relevant Dissolution Amount by reason of either Condition 12 (*Taxation*) or via the Liquidity Facility and such obligation cannot be avoided by the Trustee taking reasonable measures available to it. In such circumstances, FGB has the option to require the Trustee to dissolve the Trust and redeem the Certificates prior to their scheduled maturity. Early dissolution in either instance may reduce the return that a Certificateholder would have realised had the Certificates been redeemed at maturity.

An early dissolution feature of any Certificate is likely to limit its market value. During any period when the Trustee may elect to redeem Certificates, the market value of those Certificates generally will not rise substantially above the dissolution amount payable. This also may be true prior to any dissolution period.

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

In relation to any issue of Certificates which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Certificates may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to a Specified Denomination.

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

***No third-party guarantees***

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

***Risk factors relating to the Sukuk Assets***

***Investment in the Mudaraba Portfolio***

Pursuant to the Master Restricted Mudaraba Agreement, a proportion of the Proceeds will be directly invested through Restricted Mudaraba Contracts in a Mudaraba Portfolio with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates. In the event that any of the risks relating to the business of FGB mentioned above (see “*Risk Factors – Risks factors relating to FGB*”) materialise or otherwise impact the Trustee’s business, the value of and profit earned from the investment in such Mudaraba Portfolio may drop which may, in turn, have a material adverse effect on the Trustee’s ability to fulfil its repayment obligations in respect of the Certificates.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Mudaraba Assets. The Mudaraba Assets shall be selected by FGB and the Certificateholders shall have no ability to influence such selection. FGB may invest a portion of the Proceeds through the purchase of an undivided interest in each of the Mudaraba Assets and, as a result, it may not be possible to identify the Mudaraba Assets separately from the assets of FGB. The precise terms of the Mudaraba Assets, and the nature of the assets leased or sold underlying each Mudaraba Asset, will

not be known. Obligors and lessees may have rights of set-off or counterclaim against FGB in respect of such Mudaraba Assets.

#### ***Liability attaching to owners of Wakala Assets***

In order to comply with the requirements of *Shari'a*, the ownership of the Wakala Portfolio of each Series of Certificates will pass to the Trustee in its capacity as trustee under the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract. The Trustee will declare a trust in respect of such Wakala Portfolio and the other Trust Assets of the relevant Series in favour of the Certificateholders of such Series pursuant to a Supplemental Declaration of Trust constituting the Series. Accordingly, Certificateholders will have interests in the relevant Wakala Portfolio unless transfer of the Wakala Portfolio is prohibited by, or ineffective under, any applicable law (see “*Transfer of the Wakala Portfolio*” below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Wakala Portfolio. The Wakala Assets in a Wakala Portfolio will be selected by FGB and the Certificateholders will have no ability to influence such selection. Only limited representations will be obtained from FGB in respect of the Wakala Assets of any Series. FGB has undertaken to invest a proportion of the Proceeds in non-real estate *ijara* assets that are subject to *ijara* contracts (including any ancillary rights under such *ijara* contracts), *murabaha* (sale of commodities or goods on a cost plus basis) receivables under *murabaha* contracts (including any ancillary rights under such *murabaha* contracts) and other *Shari'a*-compliant assets originated, held or owned by FGB, including the income generated therefrom and any agreement and documents in relation to such assets. The assets that are invested into will form the Wakala Portfolio. The precise terms of the underlying contracts associated with the Wakala Assets in a Wakala Portfolio, the nature of the assets leased or sold or the contracts underlying each Wakala Asset will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by FGB to give effect to the transfer of the relevant Wakala Assets). No steps will be taken to perfect any transfer of the relevant Wakala Assets or otherwise give notice to any lessee or obligor in respect thereof. Obligors and lessees may have rights of set-off or counterclaim against FGB in respect of such Wakala Assets.

In addition, if and to the extent that a third party is able to establish a direct claim against the Trustee for any amount payable to such third party as a result of the Trustee's holding of the Wakala Portfolio, FGB has agreed in the Master Declaration of Trust to indemnify the Trustee, the Delegate and any Certificateholder against any cost, expense, loss or taxes which it may suffer in respect of such liabilities, excluding the cost of funding the same. In the event that FGB does not have the resources to meet such claims or to meet its indemnity obligations, then any Certificateholders who have met such claims through the Trustee as their agent in respect of the Wakala Portfolio may suffer losses in excess of the original face amount invested which they will be unable to recoup.

#### ***Sale and transfer of the Wakala Assets***

No investigation has been or will be made as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract will have the effect of selling and transferring the Wakala Assets of the relevant Series of Certificates.

#### ***Rights of Enforcement***

As indicated earlier, the Certificateholders will not have any rights of enforcement as against the Trust Assets and their rights are limited to enforcement against FGB of its obligation to liquidate the relevant Restricted Mudaraba and return all amounts due and payable to the Trustee in relation to the relevant Restricted Mudaraba Contract (whether in respect of Mudaraba Capital or Mudaraba Profit) pursuant to the terms of the Master Restricted Mudaraba Agreement and to purchase the Wakala Portfolio from the Trustee pursuant to the terms of the Purchase Undertaking Deed. Accordingly, any such restriction on the ability of FGB to make a “true sale” of the Wakala Portfolio to the Trustee is likely to be of limited consequence to the rights of the Certificateholders.

#### ***Limited Recourse***

The Certificateholders shall have no recourse against the Trustee other than in respect of the proceeds of the Sukuk Assets in accordance with the Transaction Documents. The sole right of the

Certificateholders against the Sukuk Assets shall be the right to enforce the respective obligations of the Trustee and FGB under the Transaction Documents.

Certificateholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or FGB (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been enforced, realised and fully discharged following which all obligations of the Trustee and FGB shall be extinguished.

### **Risk factors relating to payments**

#### ***Periodic Distribution Amount and Credit Risk***

It is expected that the rate of return on the Sukuk Assets of each Series will exceed the relevant Periodic Distribution Amount due in respect of such Series and accordingly that the Rabb-al-Maal and the Managing Agent will, in the aggregate, receive Profit Revenues in respect of the Sukuk Assets of each Series at least equal to the relevant Periodic Distribution Amount. Such amounts will be paid by the Rabb-al-Maal and the Managing Agent to the Trustee's Transaction Account for the relevant Series.

If the aggregate of the Profit Revenues received by the Rabb-al-Maal and the Managing Agent during any Return Accumulation Period are less than the Required Amount (being the aggregate of the Periodic Distribution Amounts then falling due and certain other amounts), then the Mudarib and the Managing Agent will be required to pay further amounts up to the current aggregate balances of the Mudaraba Reserve Account and the Wakala Reserve Account to remedy such shortfall. In the event of any remaining shortfall, the Managing Agent may provide the Trustee with *Shari'a*-compliant financing by way of the Liquidity Facility to enable full payment of the Periodic Distribution Amount.

The Collection Account, the Mudaraba Reserve Account and the Wakala Reserve Account are nominal hedge accounts maintained on the books of FGB to record, respectively, Profit Revenues during each Return Accumulation Period and the accumulated surplus of such Profit Revenues over the Required Amounts for each such period.

The Managing Agent and the Mudarib shall each have the right to use and invest amounts standing to the credit of the Collection Account, the Wakala Reserve Account and the Mudaraba Reserve Account (as appropriate) for its own account and its obligations to pay amounts to the Rabb-al-Maal and the Trustee (as relevant) constitute unsecured obligations of the Managing Agent and the Mudarib. Neither the Trustee, the Delegate nor any Certificateholder shall have any proprietary interest in the monies standing to the credit of the Collection Account, the Mudaraba Reserve Account or the Wakala Reserve Account, and accordingly Certificateholders will be exposed to the full credit risk of the Mudarib in relation to such amounts.

In addition, any failure to pay the Periodic Distribution Amount due on a Periodic Distribution Date (subject to the grace period) could constitute a Dissolution Event in respect of the relevant Series of Certificates and, if such Series is not redeemed in accordance with its terms, each other Series of Certificates.

#### ***Credit Risk***

The Trustee will fund the redemption amount payable by it in respect of each Series of Certificates with the Exercise Price paid to it by FGB under the Purchase Undertaking Deed and the Final Liquidation Proceeds following the liquidation of the Mudaraba, see "*Summary of the Principal Transaction Documents – Purchase Undertaking Deed*". This is also an unsecured obligation of FGB and accordingly investors will also be subject to the full credit risk of FGB in relation to the redemption amounts.

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

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

Payments made by FGB to the Trustee under the Transaction Documents, by the Trustee in respect of the Certificates, or revenues generated by the Sukuk Assets and received by the Mudarib and the Managing Agent, could become subject to withholding or deduction for or on account of taxation. The Master Restricted Mudaraba Agreement, the Management Agreement and the Purchase Undertaking Deed each require FGB to pay additional amounts in the event that any withholding or

deduction is required to be made by U.A.E. law in respect of payments made by it to the Trustee under those documents. Condition 12 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by the Cayman Islands and/or the U.A.E. in certain circumstances. In the event that the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, FGB has, pursuant to the Master Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 12 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

Also, to the extent that the Sukuk Assets do not generate the anticipated level of revenues as a result of withholding tax or deductions in the U.A.E. (and consequentially there are insufficient funds in the Transaction Account and the aggregate of the amounts in the Mudaraba Reserve Account and the Wakala Reserve Account is less than the amount of any shortfall in the Periodic Distribution Amount in respect of any Series of Certificates then payable to Certificateholders), the Managing Agent may provide *Shari'a*-compliant financing by way of the Liquidity Facility to ensure that the Trustee meets its obligation to pay the full amount of the Periodic Distribution Amount on the relevant Periodic Distribution Date.

If FGB has or will become obliged to provide funding to ensure that the funds available to the Trustee are sufficient to pay the relevant Periodic Distribution Amount or the relevant Dissolution Amount pursuant to either Condition 12 (*Taxation*) or via the Liquidity Facility (as defined in Condition 6(g) (*Trust – Operation of Liquidity Facility*)), and such obligation cannot be avoided by the Trustee taking reasonable measures available to it, then Condition 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*) provides that, in such circumstances, FGB has the option to require the Trustee to dissolve the Trust and redeem the Certificates prior to their scheduled maturity.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

A number of non EU countries and territories and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional adviser.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Trustee, nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Certificate as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Trustee will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

## **Risk factors relating to enforcement**

### ***Claims for specific enforcement***

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

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

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

Ultimately the payments under the Certificates are dependent upon FGB making payments to the Trustee in the manner contemplated under the Transaction Documents. If FGB fails to do so it may be necessary to bring an action against FGB to enforce its obligations which could be both time consuming and costly.

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

Under current Abu Dhabi law, the Abu Dhabi courts are unlikely to enforce an English 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 perception 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.

Each of the Master Wakala Purchase Agreement, each Supplemental Purchase Contract, the Management Agreement, the Master Declaration of Trust, each Supplemental Declaration of Trust, the Agency Agreement, the Purchase Undertaking Deed, the Sale Undertaking Deed, the Redemption Undertaking Deed, the Change of Control Undertaking Deed, the Wakala Asset Sale Undertaking Deed, the Programme Agreement and the Certificates 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**"). 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. Any arbitration award rendered in London should therefore be enforceable in Abu Dhabi 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 Abu Dhabi 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. There have been limited instances where the U.A.E. courts, most notably the Fujairah Court of First Instance and the Dubai Court of First Instance, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. There is, however, no system of binding judicial precedent in the U.A.E. and it is unclear if these decisions are subject to any appeal. In practice, therefore, how the New York Convention provisions would be interpreted and applied by the Abu Dhabi courts, and whether the Abu Dhabi courts will enforce a foreign arbitration award in accordance with the terms of the New York Convention remains largely untested.

## **Additional risks**

### ***Suitability of investments***

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained or incorporated by reference in this Base Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. 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). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

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

The conditions of the Certificates and certain Transaction Documents are based on English law in effect as at the date of this Base Prospectus. Certain Transaction Documents are governed by Abu Dhabi law. No assurance can be given as to the impact of any possible judicial decision or change to English or Abu Dhabi law or administrative practice after the date of this Base Prospectus.

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

Members of the *Shari'a* advisory boards of FGB and each of the Arrangers have issued a fatwa in respect of the Certificates and the related structure and mechanism described in the Transaction Documents and their compliance with *Shari'a* principles. However, a fatwa is only an expression of the view of the relevant *Shari'a* advisory board based on its experience in the subject and is not a binding opinion. There can be no assurance as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates and neither the Trustee, FGB, the Delegate nor the Dealers makes any representation as to the same. Investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Investors are advised to obtain their own independent *Shari'a* advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradeability of the Certificates on any secondary market. Questions as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties in the transaction would be, if in dispute, either the subject of arbitration under English law or court proceedings under the laws of Abu Dhabi, the U.A.E. or England and Wales. In such circumstances, the arbitrator or judge (as applicable) may first apply the relevant law rather than *Shari'a* principles in determining the obligations of the parties.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or the review of such laws and regulations by certain governmental or regulatory authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Certificates constitute legal investments for it; (ii) the Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Certificates by the investor. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules and regulations.

***European Monetary Union***

If Certificates 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 and, before the relevant Certificates 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 Certificates may become payable in euro; and (ii) applicable law may allow or require such Certificates to be re-denominated into euro and additional measures to be taken in respect of such Certificates. Any of these or any other consequences could adversely affect the holders of the Certificates.

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

The Trustee will pay Periodic Distribution Amounts and Dissolution Amounts on the Certificates 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: (i) the Investor's Currency equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the Dissolution Amount payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

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

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the terms and conditions of the Certificates which will be incorporated by reference into each Global Certificate and Definitive Certificate, in the case of Definite Certificates only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Trustee and FGB at the time of issue but, if not so permitted and agreed, each Definite Certificate will have endorsed thereon or attached thereto such terms and conditions. The applicable Final Terms in relation to any Series may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace or modify the following terms and conditions for the purpose of such Certificates. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Certificate and Definitive Certificate. Reference should be made to "Applicable Final Terms" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Certificates.*

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

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

Each Certificate will represent an undivided ownership interest in the relevant Trust Assets (as defined below) held on trust by the Trustee (the "**Trust**") for the holders of such Certificates pursuant to: (i) a master declaration of trust (the "**Master Declaration of Trust**") to be dated 11 July 2011 and to be entered into by the Trustee, First Gulf Bank P.J.S.C. ("**FGB**") and Citicorp Trustee Company Limited as the Trustee's delegate (the "**Delegate**"); and (ii) a supplemental declaration of trust in respect of the relevant Series (the "**Supplemental Declaration of Trust**") having the details set out in the applicable Final Terms.

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

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

These Conditions include summaries of, and are subject to, the detailed provisions of the Master Declaration of Trust as supplemented by each relevant Supplemental Declaration of Trust and the other Transaction Documents. Payments relating to the Certificates will be made pursuant to an agency agreement to be dated 11 July 2011 (the "**Agency Agreement**") made between, *inter alios*, the Trustee, the Delegate, FGB and Citibank N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the "**Paying Agents**"), calculation agent (together with any further or other calculation agents appointed from time to time in respect of the Certificates, in such capacity, the "**Calculation Agent**") Citibank N.A., London Branch as transfer agent (together with any further or other transfer agents appointed from time to time in respect of the Certificates, in such capacity, the "**Transfer Agent**") and Citigroup Global Markets Deutschland AG as registrar (in such capacity, a "**Registrar**"). The Paying Agents, the Calculation Agent, the Registrar and the Transfer Agent are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors.

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

- (a) a master restricted mudaraba agreement dated 11 July 2011 between, *inter alios*, FGB Sukuk Company Limited (in its capacity as the Rabb-al-Maal, the “**Rabb-al-Maal**”) and FGB (in its capacity as the Mudarib, the “**Mudarib**”) (the “**Master Restricted Mudaraba Agreement**”) and, in respect of each Series, the restricted mudaraba contract with respect thereto (each a “**Restricted Mudaraba Contract**”);
- (b) a management agreement dated 11 July 2011 between, *inter alios*, the Trustee and FGB (in its capacity as the managing agent, the “**Managing Agent**”) (the “**Management Agreement**”);
- (c) a master wakala purchase agreement dated 11 July 2011 between, *inter alios*, the Trustee and FGB (the “**Master Wakala Purchase Agreement**”) and, in respect of each Series, the supplemental purchase contract with respect thereto (each a “**Supplemental Purchase Contract**”);
- (d) a purchase undertaking deed dated 11 July 2011 executed by FGB in favour of the Trustee and the Delegate (the “**Purchase Undertaking Deed**”) containing the form of sale agreement (a “**Sale Agreement**”) to be entered into in the circumstances set out in the Purchase Undertaking Deed;
- (e) a sale undertaking deed dated 11 July 2011 executed by the Trustee in favour of FGB (the “**Sale Undertaking Deed**”) containing the form of Sale Agreement to be entered into in the circumstances set out in the Sale Undertaking Deed;
- (f) a redemption undertaking deed dated 11 July 2011 executed by the Trustee in favour of FGB (the “**Redemption Undertaking Deed**”);
- (g) a change of control undertaking deed dated 11 July 2011 executed by FGB in favour of the Trustee and the Delegate (the “**Change of Control Undertaking Deed**”);
- (h) a Wakala Asset sale undertaking deed dated 11 July 2011 executed by the Trustee in favour of FGB (the “**Wakala Asset Sale Undertaking Deed**”);
- (i) the Master Declaration of Trust and, in respect of each Series, the applicable Supplemental Declaration of Trust with respect thereto;
- (j) the Agency Agreement;
- (k) a corporate services agreement to be entered into between MaplesFS Limited (as provider of corporate services to the Trustee) and the Trustee (the “**Corporate Services Agreement**”); and
- (l) in respect of each Series, the applicable Final Terms,

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

The statements contained in these Conditions include summaries of, and are subject to, the detailed provisions of the Master Declaration of Trust as supplemented by the applicable Supplemental Declaration of Trust and the Agency Agreement.

Each Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed, in respect of each Series, to authorise and direct the Trustee on behalf of the Certificateholders, to: (a) purchase the Wakala Portfolio and enter into the Management Agreement with the Managing Agent in respect thereof; (b) invest, as Rabb-al-Maal, with the Mudarib in the Mudaraba Portfolio in accordance with the Master Restricted Mudaraba Agreement; and (c) enter into each other Transaction Document to which it is a party, subject to the terms and conditions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust and these Conditions.

## 1. INTERPRETATION

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

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

**“Accrual Period”** has the meaning given to it in Condition 8(c) (*Fixed Periodic Distribution Provisions – Determination of Periodic Distribution Amount*);

**“Actual Liquidation”** means the realisation of the Value of the Mudaraba Portfolio in relation to a Restricted Mudaraba Contract as liquidated by the Mudarib on the relevant Mudaraba End Date;

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

**“Business Day”** has the meaning given to it in Condition 9(b) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*);

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

- (a) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **“Modified Following Business Day Convention”** or **“Modified 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;
- (c) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **“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 applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (i) 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;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) 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
- (e) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

**“Calculation Date”** means the Business Day immediately preceding a Dissolution Date;

**“Cancellation Certificates”** has the meaning given to in Condition 6(a) (*Trust – Summary of the Trust*);

**“Cancellation Notice”** means a cancellation notice in substantially the form of Schedule 6 (*Form of Cancellation Notice*) to the Master Declaration of Trust;

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

by the relevant supplemental Declaration of Trust and such Global Certificates, and the expressions “**holder**” and “**holder of Certificates**” and related expressions shall (where appropriate) be construed accordingly;

“**Change of Control Amount**” means, in relation to a particular Series:

- (a) the aggregate of:
  - (i) the aggregate face amount of the Change of Control Certificates to be redeemed following the exercise of the Change of Control Exercise Option; and
  - (ii) any due but unpaid Periodic Distribution Amounts under such Change of Control Certificates, calculated in accordance with either Condition 8(c) (*Fixed Periodic Distribution Provisions – Determination of Periodic Distribution Amount*) or Condition 9(e) (*Floating Periodic Distribution Provisions – Calculation of Periodic Distribution Amount*); or
- (b) any other amount specified in the applicable Final Terms;

“**Change of Control Certificates**” has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

“**Change of Control Confirmation Notice**” has the meaning given to it in Condition 14(c) (*Purchase and Cancellation of Certificates – Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*);

“**Change of Control Event**” 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 FGB; or (B) such number of shares of the issued share capital of FGB carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of FGB;

“**Change of Control Exercise Notice**” has the meaning given to it in Condition 14(c) (*Purchase and Cancellation of Certificates – Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*);

“**Change of Control Exercise Option**” means the option specified in Condition 14(c) (*Purchase and Cancellation of Certificates – Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*);

“**Change of Control Exercise Period**” has the meaning given to it in Condition 14(c) (*Purchase and Cancellation of Certificates – Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*);

“**Change of Control Notice**” has the meaning given to it in Condition 14(c) (*Purchase and Cancellation of Certificates – Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*);

“**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 Event; and (B) the date of the earliest Potential Change of Control Announcement, 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 Event (such 120th 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 FGB, 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 FGB under consideration for rating review as a result of the relevant public announcement of the Change of Control Event 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;

“**Change of Control Purchase Notice**” means a notice to be served by the Trustee on FGB pursuant to the Change of Control Undertaking Deed;

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

**“Collection Account”** means, in relation to each Series, the separate non-interest bearing ledger account maintained on the books of the Managing Agent in accordance with the provisions of the Management Agreement to record Wakala Asset Income Revenue received in respect of the Wakala Portfolio relating to such Series;

**“Constructive Liquidation”** means the realisation of the Value of the Mudaraba Portfolio in relation to a Restricted Mudaraba Contract should such Mudaraba Portfolio be liquidated by the Mudarib on the relevant Constructive Liquidation Distribution Date;

**“Constructive Liquidation Distribution Date”** means, in relation to a Restricted Mudaraba Contract, during the period from the Issue Date to the Mudaraba End Date, the dates set out in such Restricted Mudaraba Contract for distribution of Mudaraba Profit, subject to, if applicable, adjustment in accordance with the relevant Business Day Convention;

**“Constructive Liquidation Distribution Period”** means, in relation to a Restricted Mudaraba Contract, the period beginning on (and including) the Issue Date and ending on (but excluding) the First Constructive Liquidation Distribution Date and each successive period beginning on (and including) a Constructive Liquidation Distribution Date and ending on (but excluding) the next succeeding Constructive Liquidation Distribution Date;

**“Day Count Fraction”** has the meaning given to it in Condition 8(c) (*Fixed Periodic Distribution Provisions – Determination of Periodic Distribution Amount*) (if the Fixed Periodic Distribution provisions are applicable) or Condition 9(e) (*Floating Periodic Distribution Provisions – Calculation of Periodic Distribution Amount*) if the Floating Periodic Distribution Provisions are applicable);

**“Delegation”** has the meaning given to it in Condition 20 (*The Delegate*);

**“Determination Date”** has the meaning specified in the applicable Final Terms;

**“Determination Period”** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Return Accrual Commencement Date or the final Periodic Distribution Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

**“Dispute”** has the meaning given to it in Condition 22 (*Governing Law and Arbitration*);

**“Dissolution Amount”** means, in relation to a particular Series, either:

- (a) the sum of:
  - (i) the outstanding face amount of such Series; and
  - (ii) any due but unpaid Periodic Distribution Amounts for such Series; or
- (b) such other amount specified in the applicable Final Terms as being payable upon dissolution of the relevant Series;

**“Dissolution Date”** means, in relation to a particular Series, either:

- (a) the Scheduled Dissolution Date;
- (b) the Tax Redemption Date;
- (c) if an Optional Dissolution Right is applicable to the relevant Series, the Optional Dissolution Date;
- (d) the date on which all the Certificates are cancelled following the exercise of the Change of Control Undertaking or Redemption Undertaking, as the case may be; or
- (e) the Dissolution Event Redemption Date.

**“Dissolution Event”** has the meaning given to it in Condition 15 (*Dissolution Events*);

**“Dissolution Event Redemption Date”** has the meaning given to it in Condition 15 (*Dissolution Events*);

**“Dissolution Request”** has the meaning given to it in Condition 15 (*Dissolution Events*);

**“Early Dissolution Amount (Tax)”** means, in respect of any Certificate, the Dissolution Amount or such other amount specified in the applicable Final Terms;

**“Eligible Mudaraba Asset”** means:

- (a) a Real Estate Ijara Asset or Non-Real Estate Ijara Asset:
  - (i) in respect of which FGB is entitled to receive payments due to it in respect of the Real Estate Ijara Contract or Non-Real Estate Ijara Contract related to such Real Estate Ijara Asset or Non-Real Estate Ijara Asset;
  - (ii) in respect of which the lessee under the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract is not in breach of its payment obligations under that Real Estate Ijara Contract or Non-Real Estate Ijara Contract or any documents associated with that Real Estate Ijara Contract or Non-Real Estate Ijara Contract;
  - (iii) that has been originated or is held or owned by FGB in a manner consistent with its usual credit and origination policies;
  - (iv) that constitutes legal, valid, binding and enforceable obligations of the obligor under the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located;
  - (v) in respect of which there has not occurred any acceleration or analogous event;
  - (vi) in respect of which the Value of such Real Estate Ijara Asset or Non-Real Estate Ijara Asset is equal to or greater than the value of the consideration given for such Real Estate Ijara Asset or Non-Real Estate Ijara Asset as at the date upon which the relevant Real Estate Ijara Asset or Non-Real Estate Ijara Asset becomes part of the Mudaraba Portfolio; or
- (b) a *Shari’a*-Compliant Investment in respect of which the Value of such *Shari’a*-Compliant Investment is not less than the value of the consideration given for such *Shari’a*-Compliant Investment as at the date the *Shari’a*-Compliant Investment becomes part of the Mudaraba Portfolio;

**“Eligible Non-Real Estate Ijara Asset”** means, in respect of the Mudaraba Portfolio, a Non-Real Estate Ijara Asset that is an Eligible Mudaraba Asset and, in respect of the Wakala Portfolio, a Non-Real Estate Ijara Asset that is an Eligible Wakala Asset;

**“Eligible Real Estate Ijara Asset”** means a Real Estate Ijara Asset that is an Eligible Mudaraba Asset;

**“Eligible Wakala Asset”** means, in respect of each Series, an Income Generating Asset: (a) which has been originated or is held or owned by FGB in a manner consistent with its usual credit and origination policies; (b) which constitutes legal, valid, binding and enforceable obligations of the obligor thereof in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located; (c) in respect of which FGB is entitled to receive all payments due to it in respect of such Income Generating Asset; (d) in respect of which there has not occurred any acceleration or analogous event; (e) which is capable of being sold and transferred to the Trustee by FGB in accordance with the terms set out in the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract; and (f) in respect of which the Value of such Income Generating Asset is equal to or greater than the value of the consideration given for such Income Generating Asset as at the date the asset is sold and transferred to the Trustee under the relevant Supplemental Purchase Contract or Wakala Asset Sale Undertaking Deed, as applicable;

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

**“Exercise Notice”** means (as the context requires) an exercise notice delivered or to be delivered in connection with any Purchase Undertaking or Sale Undertaking;

**“Exercise Price”** has the meaning given in Condition 6(a) (*Trust – Summary of the Trust*);

**“Expected Mudaraba Profit”** has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

**“Expected Wakala Portfolio Income Revenues”** has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

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

“**FGB Event**” has the meaning given to it in Condition 15 (*Dissolution Events*);

“**Final Liquidation Proceeds**” has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

“**First Constructive Liquidation Distribution Date**” has the meaning given to it in the applicable Final Terms;

“**First Periodic Distribution Date**” has the meaning given to it in the applicable Final Terms;

“**First Wakala Portfolio Income Distribution Date**”, in respect of each Series, has the meaning given to it in a Supplemental Purchase Contract;

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

“**Fixed Periodic Distribution Provisions**” has the meaning given to it in Condition 8(a) (*Fixed Periodic Distribution Provisions – Application*);

“**Floating Periodic Distribution Provisions**” has the meaning given to it in Condition 9(a) (*Floating Periodic Distribution Provisions – Application*);

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

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

“**Income Generating Assets**” means: (a) Non-Real Estate Ijara Assets; (b) in relation to a purchase of Wakala Assets on the Issue Date only, receivables under *murabaha* (sale of commodities or goods on a cost plus basis) contracts (including any ancillary rights under such *murabaha* contracts); and/or (c) other *Shari’a*-compliant assets originated, held or owned by FGB, including the income generated therefrom and any agreements or documents in relation to such assets;

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

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

“**Initial Mudaraba Asset**” means, in respect of any Series, each asset constituting the relevant Initial Mudaraba Portfolio;

“**Initial Mudaraba Portfolio**”, in respect of any Series, has the meaning given to the term in the relevant Restricted Mudaraba Contract;

“**Initial Wakala Asset**”, in respect of any Series, means each asset constituting the relevant Initial Wakala Portfolio;

“**Initial Wakala Portfolio**”, in respect of any Series, has the meaning given to the term in the relevant Supplemental Purchase Contract;

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

“**Issue Price**” has the meaning given to it in the applicable Final Terms;

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

**“Management Liabilities Amount”** means, in respect of each Series, any amount due to the Managing Agent under the Management Agreement in respect of any *Shari’a*-compliant financing provided by the Managing Agent pursuant to Condition 6(g) (*Trust – Operation of Liquidity Facility*) and clause 5 of the Management Agreement, and the amount of any claims, losses, costs and expenses properly incurred or suffered by the Managing Agent in providing the Services;

**“Margin”** has the meaning given to it in the applicable Final Terms;

**“Mudaraba Account”** means the ledger account maintained by the Rabb-al-Maal with the Mudarib to give effect to the terms of the Master Restricted Mudaraba Agreement and for the investment of the Mudaraba Capital into Mudaraba Assets from time to time;

**“Mudaraba Asset”** has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

**“Mudaraba Capital”** has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

**“Mudaraba End Date”** means, in relation to a Restricted Mudaraba Contract, the Dissolution Date of the Series to which such Restricted Mudaraba Contract relates;

**“Mudaraba Investment Plan”** has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

**“Mudaraba Percentage”** has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

**“Mudaraba Portfolio”** has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

**“Mudaraba Profit”** means, in relation to each Constructive Liquidation Distribution Period, the profit (if any) earned from the investment of the Mudaraba Capital by the Mudarib, being an amount equal to: (i) all revenues received in respect of the Mudaraba Assets; plus (ii) the Value of the Mudaraba Assets upon the relevant Constructive Liquidation Distribution Date or Mudaraba End Date, as applicable, minus the aggregate of:

- (a) the Mudaraba Capital;
- (b) any costs (consisting of direct costs and allocated costs) and/or provisions associated with the Mudaraba Assets during the Mudaraba Term; and
- (c) any taxes incurred in connection with the Master Restricted Mudaraba Agreement or that Restricted Mudaraba Contract (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the Mudaraba Term) but excluding the Mudarib’s obligations (if any) to pay any taxes or additional amounts under, or in connection with, Condition 12 (*Taxation*);

**“Mudaraba Portfolio Principal Revenues”** has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

**“Mudaraba Reserve Account”** has the meaning given to it in Condition 6(f) (*Trust – Operation of Mudaraba Reserve Account*);

**“Mudaraba Term”** means, in relation to a Restricted Mudaraba Contract, the period commencing on the relevant Issue Date and ending on the Mudaraba End Date of that Restricted Mudaraba Contract;

**“Non-Real Estate Ijara Asset”** means a non-real estate asset in relation to which FGB has entered into a Non-Real Estate Ijara Contract (and includes any ancillary rights under such Non-Real Estate Ijara Contract;

**“Non-Real Estate Ijara Contract”** means: (i) a lease *ijara* contract entered into by FGB or any person on its behalf (the **“Lessor”**) and a person (the **“Lessee”**) pursuant to which the Lessor leases a non-real estate asset to the Lessee, and in respect of which payments are due from the Lessee to the Lessor; or (ii) any arrangement similar in economic effect to that described in subparagraph (i);

**“Optional Dissolution Date”** means, in relation to the exercise of an Optional Dissolution Right, the date specified as such in the Exercise Notice delivered by FGB to the Trustee and:

- (a) if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, must be a Periodic Distribution Date; and
- (b) must be no less than 30 days and no more than 60 days after the date on which the Exercise Notice is delivered to the Trustee.

**“Optional Dissolution Right”** means the right specified in Condition 11(c) (*Capital Distributions of the Trust – Dissolution at the Option of FGB*);

**“Payment Business Day”** means a day on which banks in the relevant place of surrender of any Certificate are open for presentation and payment of registered securities and for dealings in foreign currencies; and in the case of payment by transfer to an account, if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Business 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 Business Centre;

**“Periodic Distribution Amount”** has the meaning given to it in Condition 8(b) (*Fixed Periodic Distribution Provisions – Periodic Distribution Amount*) or Condition 9(b) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*), as specified in the applicable Final Terms;

**“Periodic Distribution Date”** has the meaning given to it in Condition 9(b) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*);

**“Permitted Merger”** means a merger, consolidation or amalgamation involving FGB as a result of which a Change of Control Event in relation to FGB 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 in respect of such Permitted Merger, no Rating Downgrade occurs;

**“Permitted Reorganisation”** means:

- (a) any solvent winding up or dissolution of a Principal Subsidiary where the remaining assets of such Principal Subsidiary are distributed to FGB or any wholly owned Subsidiary of FGB;
- (b) any disposal by any Subsidiary (including, but not limited to, on its solvent winding up) of the whole or a substantial part of its business, undertaking or assets to FGB or any wholly owned Subsidiary of FGB;
- (c) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly owned Subsidiary of FGB; or
- (d) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by a modification made by Extraordinary Resolution of the Certificateholders pursuant to Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*);

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

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

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

**“Principal Subsidiary”** means any Subsidiary of FGB: (i) whose assets from time to time represent not less than 10 per cent. of the consolidated assets of FGB, or whose revenues from time to time represent not less than 10 per cent. of the consolidated revenues of FGB, as shown in FGB’s most recent audited consolidated annual financial statements (or, if more recent, consolidated interim financial statements); or (ii) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary;

**“Proceedings”** has the meaning given to it in Condition 22 (*Governing Law and Arbitration*);

**“Proceeds”** means the proceeds of the issuance of a Series of Certificates;

**“Programme Agreement”** means the programme agreement between the Trustee, FGB and the Dealers named therein dated the date of the Master Trust Deed;

**“Rate”** means, in relation to a particular Series, the rate or rates (expressed as a per cent. per annum) specified in the applicable Final Terms for such Series and calculated or determined in accordance with these Conditions and/or the applicable Final Terms;

**“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 FGB 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 Event if, within the Change of Control Period, the rating previously assigned to FGB 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 Event 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 Event;

**“Real Estate Ijara Asset”** means a real estate asset in relation to which FGB or any person on its behalf has entered into a Real Estate Ijara Contract (and includes any ancillary rights under such Real Estate Ijara Contract);

**“Real Estate Ijara Contract”** means: (i) a lease *ijara* contract entered into by FGB or any person on its behalf (the **“Lessor”**) and a person (the **“Lessee”**) pursuant to which the Lessor leases a real estate asset to the Lessee, and in respect of which payments are due from the Lessee to the Lessor; or (ii) any arrangement similar in economic effect to that described in subparagraph (i);

**“Record Date”** has the meaning given to it in Condition 10(a) (*Payment – Payments in respect of Certificates*);

**“Reference Banks”** means the principal London office of each of four major banks engaged in the London inter-bank market selected by or on behalf of the Calculation Agent (in consultation with FGB), **provided that** once a Reference Bank has first been selected by the Calculation Agent or its duly appointed representative, such Reference Bank shall not be changed unless it ceases to be capable of acting as such;

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

**“Regular Period”** means:

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

**“Relevant Date”** has the meaning given to it in Condition 12 (*Taxation*);

**“Relevant Jurisdiction”** has the meaning given to it in Condition 12 (*Taxation*);

**“Relevant Powers”** has the meaning given to it in Condition 20 (*The Delegate*);

**“Required Amount”** means the aggregate of the amounts described in paragraphs (i), (ii) and (iii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) and, in relation to a Dissolution Date, the aggregate of the amounts described in paragraphs (i), (ii), (iii) and (iv) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*);

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

**“Rules”** has the meaning given to it in Condition 22 (*Governing Law and Arbitration*);

**“Sale Agreement”** means any sale agreement entered into in connection with the Purchase Undertaking Deed or the Sale Undertaking Deed;

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

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

**“Services”** means the services agreed to be provided by the Managing Agent in accordance with the Wakala Investment Plan under and pursuant to the Management Agreement;

**“Shari’a”** means the *Shari’a* as interpreted by the *Shari’a* Board;

**“Shari’a Board”** means the *Shari’a* Supervisory Board of FGB from time to time;

**“Shari’a-Compliant Investment”** means a *Shari’a*-compliant deposit with FGB;

**“Shortfall”** has the meaning given to it in Condition 6(e) (*Trust – Operation of Wakala Reserve Account*);

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

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

**“sub-unit”** has the meaning given to it in Condition 8(c) (*Fixed Periodic Distribution Provisions – Determination of Periodic Distribution Amount*);

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

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

“**Sukuk Assets**” has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

“**Surrender Amount**” has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

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

“**Tax Event**” has the meaning given to it in Condition 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

“**Tax Redemption Date**” means the date specified as such in the Exercise Notice delivered by FGB to the Trustee and:

- (a) if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, must be a Periodic Distribution Date; and
- (b) must be no less than 30 days and no more than 60 days after the date on which the Exercise Notice is delivered to the Trustee.

“**Taxes**” has the meaning given to it in Condition 12 (*Taxation*);

“**Transaction Account**” has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

“**Transaction Documents**” means, in relation to each Series, the Master Restricted Mudaraba Agreement; the relevant Restricted Mudaraba Contract; the Management Agreement; the Master Wakala Purchase Agreement; each Supplemental Purchase Contract; the Purchase Undertaking Deed; the Sale Undertaking Deed; any Sale Agreement which may be entered into as a result of exercise of rights under the Purchase Undertaking Deed or the Sale Undertaking Deed; the Redemption Undertaking Deed; the Change of Control Undertaking Deed; the Wakala Asset Sale Undertaking Deed; the Master Declaration of Trust; each Supplemental Declaration of Trust; the Agency Agreement; the Corporate Services Agreement; the Programme Agreement; the Agency Agreement; the relevant Certificates and any documents specified in the applicable Final Terms;

“**Trust Assets**” has the meaning given to it in Condition 6(b) (*Trust – Trust Assets*);

“**Trustee Administrator**” means MaplesFS Limited;

“**Value**”:

- (a) means: (1) in respect of any Mudaraba Asset, the amount determined by FGB on the relevant date as: (i) in the case of a Real Estate Ijara Asset or a Non-Real Estate Ijara Asset, the aggregate of all due and unpaid fixed rental instalment amounts payable by the lessee to FGB under the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract (as applicable) on such date; or (ii) the outstanding face amount or par value then outstanding of a *Shari’a*-Compliant Investment; and (2) in respect of the relevant Mudaraba Portfolio, the aggregate of the amounts determined under (i) and (ii) in respect of the Mudaraba Assets comprising the Mudaraba Portfolio on such date; and
- (b) means: (1) in respect of any Wakala Asset, the amount determined by FGB on the relevant date as: (i) in the case of a Non-Real Estate Ijara Asset, the aggregate of all due and unpaid fixed rental instalment amounts payable by the lessee to FGB under such Non-Real Estate Ijara Contract on such date; (ii) in the case of a Wakala Asset comprising *murabaha* receivables under a *murabaha* contract, the outstanding face amount or par value then outstanding of such Wakala Asset on such date; or (iii) in the case of any other *Shari’a*-compliant asset that is a Wakala Asset, the outstanding face amount or par value then outstanding of that *Shari’a*-compliant asset on such date; and (2) in respect of the

relevant Wakala Portfolio, the aggregate of the amounts determined under sub-paragraphs (i), (ii) and (iii) in respect of the Wakala Assets comprising the Wakala Portfolio on such date;

“**Wakala Asset**” has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

“**Wakala Investment Plan**” has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

“**Wakala Percentage**” has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

“**Wakala Portfolio**” has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

“**Wakala Portfolio Income Distribution Date**” means, in relation to a Supplemental Purchase Contract, the dates set out in such Supplemental Purchase Contract for distribution of income subject to, if applicable, adjustment in accordance with the relevant Business Day Convention;

“**Wakala Portfolio Income Distribution Period**” means, in relation to a Supplemental Purchase Contract, the period beginning on (and including) the Issue Date and ending on (but excluding) the First Wakala Portfolio Income Distribution Date and each successive period beginning on (and including) a Wakala Portfolio Income Distribution Date and ending on (but excluding) the next succeeding Wakala Portfolio Income Distribution Date;

“**Wakala Portfolio Income End Date**” means, in relation to a Supplemental Purchase Contract, the Dissolution Date of the Series of Certificates to which such Supplemental Purchase Contract relates;

“**Wakala Portfolio Income Revenues**” means Wakala Portfolio Revenues to the extent they comprise returns on account of income on Wakala Assets;

“**Wakala Portfolio Principal Revenues**” has the meaning given to it in Condition 6(a) (*Trust – Summary of the Trust*);

“**Wakala Portfolio Revenues**” means, in respect of each Series of Certificates, all rental, sale proceeds or consideration, damages, insurance proceeds, compensation or other sums received by the Managing Agent in whatever currency in connection with the relevant Wakala Assets; and

“**Wakala Reserve Account**” has the meaning given to it in Condition 6(d) (*Trust – Operation of Collection Account (Wakala Assets)*).

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

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

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

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

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

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

**(b) Title**

Title to the Certificates passes only by registration in the Register. Subject to the terms of any relevant Global Certificate and/or the definition of “Certificateholders”, the registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

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

**3. TRANSFERS OF CERTIFICATES**

**(a) Transfers**

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

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

**(b) Delivery of New Certificates**

Each new Certificate to be issued upon any transfer of Certificates will, within three (3) business days of receipt by the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, “**business day**” shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five (5) business days of receipt by the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

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

**(c) Formalities Free of Charge**

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

**(d) Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered during the period of fifteen (15) days ending on (and including) the due date for any payment of the Dissolution Amount or any Periodic Distribution Amount (as defined in Condition 8(b) (*Fixed Periodic Distribution Provisions – Periodic Distribution Amount*) or Condition 9(b) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*), as specified in the applicable Final Terms) or any other date on which payment of the face amount or payment of any profit in respect of a Certificate falls due as specified in the applicable Final Terms.

**(e) Regulations**

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

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

**4. STATUS AND LIMITED RECOURSE**

**(a) Status**

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

**(b) Limited Recourse**

The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, FGB, any of the Agents or any of their respective affiliates. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 16 (*Enforcement and Exercise of Rights*), Certificateholders acknowledge that, by subscribing for or acquiring Certificates, they will not have any claim against the Trustee (and/or its directors, officers or shareholders), FGB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates, or against any of their respective assets (other than the relevant Trust Assets) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee (and/or its directors), FGB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

FGB is obliged to make payments under the relevant Transaction Documents to which it is a party directly to the Trustee, the Delegate (acting in the name and on behalf of the Trustee) and/or the Agents. The Delegate will, as delegate of the Trustee for the Certificateholders, have direct recourse against FGB to recover payments due to the Trustee from FGB pursuant to such Transaction Documents. Neither the Trustee nor the Delegate shall be liable for the late, partial or non-recovery of any such payments from FGB save in the case of its wilful default, actual fraud or gross negligence.

**(c) Agreement of Certificateholders**

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

- (i) no payment of any amount whatsoever shall be made by any of the Trustee, the Delegate (acting in the name and on behalf of the Trustee) or any of their respective agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets;
- (ii) no recourse shall be had for the payment of any amount owing hereunder or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, administrators or shareholders), FGB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, any Agent or any of their respective agents or affiliates to the extent the relevant Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, FGB, any Agents and their respective agents or affiliates shall be extinguished;
- (iii) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;
- (iv) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any shareholder, member, officer, agent or director of the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Trustee under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents or directors of the Trustee save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and
- (v) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates.

**5. NEGATIVE PLEDGE**

So long as any Certificate remains outstanding, FGB 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 FGB or Guarantee (by FGB) of Relevant Indebtedness of others, other than a Permitted Security Interest, without: (a) at the same time or prior thereto securing the Certificates equally and rateably therewith; or (b) providing such other security for the Certificates as: (i) the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of the Certificateholders; or (ii) as may be approved by an Extraordinary Resolution of Certificateholders.

In this Condition 5 (*Negative Pledge*):

“**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 FGB 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 FGB 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 5 (*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 FGB 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 FGB 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 FGB 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 5 (*Negative Pledge*) does not, at any time, exceed 10 per cent. of the aggregate share capital and reserves of FGB as shown in its most recent audited consolidated (if then prepared by FGB) or non-consolidated (if consolidated financial statements are not then prepared by FGB) financial statements prepared in accordance with International Financial Reporting Standards.

## 6. TRUST

### (a) Summary of the Trust

On each Issue Date:

- (i) the Trustee will apply a portion of the Proceeds to purchase and receive, by way of assignment and transfer, the rights, title, interests, benefits and entitlements that FGB may have in a portfolio of Non-Real Estate Ijara Assets that are subject to Non-Real Estate Ijara Contracts (including any ancillary rights under such Non-Real Estate Ijara Contracts), receivables under *murabaha* (sale of commodities or goods on a cost plus basis) contracts (including any ancillary rights under such *murabaha* contracts) and other *Shari'a*-compliant assets originated, held or owned by FGB, including the income generated therefrom and any agreements or documents in relation to such assets (as more particularly described in relation to any Series in the Final Terms and the Conditions relating to such Series) each such asset an “**Initial Wakala Asset**” and the portfolio of such assets, as will be established pursuant to a certificate signed by authorised officers of FGB, in accordance with the powers delegated to such authorised officers by the board of directors of FGB, being the “**Initial Wakala Portfolio**”, and following the Issue Date of a Series, together with any Eligible Non-Real Estate Ijara Assets and other *Shari'a*-compliant assets originated, held or owned by FGB (including the income generated therefrom and any agreement and documents in relation to such assets), as the case may be, which may have been substituted for any Initial Wakala Asset in accordance with the Management Agreement, the Master Wakala Purchase Agreement, the relevant Supplemental Purchase Contract and the Wakala Asset Sale Undertaking Deed, the “**Wakala Portfolio**” and each asset comprising the Wakala Portfolio, a “**Wakala Asset**”); and
- (ii) the Rabb-al-Maal shall deposit the remainder of the Proceeds into the Mudaraba Account and such amount will constitute the initial capital investment (the “**Mudaraba Capital**”) of the Rabb-al-Maal in the restricted *mudaraba* arrangement (the “**Restricted Mudaraba**”)

constituted by a Restricted Mudaraba Contract entered into with the Mudarib in accordance with the terms of the Master Restricted Mudaraba Agreement pursuant to which the Mudarib will purchase an undivided interest in a portfolio of Real Estate Ijara Assets, as will be established pursuant to a certificate signed by authorised officers of FGB, in accordance with the powers delegated to such authorised officers by the board of directors of FGB, for which FGB (or another person on FGB's behalf) has provided *Shari'a*-compliant financing pursuant to Real Estate Ijara Contracts (including any ancillary rights under such Real Estate Ijara Contracts) (such assets being the “**Initial Mudaraba Assets**” and the portfolio of such assets being the “**Initial Mudaraba Portfolio**”, and following the Issue Date of a Series, together with Eligible Non-Real Estate Ijara Assets that are subject to Non-Real Estate Ijara Contracts (including any ancillary rights under such Non-Real Estate Ijara Contracts acquired) and other *Shari'a*-Compliant Investments made (as applicable) by the Mudarib in accordance with the Master Restricted Mudaraba Agreement, the related Restricted Mudaraba Contract and the relevant Mudaraba Investment Plan, the “**Mudaraba Portfolio**” and each asset comprising the Mudaraba Portfolio, a “**Mudaraba Asset**”).

**provided that:**

- (a) on the Issue Date only, at least 51 per cent. of the aggregate of the Value of: (i) the Mudaraba Portfolio; and (ii) the Wakala Portfolio, on such Issue Date shall be derived from Real Estate Ijara Assets, Non-Real Estate Ijara Assets and/or any other *Shari'a*-compliant assets that have associated with them underlying tangible assets;
- (b) on and following the Issue Date: (i) at least 30 per cent. of the Value of the Wakala Portfolio shall be derived from Non-Real Estate Ijara Assets that are subject to Non-Real Estate Ijara Contracts (including any ancillary rights under such Non-Real Estate Ijara Contracts) and/or any other *Shari'a*-compliant assets that have associated with them underlying tangible assets and (ii) at least 30 per cent. of the Value of the Mudaraba Portfolio shall be derived from Real Estate Ijara Assets and/or Non-Real Estate Ijara Assets; and
- (c) the Trustee will be under an obligation to invest a proportion of the Proceeds of each Series in a Wakala Portfolio in accordance with the terms of the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract, and, in the event that, on the Issue Date of a Series, no eligible Real Estate Ijara Assets are available for investment in accordance with the Master Restricted Mudaraba Agreement and the relevant Restricted Mudaraba Contract, the Trustee may invest the whole of the Proceeds of such Series in a Wakala Portfolio.

The Wakala Assets and the Mudaraba Assets shall together constitute the “**Sukuk Assets**” for each Series. For each Series, the percentage of the Proceeds used to purchase the Wakala Assets shall be the “**Wakala Percentage**” and the percentage of the Proceeds paid to the Mudarib as the Mudaraba Capital shall be the “**Mudaraba Percentage**” for such Series.

The Managing Agent shall manage the Wakala Portfolio for the benefit of the Trustee pursuant to, and in accordance with, the Management Agreement. Under the Management Agreement, the Managing Agent shall be obliged, in accordance with an investment plan (the “**Wakala Investment Plan**”), to manage the Wakala Asset through the provision of certain services (the “**Services**”) including, but not limited to, using its best endeavours to ensure timely receipt of all revenues from the Wakala Portfolio (the “**Wakala Portfolio Revenues**”), making all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues and investing all Wakala Portfolio Revenues which do not comprise Wakala Portfolio Income Revenues (including fixed rentals (in the case of *ijara* assets) and cost element (in the case of receivables under *murabaha* contracts)) (the “**Wakala Portfolio Principal Revenues**”) in acquiring further Eligible Wakala Assets from FGB.

Pursuant to the terms of the Management Agreement, the Managing Agent will maintain a Collection Account in respect of each Series of Certificates. Pursuant to the terms of the Management Agreement, the Managing Agent shall be obliged to maintain separate ledgers in the Collection Account to record: (1) any amount of Wakala Portfolio Principal Revenues received in respect of the Wakala Portfolio; (2) the amount of Wakala Portfolio Income Revenues received in respect of the Wakala Portfolio; and (3) any amount of Wakala Portfolio Income Revenues remaining after deducting amounts payable to the Trustee. All Wakala

Portfolio Income Revenues received by the Managing Agent in respect of the Wakala Portfolio of each Series will be credited to the Collection Account and applied by the Managing Agent in accordance with Condition 6(d) (*Trust – Operation of Collection Account (Wakala Assets)*). In particular, Wakala Portfolio Income Revenues received will, after accumulation in the relevant Collection Account during each Return Accumulation Period, up to the Wakala Percentage of the Required Amount, be paid into the Transaction Account and applied (together with amounts credited to the Transaction Account by the Mudarib in accordance with the relevant Restricted Mudaraba Contract), to make periodic distributions in respect of the relevant Series in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*).

The Managing Agent is required, under the Management Agreement, to use all Wakala Portfolio Principal Revenues to invest in additional Eligible Wakala Assets, which will form part of the Wakala Portfolio of that relevant Series. All Wakala Assets acquired by the Trustee will be Eligible Wakala Assets. In the event that any Wakala Assets cease to be Eligible Wakala Assets, the Managing Agent shall be obliged to replace the relevant Wakala Assets (and associated contracts) with a Wakala Asset which is an Eligible Wakala Asset.

The Mudarib will invest the Mudaraba Capital in accordance with an investment plan prepared by the Mudarib and contained in the relevant Restricted Mudaraba Contract (the “**Mudaraba Investment Plan**”), in certain Real Estate Ijara Assets provided that such Real Estate Ijara Assets are Eligible Mudaraba Assets. The Mudaraba Investment Plan will specify, *inter alia*, the expected rate of return in respect of the Mudaraba Assets (the “**Expected Mudaraba Profit**”). The Mudarib will hold and manage the Mudaraba Portfolio for the benefit of the Rabb-al-Maal.

Under the terms of the Master Restricted Mudaraba Agreement, in relation to each Restricted Mudaraba, the Mudarib shall be obliged, among other things, to ensure that the Mudaraba Capital is invested in accordance with the Mudaraba Investment Plan and to monitor, subject to, and in accordance with its usual and standard practices from time to time, on a monthly basis the value and the income generating properties of the relevant Mudaraba Assets, use its best endeavours to invest the Mudaraba Capital in Eligible Mudaraba Assets and use its best endeavours to manage the Mudaraba Portfolio such that the Value of the relevant Mudaraba Portfolio is, on the Business Day immediately preceding the relevant Dissolution Date, equal to or greater than the Mudaraba Capital. Following the distribution of profit between the Mudarib and FGB in respect of their respective undivided ownership interests in FGB’s portfolio of assets, the Mudarib shall make profit distributions in relation to a Restricted Mudaraba Contract on each Constructive Liquidation Distribution Date, on the basis of a Constructive Liquidation, in respect of each Constructive Liquidation Distribution Period, of the relevant Restricted Mudaraba by the Mudarib. Any payment of Mudaraba Profit shall be made from the profits generated by the Mudaraba Capital in relation to the applicable Mudaraba Contract, calculated on the basis of a Constructive Liquidation of the Restricted Mudaraba by the Mudarib, and will be allocated to the Rabb-al-Maal and the Mudarib in accordance with the profit sharing ratio set out in the Master Restricted Mudaraba Agreement. Following the Constructive Liquidation, on each Constructive Liquidation Distribution Date, unless the Rabb-al-Maal informs the Mudarib otherwise, the Rabb-al-Maal will be deemed to reinvest the Mudaraba Capital in the Restricted Mudaraba in accordance with the applicable Mudaraba Investment Plan.

On the applicable Mudaraba End Date, any amounts standing to the credit of the Mudaraba Reserve Account after all amounts due under the Certificates of the relevant Series have been satisfied in full shall be paid to the Mudarib as an incentive amount for its performance.

Pursuant to the terms of the Master Restricted Mudaraba Agreement, the Mudarib shall be obliged to maintain separate ledgers to record: (1) any amount of Mudaraba Portfolio Principal Revenues received in respect of an Actual Liquidation or Constructive Liquidation of the relevant Restricted Mudaraba; (2) the amount of Mudaraba Profit received in respect of the Mudaraba Portfolio which is payable to the Rabb-al-Maal; and (3) any amounts of Mudaraba Profit remaining after deducting amounts payable to the Rabb-al-Maal. The Mudarib will, to the extent possible, reinvest all principal collections received in respect of the Mudaraba Portfolio of each Series of Certificates (“**Mudaraba Portfolio Principal Revenues**”) in additional Eligible Mudaraba Assets in accordance with the Mudaraba Investment Plan. The Eligible Mudaraba Assets in which Mudaraba Portfolio Principal Revenues are reinvested in will relate to Real Estate Ijara Assets, except to the extent that no Real Estate Ijara Assets are available

for investment purposes, in which case the Mudarib shall reinvest the Mudaraba Portfolio Principal Revenues in Eligible Mudaraba Assets which relate to Non-Real Estate Ijara Assets, and to the extent that no Real Estate Ijara Assets or Non-Real Estate Ijara Assets are available for investment purposes, the Mudarib shall reinvest the Mudaraba Portfolio Principal Revenues in *Shari'a*-Compliant Investments. Such additional Eligible Mudaraba Assets will form part of the Mudaraba Portfolio of the relevant Series.

Upon the maturity of a Series, the occurrence of a Dissolution Event or upon the redemption of all the Certificates in a Series following the exercise of the relevant Redemption Undertaking or Change of Control Undertaking:

- (a) pursuant to the Purchase Undertaking Deed, the Trustee (or, prior thereto following the occurrence of a Dissolution Event, the Delegate), may exercise its rights under the relevant Purchase Undertaking and require FGB to purchase and receive from the Trustee by way of assignment and transfer the relevant Wakala Portfolio. The price (the “**Exercise Price**”) payable by FGB upon exercise of the relevant Purchase Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the relevant Purchase Undertaking, less the Wakala Percentage of any relevant Surrender Amount; (ii) an amount equal to any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; (iii) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*); and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date; and
- (b) pursuant to the Master Restricted Mudaraba Agreement, the relevant Restricted Mudaraba will be liquidated (by way of an Actual Liquidation or Constructive Liquidation) and the Mudarib will distribute to the Rabb-al-Maal an amount equal to the aggregate of: (i) an amount equal to the Value of the relevant Mudaraba Portfolio upon the date of the relevant Liquidation, less the Mudaraba Percentage of any relevant Surrender Amount; plus (ii) any Mudaraba Portfolio Principal Revenues held by the Mudarib in relation to such Restricted Mudaraba Contract at the relevant time that have not yet been invested in further Eligible Mudaraba Assets (the “**Final Liquidation Proceeds**”) in accordance with the Master Restricted Mudaraba Agreement and the Restricted Mudaraba Contract; and
- (c) pursuant to the Management Agreement, the Managing Agent will pay to the Trustee the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the relevant Series that have not at the relevant time been invested in Eligible Wakala Assets, less the Wakala Percentage of any Surrender Amount, by crediting such amounts into the Transaction Accounts.

For these purposes, “**Surrender Amount**” means, in respect of each Series, the aggregate face amount of any Certificates cancelled by the Trustee following the exercise of the Redemption Undertaking Deed or the Change of Control Undertaking Deed; and

“**Value**”:

- (a) means: (1) in respect of any Mudaraba Asset, the amount determined by FGB on the relevant date as: (i) in the case of a Real Estate Ijara Asset or a Non-Real Estate Ijara Asset, the aggregate of all due and unpaid fixed rental instalment amounts payable by the lessee to FGB under the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract (as applicable) on such date; or (ii) the outstanding face amount or par value then outstanding of a *Shari'a*-Compliant Investment; and (2) in respect of the relevant Mudaraba Portfolio, the aggregate of the amounts determined under (i) and (ii) in respect of the Mudaraba Assets comprising the Mudaraba Portfolio on such date; and
- (b) means: (1) in respect of any Wakala Asset, the amount determined by FGB on the relevant date as: (i) in the case of a Non-Real Estate Ijara Asset, the aggregate of all due and unpaid fixed rental instalment amounts payable by the lessee to FGB under such Non-Real Estate Ijara Contract on such date; (ii) in the case of a Wakala Asset comprising *murabaha* receivables under a *murabaha* contract, the outstanding face amount or par value then outstanding of such Wakala Asset on such date; or (iii) in the case of any other *Shari'a*-compliant asset that is a Wakala Asset, the outstanding face amount or par value

then outstanding of that *Shari'a*-compliant asset on such date; and (2) in respect of the relevant Wakala Portfolio, the aggregate of the amounts determined under sub-paragraphs (i), (ii) and (iii) in respect of the Wakala Assets comprising the Wakala Portfolio on such date;

FGB may, in the event of certain tax gross ups being required or, in the event that FGB exercises a call option in relation to a Series (the “**Optional Dissolution Right**”) (if applicable to the relevant Series):

- (a) pursuant to the Sale Undertaking Deed, exercise its rights under the relevant Sale Undertaking to require the Rabb-al-Maal to sell and transfer the relevant Wakala Portfolio to FGB. The Exercise Price payable by FGB upon exercise of the relevant Sale Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio upon the date of exercise of the Sale Undertaking, less the Wakala Percentage of any relevant Surrender Amount; (ii) an amount equal to any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; (iii) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*)) in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date;
- (b) pursuant to the Management Agreement, the Managing Agent will pay to the Trustee the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the relevant Series that have not at the relevant time been invested in Eligible Wakala Assets, by crediting such amounts into the Transaction Accounts; and
- (c) pursuant to the Master Restricted Mudaraba Agreement, liquidate the relevant Restricted Mudaraba (by way of an Actual Liquidation or Constructive Liquidation) and distribute the Final Liquidation Proceeds in accordance with the Master Restricted Mudaraba Agreement and the Restricted Mudaraba Contract.

Any amount payable as part of the relevant Exercise Price pursuant to (a)(ii) above will be set-off against the equivalent amount owed by the Trustee to the Managing Agent.

Pursuant to the Change of Control Undertaking Deed, FGB will, with respect to each Series, give a Change of Control Undertaking in favour of the Trustee pursuant to which FGB undertakes, in the case of the exercise of the Trustee’s rights pursuant to Condition 14(c) (*Purchase and Cancellation of Certificates - Redemption at the Option of the Certificateholders (Change of Control Option)*) and following receipt of a Change of Control Purchase Notice, to:

- (i) purchase from Certificateholders the Certificates which are to be redeemed (the “**Change of Control Certificates**”) in exchange for payment of the Change of Control Amount; and
- (ii) surrender the Change of Control Certificates to the Trustee in exchange for:
  - (A) the Trustee granting FGB a *pro-rata* co-ownership interest in the relevant Wakala Portfolio and the relevant Mudaraba Portfolio; and
  - (B) the cancellation by the Trustee of the Change of Control Certificates.

Pursuant to the Redemption Undertaking Deed, the Trustee will, with respect to each Series, give a Redemption Undertaking in favour of FGB pursuant to which the Trustee undertakes, in the case of the exercise of FGB’s rights pursuant to Condition 14(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by FGB and/or any of its Subsidiaries*) and following receipt of a Cancellation Notice, to cancel any Certificates surrendered to it by FGB and/or any of its subsidiaries (the “**Cancellation Certificates**”) in exchange for the Trustee granting FGB a *pro-rata* co-ownership interest in the relevant Wakala Portfolio and the relevant Mudaraba Portfolio.

Pursuant to the Wakala Asset Sale Undertaking Deed, the Trustee will, with respect to each Series, give a Wakala Asset Sale Undertaking in favour of FGB pursuant to which the Trustee undertakes, upon receipt of a substitution notice, to transfer certain Wakala Assets to FGB in exchange for the receipt of certain new Wakala Assets from FGB on the condition that the value of the new Wakala Assets is at least equal to the Value of the new Wakala Assets on such date.

**(b) Trust Assets**

Unless otherwise specified in the Master Restricted Mudaraba Agreement and the applicable Final Terms, the Trust Assets will comprise:

- (i) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets;
- (ii) the right, title, interest and benefit, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by FGB to the Trustee and the Delegate pursuant to any of the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to clause 17.1 of the Master Declaration of Trust);
- (iii) all monies standing to the credit of the Transaction Account; and
- (iv) any other assets, rights, cash or investments as may be specified in the applicable Final Terms,

and all proceeds of the foregoing upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder for the relevant Series.

Pursuant to the Master Declaration of Trust, as supplemented by any relevant Supplemental Declaration of Trust, the Trustee holds the Trust Assets for each Series for and on behalf of the holders of the Certificates of such Series.

**(c) Operation of Transaction Account**

For each Series, the Trustee will establish a non-interest bearing transaction account (the "**Transaction Account**") with the Principal Paying Agent into which, among other things: (i) the Mudarib will deposit all amounts of Mudaraba Profit due to the Rabb-al-Maal in respect of the relevant Series; (ii) the Managing Agent will deposit all amounts of Wakala Portfolio Income Revenues due to the Trustee in respect of the relevant Series; and (iii) the Delegate will deposit all the proceeds of any action to enforce or realise the relevant Trust Assets taken in accordance with Condition 16 (*Enforcement and Exercise of Rights*).

**(d) Operation of Collection Account (Wakala Assets)**

Pursuant to the Management Agreement, the Managing Agent shall receive and accumulate all Wakala Portfolio Income Revenues for each Series and shall record the same in the relevant Collection Account. The Managing Agent agrees and acknowledges that, where any such investment as described in the preceding paragraph (ii) is made, any return arising from such use or investment shall be credited to the Wakala Reserve Account (as described below). All such Wakala Portfolio Income Revenues standing to the credit of the Collection Account will be applied by the Managing Agent in the following order of priority:

- (i) *first*, in payment of all or any due and payable Management Liabilities Amounts (including any amounts due and repayable under the Liquidity Facility);
- (ii) *second*, on each Wakala Portfolio Income Distribution Date, the Managing Agent shall pay into the Transaction Account an amount equal to the lesser of the Wakala Percentage of the Required Amount for the corresponding Periodic Distribution Date or Dissolution Date, as the case may be, and the balance of the Collection Account; and
- (iii) *third*, if the balance of the Income Collection Account on such day exceeds the aggregate of: (i) the Wakala Percentage of the Required Amount for such Periodic Distribution Date or Dissolution Date, as the case may be; and (ii) any amounts due and payable pursuant to paragraph (i) above, the Managing Agent shall retain the surplus as a reserve and credit such surplus to a ledger account (the "**Wakala Reserve Account**").

**(e) Operation of Wakala Reserve Account**

Pursuant to the Management Agreement, the Managing Agent shall credit any surplus amounts of Wakala Portfolio Income Revenues (if any) to the Wakala Reserve Account in accordance with Condition 6(d)(iii). Monies standing to the credit of the Wakala Reserve Account (if any) shall be paid in accordance with this Condition 6(e) (*Trust – Operation of Wakala Reserve Account*). The Managing Agent will be entitled to use amounts standing to the credit of the Wakala Reserve Account for its own account, provided that such amounts shall be repaid by the Managing Agent if so required to fund a shortfall in respect of the relevant Series.

On each Wakala Portfolio Income Distribution Date, the Managing Agent will apply any amounts standing to the credit of the Wakala Reserve Account by paying the same into the Transaction Account, towards the aggregate amount of any shortfall between: (i) the amounts standing to the credit of the Transaction Account at such time and (after taking into account any payments made or to be made pursuant to the Master Restricted Mudaraba Agreement); and (ii) the Required Amount due on the corresponding Periodic Distribution Date (a “**Shortfall**”).

Upon final termination or dissolution of the Trust as provided in Condition 11 (*Capital Distributions of the Trust*), and provided that all obligations owed by FGB to the Trustee have been met, the Managing Agent shall be entitled to retain the remaining balance (if any) of the Wakala Reserve Account (after any payments into the Transaction Account as provided above) for its own account as an incentive amount.

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following: (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable); and (iii) the deposit in the Transaction Account by the Managing Agent of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets (less, without duplication or double counting, the Wakala Percentage of any relevant Surrender Amount), is less than the Required Amount due on such date, then the Managing Agent may apply any amounts standing to the credit of the Wakala Reserve Account in order to cover such Shortfall.

**(f) Operation of Mudaraba Reserve Account**

Pursuant to the Master Restricted Mudaraba Agreement, the Mudarib shall credit any excess Mudaraba Profit to a ledger account (the “**Mudaraba Reserve Account**”). Monies standing to the credit of the Mudaraba Reserve Account (if any) shall be paid in accordance with this Condition 6(f) (*Trust – Operation of Mudaraba Reserve Account*). The Mudarib will be entitled to use amounts standing to the credit of the Mudaraba Reserve Account for its own account, provided that such amounts shall be repaid by the Mudarib if so required to fund a Shortfall in respect of the relevant Series.

On each Constructive Dissolution Distribution Date, the Mudarib will, after taking into account any payments made or to be made by the Managing Agent pursuant to the Management Agreement, apply any amounts standing to the credit of the Mudaraba Reserve Account by paying the same into the Transaction Account, towards the aggregate amount of any Shortfall.

Upon final termination or dissolution of the Trust as provided in Condition 11 (*Capital Distributions of the Trust*), after all amounts due under the Certificates of the relevant Series have been satisfied in full, the Mudarib shall be entitled to retain the remaining balance (if any) of the Mudaraba Reserve Account (after any payments into the Transaction Account as provided in paragraph (i) and (ii) above) for its own account as an incentive amount.

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement and the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable) is less than the Required Amount due on such date, then the Mudarib may utilise any amounts standing to the credit of the Mudaraba Reserve Account in order to cover such Shortfall.

**(g) Operation of Liquidity Facility**

In the event that the amounts standing to the credit of the Mudaraba Reserve Account, when aggregated with the amounts standing to the credit of the Wakala Reserve Account, are insufficient to pay the amounts described in items (i), (ii) and (iii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) on any Periodic Distribution Date or Dissolution Date (as applicable), the Managing Agent may provide a *Shari’a*-compliant liquidity facility (without recourse to the Sukuk Assets) (the “**Liquidity Facility**”) to the Trustee to ensure that in respect of each Series, the Trustee receives no later than the Business Day immediately preceding

each Periodic Distribution Date or Dissolution Date (as applicable), the full amount payable in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) on such Periodic Distribution Date or Dissolution Date (as applicable).

**(h) Application of Proceeds from Trust Assets**

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

- (i) *first*, (to the extent not previously paid) to pay the Delegate all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust;
- (ii) *second*, (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all amounts properly incurred and documented (each in the opinion of the Delegate) owing to it under the Transaction Documents in its capacity as Trustee; (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents in its capacity as Trustee Administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;
- (iii) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (iv) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment of the Dissolution Amount; and
- (v) *fifth*, only if such payment is made on a Dissolution Date, payment of any residual amount to the Managing Agent as an incentive amount for its performance.

**7. COVENANTS**

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

- (i) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (ii) create any Security Interest over any of its present or future indebtedness for borrowed money or upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) (other than under or pursuant to any of the Transaction Documents));
- (iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;
- (iv) subject to Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (v) except as provided in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (vi) have any subsidiaries or employees;
- (vii) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;

- (viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (ix) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly permitted or required thereunder or engage in any business or activity other than:
  - (A) as provided for or permitted in the Transaction Documents;
  - (B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (C) such other matters which are incidental thereto.

## 8. FIXED PERIODIC DISTRIBUTION PROVISIONS

### (a) Application

This Condition 8 (*Fixed Periodic Distribution Provisions*) is applicable to the Certificates only if the fixed periodic distribution provisions set out in this Condition 8 (*Fixed Periodic Distribution Provisions*) (the “**Fixed Periodic Distribution Provisions**”) are specified in the applicable Final Terms as being applicable.

### (b) Periodic Distribution Amount

A “**Periodic Distribution Amount**” representing a defined share of the profit in respect of the relevant Sukuk Assets will be payable in respect of the relevant Certificates and be distributable by the Trustee to the Certificateholders in accordance with these Conditions.

### (c) Determination of Periodic Distribution Amount

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

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

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

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

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

**(d) Payment in Arrear**

Subject to Condition 8(e) (*Fixed Periodic Distribution Provisions – Cessation of Profit Entitlement*), Condition 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), Condition 11(c) (*Capital Distributions of the Trust – Dissolution at the Option of FGB*), and Condition 15 (*Dissolution Events*) below, and unless otherwise specified in the applicable Final Terms, each Periodic Distribution Amount will be paid in respect of the relevant Certificates in arrear on each Periodic Distribution Date specified in the applicable Final Terms.

**(e) Cessation of Profit Entitlement**

**Provided that**, upon due presentation, payment is not improperly withheld or refused, no further amounts will be payable on any Certificate from and including the relevant Dissolution Date.

**9. FLOATING PERIODIC DISTRIBUTION PROVISIONS**

**(a) Application**

This Condition 9 (*Floating Periodic Distribution Provisions*) is applicable to the Certificates only if the floating periodic distribution provisions set out in this Condition 9 (*Floating Periodic Distribution Provisions*) (the “**Floating Periodic Distribution Provisions**”) are specified in the applicable Final Terms as being applicable.

**(b) Periodic Distribution Amount**

A “**Periodic Distribution Amount**” representing a defined share of the profit in respect of the relevant Sukuk Assets will be payable in respect of the relevant Certificates and be distributable by the Trustee to the Certificateholders in accordance with these Conditions. Such Periodic Distribution Amounts will be payable in arrear on either:

- (i) the Specified Periodic Distribution Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Periodic Distribution Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Periodic Distribution Date, a “**Periodic Distribution Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Periodic Distribution Date or, in the case of the First Periodic Distribution Date, after the Issue Date.

Such Periodic Distribution Amounts will be payable in respect of each Return Accumulation Period.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which a Periodic Distribution Date should occur, or (y) if any Periodic Distribution Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (i) in any case where Specified Periods are specified in accordance with Condition 9(b)(ii) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*) above, the Floating Rate Convention, such Periodic Distribution Date: (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis*; or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Periodic Distribution Date shall be brought forward to the

immediately preceding Business Day; and (ii) each subsequent Periodic Distribution Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Periodic Distribution Date occurred; or

- (ii) the Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day; or
- (iii) the Modified Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; or
- (iv) the Preceding Business Day Convention, such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**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; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant Specified Currency and in each (if any) Additional Business Centre.

**(c) Screen Rate Determination**

If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate(s) is/are to be determined, the Rate applicable to the Certificates for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate specified in the applicable Final Terms 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 as of the Relevant Time on the relevant Periodic Distribution 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 as of the Relevant Time on the relevant Periodic Distribution Determination Date;
- (iii) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) 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 each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Periodic Distribution Determination Date to prime banks in the London interbank market, as the case may be, 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 country of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial centre of the country of the Specified Currency) on the first day of the relevant Return Accumulation Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate for such Return Accumulation Period shall be the sum of the Margin as specified in the applicable Final Terms and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, 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 Return Accumulation Period, the Rate applicable to the Certificates during such Return

Accumulation 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 Certificates in respect of a preceding Return Accumulation Period.

**(d) Cessation of Profit Entitlement**

**Provided that**, upon due presentation, payment is not improperly withheld or refused, no further amounts will be payable on any Certificate from and including the relevant Dissolution Date.

**(e) Calculation of Periodic Distribution Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Return Accumulation Period, calculate the Periodic Distribution Amount payable in respect of each Certificate for such Return Accumulation Period. The Periodic Distribution Amount will be calculated by applying the Rate applicable to the relevant Return Accumulation Period (i) to the face amount (in the case of a Certificate in global form) or (ii) to the Calculation Amount (in the case of a Certificate in individual registered form), 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 figure equal to the Specified Denomination of the relevant Certificate 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.

“**Day Count Fraction**” means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition 9(e) (*Floating Periodic Distribution Provisions – Calculation of Periodic Distribution Amount*):

- (i) if “**Actual/Actual**”, “**Actual/Actual (ISDA)**”, “**Act/Act**” or “**Act/Act (ISDA)**” is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 (or, if any portion of that Return Accumulation Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Return Accumulation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/Actual (ICMA)**” or “**Act/Act (ICMA)**” is specified:
  - (A) where the Determination Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Determination Period divided by the product of: (1) the actual number of days in such Regular Period; and (2) the number of Regular Periods in any year; and
  - (B) where the Determination Period is longer than one Regular Period, the sum of:
    - (1) the actual number of days in such Determination Period falling in the Regular Period in which it begins divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year; and
    - (2) the actual number of days in such Determination Period falling in the next Regular Period divided by the product: of (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year;
- (iii) if “**Actual/365(Fixed)**”, “**Act/365 (Fixed)**”, “**A/365 (Fixed)**” or “**A/365F**” is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period in respect of which payment is being made divided by 365;
- (iv) if “**Actual/360**”, “**Act/360**” or “**A/360**” is specified, the actual number of days in the Return Accumulation Period in respect of which payment is being made divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

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

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

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

“M<sub>1</sub>” is the calendar month expressed as a number, in which the first day of the Return Accumulation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

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

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

- (vii) if “30E/360(ISDA)” specified in the applicable Final Terms, the number of days in the Return Accumulation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

“M<sub>2</sub>” is the calendar month expressed as a number, in which the day immediately following the last day included in the Return Accumulation Period falls; and

“D<sub>1</sub>” is the first calendar day of the Return Accumulation Period, expressed as a number, of the Return Accumulation Period unless (i) that day is the last day of February, or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and “D<sub>2</sub>” is the calendar day,

expressed as a number, immediately following the last day included in the Return Accumulation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date, or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

**(f) Calculation of Other Amounts**

If the applicable Final Terms specify 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 applicable Final Terms.

**(g) Publication**

The Calculation Agent will cause each Rate and Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution 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 listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate, Periodic Distribution Amount and Periodic Distribution Date) in any event not later than the first day of the relevant Return Accumulation Period. Notice thereof shall also promptly be given to the Certificateholders. The Calculation Agent will be entitled to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Return Accumulation Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Periodic Distribution Amount but instead may publish only the Calculation Amount and the Periodic Distribution Amount in respect of a Certificate having the minimum Specified Denomination.

**(h) Notifications, etc. to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 9 (*Floating Periodic Distribution Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Trustee, the Delegate, FGB, the Agents and all Certificateholders. In the absence of negligence, wilful default or fraud no liability to the Trustee, the Delegate, FGB, any Agent or the Certificateholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 9 (*Floating Periodic Distribution Provisions*).

**10. PAYMENT**

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

Subject to Condition 8(b) (*Fixed Periodic Distribution Provisions – Periodic Distribution Amount*) or Condition 9(b) (*Floating Periodic Distribution Provisions – Periodic Distribution Amount*) (as applicable), payment of each Periodic Distribution Amount and the relevant Dissolution Amount will be made by the relevant Paying Agent in the Specified Currency, by wire transfer in same day funds to the registered account of each Certificateholder. Payments of the Dissolution Amount will only be made against surrender of the relevant Certificate at the specified office of the relevant Paying Agent. The Dissolution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of these Conditions:

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

(iii) “**Record Date**” means:

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

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

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of this Condition 10 (*Payment*).

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

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

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

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

**(d) Agents**

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

The names of the initial Agents and their initial specified offices are set out in this Condition. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents **provided that:** (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system; and (c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

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

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

Citibank N.A., London Branch  
14<sup>th</sup> Floor  
Citigroup Centre  
Canada Square  
London E14 5LB  
United Kingdom

The name and specified office of the Registrar:

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

## 11. CAPITAL DISTRIBUTIONS OF THE TRUST

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

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the Dissolution Amount and the Trust will be dissolved by the Trustee on the relevant Scheduled Dissolution Date.

### (b) Early Dissolution for Tax Reasons

If a Tax Event occurs, where “**Tax Event**” means:

- (i) (A) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (ii) (A) the Trustee has received notice from the Mudarib that it has or will become obliged to pay additional amounts pursuant to the terms of the Master Restricted Mudaraba Agreement as supplemented by the relevant Restricted Mudaraba Contract as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Series; and (B) such obligation cannot be avoided by taking reasonable measures available to it,

then, FGB may:

- (a) exercise its option granted under Clause 2.1.1 (*Grant of Rights*) of the Sale Undertaking Deed in accordance with Clause 3.1.1 (*Exercise and Undertaking*) thereof; and
- (b) in its capacity as Mubarib, liquidate (in whole, but not in part) the Restricted Mudaraba in respect of the relevant Restricted Mudaraba Contract (by way of an Actual Liquidation or Constructive Liquidation) in accordance with the provisions of the Master Restricted Mudaraba Agreement and the applicable Restricted Mudaraba Contract,

and deliver an Exercise Notice to the Trustee specifying the due date for redemption of the Certificates (in whole, but not in part):

- (1) at any time (if the Floating Periodic Distribution Provisions are not specified in the applicable Final Terms as being applicable); or
- (2) on any Periodic Distribution Date (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable),

such notice to be delivered in the prescribed form set out in the Sale Undertaking Deed and not less than 30 nor more than 60 days prior to the due date for redemption stated therein.

Following receipt by the Trustee of a duly completed Exercise Notice from FGB under the Sale Undertaking Deed, the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to dissolve the Certificates on the relevant Dissolution Date), dissolve the Trust and redeem (in whole, but not in part) the Certificates at their Early Dissolution Amount (Tax), together with Periodic Distribution Amounts accrued (if any) to the Dissolution Date **provided, however, that** no such notice of dissolution shall be given to Certificateholders earlier than:

- (x) where the Certificates may be dissolved at any time (if the Floating Periodic Distribution Provisions are not specified in the applicable Final Terms as being applicable), 90 days prior to the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (ii)

above) FGB would be obliged to pay such additional amounts if a payment to the Trustee under the Master Restricted Mudaraba Agreement as supplemented by the relevant Restricted Mudaraba Contract was then due; or

- (y) where the Certificates may be dissolved only on a Periodic Distribution Date (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable), 60 days prior to the Periodic Distribution Date occurring immediately before the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (ii) above) FGB would be obliged to pay such additional amounts if a payment to the Trustee under the Master Restricted Mudaraba Agreement as supplemented by the relevant Restricted Mudaraba Contract was then due.

Prior to the publication by or on behalf of the Trustee of any notice to Certificateholders pursuant to this Condition 11 (*Capital Distribution of the Trust*), it shall be sufficient, to establish that the conditions precedent set out in this Condition 11 (*Capital Distribution of the Trust*) to the right of the Trustee to dissolve the Trust have occurred, if FGB shall deliver to the Trustee and the Delegate an opinion of independent legal advisers of recognised standing or accountant of recognised standing to the effect either that such circumstances do exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto), or in the interpretation or administration thereof, of any Relevant Jurisdiction, which at the date of such Certificate is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant Periodic Distribution Amount or, as the case may be, Dissolution Amount in respect of the Certificates would otherwise be made, becoming so effective, such circumstances would exist and the Trustee or the Delegate shall be entitled to accept such opinion as sufficient evidence of the satisfaction of the relevant conditions precedent in which event they shall be conclusive and binding on the Certificateholders.

Upon the expiry of any such notice to Certificateholders as is referred to above, the Trustee shall be bound to dissolve the Certificates in accordance with this Condition 11 (*Capital Distribution of the Trust*). Upon such dissolution as aforesaid and the termination of the Trust, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

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

If the Optional Dissolution Right (as set out in the applicable Final Terms) is specified in such Final Terms as being applicable, FGB shall:

- (a) exercise its option granted under Clause 2.1.2 (*Grant of Rights*) of the Sale Undertaking Deed in accordance with Clause 3.1.2 (*Exercise and Undertaking*) thereof; and
- (b) in its capacity as Mudarib, liquidate (in whole, but not in part) the Restricted Mudaraba in respect of the relevant Restricted Mudaraba Contract (by way of an Actual Liquidation or Constructive Liquidation) in accordance with the provisions of the Master Restricted Mudaraba Agreement and the applicable Restricted Mudaraba Contract,

and deliver an Exercise Notice to the Trustee specifying the due date for redemption of the Certificates (in whole, but not in part) on any Optional Dissolution Date specified in the applicable Final Terms, such notice to be delivered in the prescribed form set out in the Sale Undertaking Deed and not less than 45 days prior to the due date for redemption stated therein.

Following receipt by the Trustee of a duly completed Exercise Notice in the prescribed form pursuant to this Condition 11(c) (*Capital Distributions of the Trust – Dissolution at the Option of FGB*), the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to dissolve the Certificates on the relevant Optional Dissolution Date), dissolve the Trust and redeem (in whole, but not in part) the Certificates at the relevant Optional Dissolution Amount, together with Periodic Distribution Amounts accrued (if any) to the Optional Dissolution Date.

Upon the expiry of any such notice to Certificateholders as is referred to in this Condition 11 (*Capital Distribution of the Trust*), the Trustee shall be bound to dissolve the Certificates in accordance with this Condition 11 (*Capital Distribution of the Trust*). Upon payment in full of such amounts and the dissolution as aforesaid and termination of the relevant Trust, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

**(d) Dissolution following a Dissolution Event**

Upon the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed at the Dissolution Amount on the Dissolution Event Redemption Date, if the conditions set out in Condition 15 (*Dissolution Events*) are satisfied, and the Trust will be dissolved by the Trustee.

**(e) No other Dissolution**

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 11 (*Capital Distributions of the Trust*), Condition 14(d) (*Purchase and Cancellation of Certificates – Dissolution of the Trust upon cancellation of all outstanding Certificates in a Series*) and Condition 15 (*Dissolution Events*).

**(f) Cancellations**

All Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold.

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

Upon payment in full of the Dissolution Amount and the termination of the Trust, the Certificates shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

**12. TAXATION**

All payments in respect of the Certificates by the Trustee 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 or levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction (“**Taxes**”), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay such additional amounts as shall be necessary in order that the full amount which otherwise would have been due and payable under the Certificates is received by the Certificateholders, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate presented for payment (where presentation is required):

- (i) by or on behalf of a holder who is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or
- (ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a different Member State of the European Union; or
- (iv) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days.

In these Conditions:

**“Relevant Date”** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the relevant Paying Agent or the Trustee or the Registrar on or before the due date, it means the date on which the full amount of the money having been so received, notice to that effect shall have been duly given to Certificateholders by the Trustee in accordance with Condition 18 (*Notices*); and

**“Relevant Jurisdiction”** means the Cayman Islands (in the case of any payment made by the Trustee) and the United Arab Emirates or any Emirate therein (in the case of any payment made by FGB) or, in each case, any political subdivision or authority thereof or therein having the power to tax.

The Master Restricted Mudaraba Agreement as supplemented by the relevant Restricted Mudaraba Contract and the Purchase Undertaking Deed provide that payments thereunder by FGB shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by FGB of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee or the Delegate acting on its behalf.

If FGB becomes subject 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.

### 13. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within a period of ten (10) years (in the case of the Dissolution Amount) and five (5) years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

### 14. PURCHASE AND CANCELLATION OF CERTIFICATES

#### (a) Purchases

FGB and/or any Subsidiary may at any time purchase Certificates at any price in the open market or otherwise. Such Certificates may be held, reissued, re-sold or, at the option of FGB, surrendered to the Registrar for cancellation in accordance with Condition 14(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by FGB and/or any of its Subsidiaries*).

#### (b) Cancellation of Certificates held by FGB and/or any of its Subsidiaries

If FGB wishes to cancel any Certificates purchased by it and/or any Subsidiary pursuant to Condition 14(a) (*Purchase and Cancellation of Certificates – Purchases*) above (the **“Cancellation Certificates”**), FGB may, in accordance with the terms of the Redemption Undertaking Deed, deliver a Cancellation Notice to the Trustee and require the Trustee to cancel any Cancellation Certificates surrendered to it by FGB and/or any Subsidiary in exchange for the Trustee granting FGB a *pro rata* co-ownership interest in the relevant Wakala Portfolio and the relevant Mudaraba Portfolio.

#### (c) Redemption at the Option of the Certificateholders (Change of Control Exercise Option)

If Change of Control Exercise Option is specified in the applicable Final Terms as being applicable, the Certificates may be cancelled following the occurrence of a Change of Control Event (other than a Permitted Merger) subject to and in accordance with this Condition 14(c) (*Purchase and Cancellation of Certificates – Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*).

FGB has undertaken in the Change of Control Undertaking Deed to notify the Trustee and the Delegate forthwith upon the occurrence of a Change of Control Event and to provide details in respect thereof. The Trustee, upon receipt of such a notice from FGB or otherwise upon becoming aware of the occurrence of a Change of Control Event, shall promptly give notice (a **“Change of Control Notice”**) of the occurrence of a Change of Control Event to the Certificateholders in accordance with Condition 18 (*Notices*).

A Change of Control Notice shall provide a description of the Change of Control Event and shall require Certificateholders to elect within 90 days (or such other period as set out in the applicable Final Terms) (the “**Change of Control Exercise Period**”) of the date of the Change of Control Notice if they wish all or any of their Certificates to be redeemed.

To elect to redeem all or any of its Certificates in accordance with this Condition 14(c) (*Purchase and Cancellation of Certificates – Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*), a Certificateholder must, if such Certificates are in definitive form and held outside Euroclear and Clearstream, Luxembourg deposit its Certificate(s), on any business day in the city of the specified office of the Registrar or Transfer Agent falling within the Change of Control Exercise Period with the Registrar or Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Change of Control Exercise Notice**”) in the form obtainable from the relevant Paying Agent, Registrar or Transfer Agent (as applicable). If Certificates are represented by a Global Certificate or are in definitive certificate form and held through Euroclear or Clearstream, Luxembourg, then in order to exercise the right to require redemption of a Certificate under this Condition 14(c) (*Purchase and Cancellation of Certificates – Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*), a Certificateholder must, within the Change of Control Exercise 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 depository 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 Certificate is represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to a Paying Agent for notation or entry in the Register accordingly.

No Certificate so deposited and option exercised may be withdrawn (except as otherwise provided in the Agency Agreement) without the prior consent of the Trustee. The Agent to which such Certificate and Change of Control Exercise Notice are delivered will issue to the holder concerned a non-transferable receipt (a “**Change of Control Exercise Notice Receipt**”).

The relevant Agent shall serve a notice on the Trustee (the “**Change of Control Confirmation Notice**”). On the last day of the Change of Control Exercise Period, following the receipt of a Change of Control Confirmation Notice, pursuant to the relevant Change of Control Undertaking, the Trustee shall serve a Change of Control Purchase Notice on FGB, requiring FGB on the seventh day after the last day of the Change of Control Exercise Period, to:

- (i) purchase from the relevant Certificateholders the relevant Change of Control Certificates at the relevant Change of Control Amount; and
- (ii) surrender such Change of Control Certificates to the Trustee in exchange for: (a) the Trustee granting FGB a *pro rata* co-ownership interest in the relevant Wakala Portfolio and the relevant Mudaraba Portfolio; and (b) cancellation by the Trustee of such Change of Control Certificates.

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

In the event FGB and/or any of its Subsidiaries purchase all the outstanding Certificates in a Series following the exercise of the relevant Change of Control Undertaking or the Redemption Undertaking, as the case may be, and all such Certificates are subsequently cancelled by the Trustee, the relevant Trust will be dissolved and the Certificates shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

**15. DISSOLUTION EVENTS**

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

- (i) default is made in the payment of the Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of seven (7) days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of fourteen (14) days; or

- (ii) the Trustee defaults in the performance or observance of or compliance with any of its other obligations or undertakings under the Transaction Documents to which it is a party and such default is not capable of remedy (in the opinion of the Delegate) or (if capable of remedy (in the opinion of the Delegate)) is not remedied within thirty (30) days after written notice of such default shall have been given to the Trustee by the Delegate; or
- (iii) a FGB Event occurs; or
- (iv) the Trustee repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or
- (v) at any time it is or will become unlawful or impossible for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its obligations under the Transaction Documents or any of the obligations of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (vi) either: (a) the Trustee becomes insolvent or is unable to pay its debts as they fall due; (b) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); (c) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (d) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business; or
- (vii) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or
- (viii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraph (vi) and (vii) above,

**provided however that** in the case of the occurrence of any of the events described in paragraphs (ii) and (v), the Delegate shall have certified in writing to FGB that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates, the Delegate shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), subject to it having been notified in writing of the occurrence of such Dissolution Event, give notice in writing of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 18 (*Notices*) with a request to such holders to indicate if they wish the Trust to be dissolved. If so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series outstanding or if so directed by an Extraordinary Resolution of the Certificateholders (a “**Dissolution Request**”) it shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Trustee and FGB of the Dissolution Request and, upon receipt of such notice, the Trustee shall exercise its rights under the Purchase Undertaking Deed and distribute to the Certificateholders the proceeds of the resultant sale and the Certificates shall be redeemed at the Dissolution Amount on the date specified in such notice (the “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved on the day after the last outstanding Certificate has been redeemed.

For the purposes of paragraph (i) above, amounts shall be considered due in respect of the Certificates (including for the avoidance of doubt any amounts calculated as being payable under Condition 8 (*Fixed Periodic Distribution Provisions*), Condition 9 (*Floating Periodic Distribution Provisions*) and Condition 11 (*Capital Distributions of the Trust*)) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

For the purposes of this Condition, an “**FGB Event**” will occur if one or more of the following events occurs:

- (i) *Non-payment*: FGB fails to pay: (i)(a) any Wakala Portfolio Income Revenues; or (b) any Mudaraba Profit, and in each case, payable to the Trustee and the default continues for a period of 14 days; or (ii)(a) the Final Liquidation Proceeds; (b) the Exercise Price payable under the Purchase Undertaking or Sale Undertaking; or (c) the Wakala Portfolio Principal Revenues payable under clause 6.4 of the Management Agreement, and in each case, payable to the Trustee and the failure continues for a period of seven days; or

- (ii) *Breach of other obligations:* FGB, acting in any capacity, defaults in the performance or observance of any of its other obligations in relation to the Certificates under the Transaction Documents to which it is a party (other than the Programme Agreement and the Agency Agreement) and such default remains unremedied for a period of 30 days after written notice of such default shall have been given to FGB by the Delegate (acting on behalf of the Trustee) (except where such default is, in the opinion of the Delegate, based on information received by the Delegate (as applicable) from FGB and/or the Trustee (as applicable), not capable of remedy in which case no such notice of default shall be required); or
- (iii) *Cross-default:*
  - (A) any Indebtedness of FGB or any Principal Subsidiary 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 FGB 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) FGB 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 FGB Event unless the aggregate amount of all such Indebtedness either alone or when aggregated with all other Indebtedness in respect of which such an event shall have occurred and be continuing shall be more than U.S.\$10,000,000 (or its equivalent in any other currency or currencies); or
- (iv) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment(s) of an amount in excess of U.S.\$10,000,000 (or its equivalent in any other currency or currencies) is rendered against FGB or any Principal Subsidiary 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 of, or a receiver, manager or other similar officer is appointed in respect of the whole or (in the opinion of the Delegate, based on information received by the Delegate from FGB and/or the Trustee) any substantial part of the undertaking, assets and revenues of FGB or any Principal Subsidiary; or
- (vi) *Insolvency, etc.:* (i) FGB or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of FGB or any Principal Subsidiary is appointed in respect of the whole or (in the opinion of the Delegate, based on information received by the Delegate from FGB and/or the Trustee) any substantial part of the undertaking, assets and revenues of FGB or any Principal Subsidiary (or application for any such appointment is made); (iii) FGB or any Principal Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) FGB or any Principal Subsidiary ceases or threatens to cease to carry on all or any substantial part of its business save in connection with a Permitted Reorganisation; or
- (vii) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of FGB or any Principal Subsidiary 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 paragraphs (iv) (*Unsatisfied judgment*) to (vii) (*Winding up etc.*) inclusive 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 FGB, acting in any capacity, lawfully to enter into, exercise its rights and perform and comply with its obligations in relation to the Certificates under the Transaction Documents to which it is a party (other than the Programme Agreement and the Agency Agreement), (ii) to ensure that those obligations are legal, valid, binding and enforceable; and (iii) to make the Transaction Documents to

which it is a party (other than the Programme Agreement and Agency Agreement) 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 FGB to perform or comply with any of its obligations under or in respect of the Transaction Documents to which it is a party; or
- (xi) *Government intervention*: (A) all or any substantial part of the undertaking, assets and revenues of FGB or any Principal Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (B) FGB or any Principal Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues,

**provided however that** in the case of the occurrence of any of the events described in paragraphs (ii), (ix) or (x) or (in respect of a Principal Subsidiary only), (v) to (viii) inclusive and (xi), the Delegate shall have certified in writing to FGB that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates.

## 16. ENFORCEMENT AND EXERCISE OF RIGHTS

- (i) Upon the occurrence of a Dissolution Event, to the extent any amount payable in respect of the Certificates has not been paid in full, the Trustee (or the Delegate, acting on behalf of the Trustee), (subject to it being indemnified and/or secured and/or prefunded to its satisfaction)), may (acting for the benefit of the Certificateholders) take one or more of the following steps:
  - (A) enforce the provisions of the Purchase Undertaking Deed and/or the Sale Undertaking Deed against FGB; and/or
  - (B) enforce FGB's obligation (in its capacity as Mudarib) to liquidate the relevant Restricted Mudaraba in accordance with the provisions of the Master Restricted Mudaraba Agreement and the applicable Restricted Mudaraba Contract and any other Transaction Document to which FGB is a party; and/or
  - (C) take such other steps as the Trustee or the Delegate (acting in the name and on behalf of the Trustee) may consider necessary to recover amounts due to the Certificateholders.
- (ii) Following the enforcement, realisation of the Certificates and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied. In such circumstances, the obligation of the Trustee in respect of the Certificates will be satisfied and the right of the Certificateholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate shall be liable for any such sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including FGB) to recover any such sum or asset in respect of the relevant Certificates or the Trust Assets. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.
- (iii) No Certificateholder shall be entitled to proceed directly against, or provide instructions to the Delegate to proceed against, the Trustee or FGB under any Transaction Document to which either of them is a party unless: (a) the Delegate fails to do so within 30 days of becoming so bound and such failure its continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or FGB as the case may be) holds at least 20 per cent. of the then outstanding aggregate face amount of the Series. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets and the sole right of the Delegate and the Certificateholders against the Trustee and FGB shall be to enforce their respective obligations under the Transaction Documents.
- (iv) Subject to paragraph (ii), the Delegate shall not be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action against the Trustee and/or FGB under any Transaction Document to which either of the Trustee or FGB is a party unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the

Certificates of the relevant Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable and **provided that** the Delegate shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders.

#### 17. REPLACEMENT OF CERTIFICATES

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

#### 18. NOTICES

Save as provided in this Condition 18 (*Notices*) all notices regarding the Certificates will be in the English language and will be deemed to be validly given if published in a leading English language daily newspapers published in London which is expected to be the *Financial Times*, or if such publication is not practicable, in a leading English language newspaper having general circulation in Europe. The Trustee shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Certificates are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

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

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

#### 19. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

- (i) The Master Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Master Declaration of Trust. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee and shall be convened by it upon the request in writing of Certificateholders holding not less than one tenth. of the aggregate face amount of the Certificates of a Series. The quorum at any meeting for passing an Extraordinary Resolution will be two or more Certificateholders, proxies or representatives holding or representing in the aggregate more than half of the then outstanding aggregate face amount of the Certificates (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series) or at any adjourned such meeting two or more Certificateholders, proxies or representatives (whatever the outstanding face amount of the Certificates of all the relevant Series held or represented by him/her or them), **provided however that** any meeting the business of which includes the modification of certain provisions of the Certificates (including, among others, modifying the relevant

Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates, altering the currency of payment of the Certificates or amending any of FGB's covenants to make a payment under any Transaction Document), the quorum shall be two or more Certificateholders, proxies or representatives holding or representing in the aggregate not less than three quarters of the then aggregate outstanding face amount of the Series (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series) or at any adjourned such meeting one or more Certificateholders, proxies or representatives holding or representing not less than one quarter of the then aggregate outstanding face amount of the Series (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series). To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than three-quarters of the votes cast on such poll and, if duly passed, will be binding on all Certificateholders, whether or not they are present at the meeting and whether or not voting.

- (ii) The Master Declaration of Trust provides that a resolution in writing signed by or on behalf of all the holders of the Certificates outstanding who for the time being are entitled to receive notice of a meeting in accordance with Schedule 4 (*Provisions for Meetings of Certificateholders*) of the Master Declaration of Trust shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.
- (iii) The Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document and the Trustee's memorandum and articles of association may only be amended by the Trustee with the consent of the Delegate and the Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of any of the Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document or the Trustee's memorandum and articles of association if, in the opinion of the Delegate: (i) such modification is of a formal, minor or technical nature; (ii) such modification is made to correct a manifest error; or (iii) such modification is not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter or any provisions of the Master Declaration of Trust referred to in the definition of a Reserved Matter. Any such modification may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding on the Certificateholders and, unless the Delegate otherwise decides, shall be notified by the Trustee to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.
- (iv) The Delegate may, without the consent or sanction of the Certificateholders and without prejudice to its rights in respect of any subsequent breach from time to time and at any time: (i) give its consent under these presents or any other Transaction Document and agree to waive or to authorise any breach or proposed breach of any provision of the Master Declaration of Trust or any other Transaction Document; or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, **provided that:** (A) in the opinion of the Delegate, such waiver, authorisation or determination is not materially prejudicial to the interests of the outstanding Certificateholders; and (B) the Delegate will not do so in contravention of an express direction given by Extraordinary Resolution or a request made pursuant to Condition 15 (*Dissolution Events*). No such direction or request will affect a previous waiver, authorisation or determination. Any such waiver, authorisation or determination shall be binding on the Certificateholders and unless the Delegate otherwise requires, shall be notified by the Trustee to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.
- (v) In connection with the exercise by it of any of its powers, trusts, authorities and discretions under the Master Declaration of Trust (including, without limitation, any modification), the Delegate shall have regard to the general interests of the Certificateholders as a class (except where the context otherwise requires (as determined by the Delegate in its absolute discretion)) and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from them being for any purpose domiciled or resident in, or otherwise

connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, FGB or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Trustee and FGB, to the extent already provided for in Condition 12 (*Taxation*)).

## 20. THE DELEGATE

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

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

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

The Master Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Master Declaration of Trust, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 16 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

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

The Delegate may rely without liability to Certificateholders on a report, confirmation, certificate or any advice of any accountants, financial advisers, financial institution, auditors, insolvency officials or any other expert (whether or not addressed to the Delegate and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto

entered into by the Delegate or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise) in accordance with or for the purposes of the Master Declaration of Trust or the other relevant Transaction Documents. The Delegate may accept and shall be entitled to rely on any such report, confirmation or certificate or advice as sufficient evidence of the facts stated therein and such report, confirmation, certificate or advice shall be binding on the Trustee, the Delegate and the Certificateholders. The Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

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

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

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

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

## **22. GOVERNING LAW AND ARBITRATION**

### **(i) *Governing Law***

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

### **(ii) *Agreement to arbitrate***

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

- (A) the place of arbitration shall be London;
- (B) 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;
- (C) the language of the arbitration shall be English; and
- (D) any provision of the Rules relating to the nationality of an arbitrator shall, to that extent, not apply.

(iii) *Option to litigate*

Notwithstanding the agreement that any Dispute will be settled by arbitration as set out in Condition 22(ii) (*Governing Law and Arbitration – Agreement to arbitrate*), the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, may, in the alternative and at its sole discretion, by notice in writing to the Trustee and FGB:

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

(B) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 22(iii) (*Governing Law and Arbitration – Effect of exercise of Option to litigate*) and subject as provided below, any arbitration commenced under Condition 22(ii) (*Governing Law and Arbitration – Agreement to arbitrate*) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation to the terminated arbitration.

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

(A) 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;

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

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

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

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

(A) subject to paragraph (C) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Trustee submits to the exclusive jurisdiction of such courts;

(B) the Trustee 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

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

(v) *Process agent*

The Trustee 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 Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom or, if different, its registered office for the time being or at any address of the Trustee 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 Trustee, the Trustee shall appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Delegate shall be entitled to appoint such a person by written notice addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying Agent. Nothing in this Condition shall affect the right of any party to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

- (vi) *Waiver*: Under the Master Declaration of Trust, FGB acknowledges that the transactions contemplated by the Master Declaration of Trust are commercial transactions and, to the extent that FGB may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement 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 FGB or its assets or revenues, FGB agrees not to claim and irrevocably and unconditionally waives such immunity to the full extent permitted by the laws of such jurisdiction in relation to any Proceedings or Disputes.

## FORM OF THE CERTIFICATES

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

### Global Certificates

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

### Payments to registered Holder

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

Payment of any amounts in respect of Certificates in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 1 (*Interpretation*)) immediately preceding the due date for payment in the manner provided in that Condition.

### Exchange for definitives

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. For these purposes, an “**Exchange Event**” will occur: (i) on the expiry of such period of notice as may be specified in the applicable Final Terms; or (ii) at any time, if so specified in the applicable Final Terms; or (iii) if the applicable Final terms specifies “in the limited circumstances described in the Global Certificate”, then if: (a) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system is available; or (b) any of the circumstances described in Condition 15 (*Dissolution Events*) occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any other person acting on their behalf, as the case may be, (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

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

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

## APPLICABLE FINAL TERMS

*The Final Terms in respect of each Series of Certificates will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Certificates and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

[Date]

### FGB Sukuk Company Limited

**Issue of [Aggregate Face Amount of Series] [Title of Certificates]**

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

**Trust Certificate Issuance Programme**

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 11 July 2011 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms relating to the issue of Certificates described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Certificates and must be read in conjunction with the Base Prospectus.

Full information on the Trustee, FGB and the Certificates described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus [as so supplemented] is available for viewing at the market news section of the London Stock Exchange website ([www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)) and during normal business hours at the registered offices of FGB at P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Principal Paying Agent at 14<sup>th</sup> Floor, Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

*[The proceeds of any issue of Certificates should not be accepted in the United Kingdom.]*

- |     |  |   |
|-----|--|---|
| 1.  | (i) Trustee:   | FGB Sukuk Company Limited   |
|     | (ii) Obligor:  | First Gulf Bank P.J.S.C.  |
| 2.  | Series Number:   | [●]   |
| 3.  | Specified Currency:  | [●]   |
| 4.  | Aggregate Face Amount of Series:                             | [●]   |
| 5.  | Issue Price:   | 100 per cent. of the Aggregate Face Amount  |
| 6.  | (i) Specified Denominations:                                 | [●] ( <i>this means the minimum integral amount in which transfers can be made</i> )<br>[ <i>N.B. If an issue of Certificates is (i) NOT admitted to trading on an European Economic Area exchange and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €100,000 minimum denomination is not required.</i> ] |
|     | (ii) Calculation Amount:                                     | [●] <sup>2</sup>  |
| 7.  | Issue Date:  | [●]   |
| 8.  | (i) Return Accrual Commencement Date:                        | [Issue Date][specify other]   |
|     | (ii) Scheduled Dissolution Date:                             | [Specify date or (for Floating Periodic Distribution Certificates) Periodic Distribution Date falling in or nearest to the relevant month and year.]  |
| 9.  | Periodic Distribution Amount Basis:                          | [[●] per cent. Fixed Periodic Distribution Amount]<br>[[specify reference rate] +/- [●] per cent. Floating Periodic Distribution Amount] ( <i>further particulars specified below</i> )   |
| 10. | Dissolution Basis:   | Dissolution at par  |
| 11. | Change of Periodic Distribution Basis:                       | [Specify details of any provision for convertibility of Certificates into another Periodic Distribution Amount basis.] [Not Applicable]   |
| 12. | Call Option:   | [Not Applicable] [Optional Dissolution Right] [Change of Control Exercise Option] ( <i>further particulars specified below</i> )  |
| 13. | Date [Board] approval for issuance of Certificates obtained: | [●] in the case of the Trustee<br><br>[●] in the case of FGB<br>[ <i>N.B. only relevant where board (or similar) authorisation is required for the particular Series of Certificates</i> ]  |
| 14. | Method of distribution:                                      | [Syndicated/Non-syndicated]   |

## PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

- |     |   |  |
|-----|---|--|
| 15. | Fixed Periodic Distribution Provisions: | [Applicable/Not Applicable]<br>[ <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> ] |
|     | (i) Rate[(s)]:                          | [●] per cent. per annum [payable [annually/ semi-annually/ quarterly/ monthly] in arrear]                          |
|     | (ii) Periodic Distribution Date(s):     | [[●] in each year up to and including the Scheduled Dissolution Date] [specify other]                              |
|     | (iii) Fixed Amount[(s)]:                | [●] per Calculation Amount   |

<sup>2</sup> The applicable Calculation Amount (which is used for the calculation of periodic distribution amounts and redemption amounts) will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Certificates or (ii) if there are several Specified Denominations (e.g. Specified Denominations of €100,000 and multiples of €1,000), the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).

- (iv) Broken Amount(s): ☐ per Calculation Amount][Not Applicable]  
*[Insert particulars of any initial or final broken Periodic Distribution Amounts which do not correspond with the Fixed Amount(s)] specified under paragraph 15(iii)]*
- (v) Day Count Fraction: ☐ 30/360 or Actual/Actual (ICMA) or *[specify other]*
- (vi) Determination Date(s): ☐ in each year][Not Applicable]  
*[Insert regular Periodic Distribution Dates, ignoring issue date or Scheduled Dissolution Date in the case of a long or short first or last return accumulation period.*  
*N.B. This will need to be amended in the case of regular periodic distribution dates which are not of equal duration.]*  
*[N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
- (vii) Other terms relating to the method of calculating Fixed Periodic Distribution Amounts: [Not Applicable/give details]
16. Floating Periodic Distribution Provisions: [Applicable/Not Applicable]  
*[If not applicable, delete the remaining sub-paragraphs of this paragraph]*
- (i) Specified Periodic Distribution Dates: ☐ [Not Applicable]  
*[Specified Period and Specified Periodic Distribution Dates are alternatives. If the Business Day Convention is the Floating Rate Convention, insert "Not Applicable"]*
- (ii) Specified Period: ☐ [Not Applicable]  
*[Specified Period and Specified Periodic Distribution Dates are alternatives. A Specified Period, rather than Specified Periodic Distribution Dates, will only be relevant if the Business Day Convention is the Floating Rate Convention. Otherwise, insert "Not Applicable"]*
- (iii) First Periodic Distribution Date: *[specify]*
- (iv) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / No Adjustment / *[specify other]*]
- (v) Additional Business Centre(s): [Not Applicable/give details]
- (vi) Manner in which the Rate(s) is/are to be determined: [Screen Rate Determination (Condition 9(c) (Floating Periodic Distribution Provisions – Screen Rate Determination) applies/specify other]
- (vii) Screen Rate Determination: [Applicable/Not Applicable]  
*[If not applicable, delete the remaining sub-paragraphs of this paragraph]*
- (a) Reference Rate: *[For example, LIBOR or EURIBOR]*
- (b) Periodic Distribution Determination Date: ☐ *[Second London business day prior to the start of each Return Accumulation Period if LIBOR (other than Sterling or euro LIBOR), first day of each Return Accumulation Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Return Accumulation Period if EURIBOR or euro LIBOR]*

- (c) Relevant Screen Page: [●]
- (d) Relevant Time: [●][*For example, 11.00 a.m. London time*]
- (vii) Margin: [+/-] [●] per cent. per annum
- (ix) Day Count Fraction: [Actual/Actual], [Actual/Actual (ICMA)], [Actual/365 (Fixed)], [Actual/360], [30/360] or [30E/360] (*See Condition 9(e) (Floating Periodic Distribution Provisions – Calculation of Periodic Distribution Amount) for alternatives*)
- (x) Calculation Agent: [Principal Paying Agent] [*specify other*]
- (xi) Other terms relating to the method of calculating Floating Periodic Distribution Amounts: [Not Applicable] [*give details*]

## PROVISIONS RELATING TO DISSOLUTION

17. Optional Dissolution Right: [Applicable/Not Applicable]  
[*If not applicable, delete the remaining subparagraphs of this paragraph*]
- (i) Optional Dissolution Amount of each Certificate: [Final Dissolution Amount] or [●] per Calculation Amount
- (ii) Optional Dissolution Date: [Any Periodic Distribution Date] [*specify other*]
- (iii) Stabilising Manager(s) (if any): [Not applicable/*give name*]
- (iv) Notice period: [●] [*if other than as set out in the Conditions*]
18. Change of Control Exercise Option: [Applicable/Not Applicable]  
[*If not applicable, delete the remaining subparagraphs of this paragraph*]
- (i) Provisions relating to Change of Control Exercise Option: [●]
- (ii) Change of Control Exercise Period: [●]
19. Final Dissolution Amount of each Certificate: [●] per Calculation Amount  
[*specify other*] [*Applies to early redemption on Dissolution Event and redemption at Scheduled Dissolution Date*]
20. Early Dissolution Amount (Tax) of each Certificate (following early dissolution for tax reasons): [Final Dissolution Amount] [[●] per Calculation Amount] [*specify other*]

## GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

21. Form of Certificates: Registered Certificates  
Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate.
22. Additional Financial Centre(s) relating to payment: [Not applicable/*specify*]  
[*Note that this item relates to the place of payment and not Return Accumulation Period end dates, to which item 16(v) relates*]

## PROVISIONS IN RESPECT OF THE TRUST ASSETS

23. Wakala Portfolio on the Issue Date: As scheduled to the Supplemental Purchase Contract dated [●], a copy of the schedule to which is set out in the Annex hereto.
24. Mudaraba Portfolio on the Issue Date: An undivided ownership interest in certain Real Estate Ijara Assets subject to Real Estate Ijara Contracts (including any ancillary rights under such Real Estate Ijara Contracts).
25. Trust Assets: [Condition 6(a) (*Trust – Trust Assets*) applies] [specify other]
26. (i) Details of Transaction Account: FGB Sukuk Company Limited Transaction Account No: [●] [Series No.: 1/2/3 etc] with [First Gulf Bank P.J.S.C.]
- (ii) Currency: [●]
27. Other Transaction Document Information:
- (i) Supplemental Declaration of Trust: Supplemental Declaration of Trust dated [●] between the Trustee, FGB and the Delegate
- (ii) Restricted Mudaraba Contract: Restricted Mudaraba Contract dated [●] between the Rabb-al-Maal and the Mudarib
28. Other final terms: [Not Applicable/give details]
- [When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive]

## DISTRIBUTION

29. (i) If syndicated, names and addresses and underwriting commitments of Managers: [Not Applicable/give names]
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.) [●]
- (ii) Date of Subscription Agreement: [●]
30. If non-syndicated, name of relevant Dealer: [●]
31. Additional selling restrictions: [Not Applicable/give details]

## ADMISSION TO TRADING

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange’s Regulated Market and listing on the Official List of the U.K. Listing Authority of the Certificates described herein pursuant to the U.S.\$3,500,000,000 Trust Certificate Issuance Programme of FGB Sukuk Company Limited.

## RESPONSIBILITY

Each of the Trustee and the Obligor accepts responsibility for the information contained in these Final Terms [[●] has been extracted from [●]. Each of the Trustee and the Obligor 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.].

Signed on behalf of  
**FGB Sukuk Company Limited**

By: .....  
*Duly authorised*

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

By: .....  
*Duly authorised*

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### LISTING AND ADMISSION TO TRADING

- (i) Listing: [London/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Certificates to be admitted to trading on the London Stock Exchange's Regulated Market and listing on the Official List of the U.K. Listing Authority with effect from [●].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

### RATINGS

- Ratings: The Certificates to be issued have been rated:
- [Fitch: [●]]
- [Moody's: [●]]
- [[Other]: [●]]
- (The above disclosure should reflect the rating allocated to Certificates of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- [Fitch Ratings Ltd. is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.] / [Fitch Ratings Ltd. is established in the European Union and is registered under Regulation (EC) No. 1060/2009.]
- [Moody's Investors Service Ltd. is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.] / [Moody's Investors Service Ltd. is established in the European Union and is registered under Regulation (EC) No. 1060/2009.]
- [[Insert full legal name of credit rating agency] is established in the European Union and has applied for registration under Regulation (EU) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.] / [[Insert full legal name of credit rating agency] is established in the European Union and registered under Regulation (EU) No. 1060/2009.] / [[Insert full legal name of credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EU) No. 1060/2009.] / [[Insert full legal name of credit rating agency] is not established in the European Union but [insert full legal name of endorsing credit rating agency], which is registered under Regulation (EU) No. 1060/2009, has indicated that it intends to endorse the ratings of [insert full legal name of credit rating agency] where possible.] / [[Insert full

*legal name of credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No. 1060/2009, but it is certified in accordance with such Regulation.]

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in “*Subscription and Sale*”, so far as the Trustee and FGB are aware, no person involved in the offer of the Certificates has an interest material to the offer.”]

[(*When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)]

## **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer

[●]

[See “*Use of Proceeds*” wording in *Base Prospectus* – if reasons for offer are different from making profit and/or hedging certain risks will need to include those reasons here.]

[Information not provided]

(ii) Estimated net proceeds:

[●]

[If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.]

[Not Applicable]

(iii) [Estimated total expenses:

[●]. (Include breakdown of expenses.)]

**PROFIT RATE** [*Fixed Periodic Distribution Certificates only*]

[Indication of profit rate:

[●]

The profit rate is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit rate.] [Not Applicable.]

## **OPERATIONAL INFORMATION**

(i) ISIN Code:

[●]

(ii) Common Code:

[●]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)]

(iv) Delivery:

Delivery [against/free of] payment

**ANNEX 1 TO THE FINAL TERMS  
INITIAL WAKALA PORTFOLIO<sup>3</sup>**

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<sup>3</sup> Insert Schedule of Initial Wakala Portfolio contained in relevant Supplemental Purchase Contract once in final form.

## **USE OF PROCEEDS**

The Proceeds of each Series of Certificates issued under the Programme will be applied by the Trustee as follows:

- (i) by applying a portion of the Proceeds towards the purchase from FGB, by way of sale and transfer, of the rights, title, interests, benefits and entitlements that FGB may have in the Wakala Assets of the relevant Series; and
- (ii) by depositing the remaining portion in the Mudaraba Account and such amount will constitute the Mudaraba Capital of the Rabb-al-Maal in the Restricted Mudaraba constituted by a Restricted Mudaraba Contract entered into with the Mudarib.

## DESCRIPTION OF THE TRUSTEE

### General

FGB Sukuk Company Limited, a Cayman Islands exempted company with limited liability, was incorporated on 1 June 2011 under the Companies Law (2010 Revision) of the Cayman Islands with company registration number 257247. The Trustee has been established as a company for the sole purpose of issuing Certificates under the Programme and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at the offices of MaplesFS Limited at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands, and its telephone number is +1 345 945 7099.

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

### Business of the Trustee

The Trustee has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the Certificates to be issued under the Programme. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

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

### Financial Statements

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

### Directors of the Trustee

The Directors of the Trustee are as follows:

<u>Name</u>	<u>Function at the Trustee</u>	<u>Other appointments outside Trustee</u>
Cleveland Stewart	Director	Vice President of MaplesFS Limited
Carlos Farjallah	Director	Senior Vice President of MaplesFS Limited

The business address for both directors is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands. The Trustee has no subsidiaries, employees or non-executive directors.

### Conflicts

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

### The Trustee Administrator

MaplesFS Limited will also act as the corporate administrator of the Trustee (in such capacity the “**Trustee Administrator**”). The office of the Trustee Administrator will serve as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement entered into between the Trustee and the Trustee Administrator (the “**Corporate Services Agreement**”), the Trustee Administrator performs in the Cayman Islands various administrative functions on behalf of the Trustee, including communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Corporate Services

Agreement. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

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

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

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

## 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). 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 corporate banking (principally comprising of loans and other credit facilities, and deposit and current accounts for corporate, institutional and high net worth customers), treasury and investments (principally comprising of money market, portfolio management, brokerage, treasury services, foreign exchange and structured derivative products), retail 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 corporate and retail banking services include both conventional and *Shari'a*-compliant products. FGB operates through its head office and 8 branches in Abu Dhabi and through 11 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 units and in India through a representative office. FGB also benefits from a network of over 375 active correspondent banking relationships around the world.

FGB's shareholders include members of the ruling family of Abu Dhabi in their private capacity who, together, held approximately 67.3 per cent. of its shares as at 31 March 2011. 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 of FGB.

FGB has progressively 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 24.1 billion and total assets of AED 142.8 billion as at 31 March 2011 compared to total equity of AED 24.6 billion and total assets of AED 140.8 billion as at 31 December 2010. For the three month period ended 31 March 2011, FGB's operating income was AED 1.6 billion and its net profit for the period was AED 877.7 million compared to operating income of AED 1.7 billion and net profit of AED 920.5 million for the three month period ended 31 March 2010.

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 22.9 per cent. as at 31 December 2010, which decreased to 22.6 per cent. as at 31 March 2011. FGB's Tier 1 capital was AED 23.7 billion as at 31 December 2010, which increased to AED 23.9 billion as at 31 March 2011.

The U.A.E. Central Bank is in the process of proposing a new set of liquidity guidelines with the objective of ensuring that liquidity risk is well managed in U.A.E. banks in line with international best practices.

As a part of the guidelines, the U.A.E. Central Bank is proposing a set of qualitative requirements which include, among other things, clear articulation of liquidity risk tolerance for the relevant bank; at least one board member with a detailed understanding of liquidity risk management; incorporation of liquidity costs, benefits and risks into the product pricing and approval process; establishment of a forward-looking funding strategy to ensure effective diversification in the sources and tenor of funding; maintenance of high quality liquid assets; and development of transfer-pricing framework to reflect the actual cost of funding.

Also, in line with the Basel III Accord ("**Basel III**") requirements, the U.A.E. Central Bank is proposing a set of quantitative requirements which include the following:

- Liquidity Coverage Ratio ("**LCR**"): The LCR represents a 30 days stress scenario with combined assumptions covering both bank-specific and market-wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario; and

- **Uses to Stable Resources Ratio (“USSR”):** The USSR represents the ratio of key uses of funds against funding sources used by banks post-assignment of stability factors to these sources. This is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets.

The qualitative requirements, as well as the USSR requirement, are expected to take effect on 1 September 2011. The U.A.E. Central Bank expects that the USSR will be subject to an annual review and will be revised over time to ensure compliance with the Basel III Net Stable Funding Ratio by 1 January 2018. The LCR is expected to take effect on 1 January 2012. The initial compliance level will be set at a minimum of 50.0 per cent., increasing to a minimum of 100.0 per cent., to ensure compliance with the Basel III LCR by 1 January 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 retail 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.

In June 2004, FGB issued convertible bonds amounting to AED 800.0 million. In July 2005, FGB increased its equity through an AED 5.0 billion rights issue with a view to facilitating future expansion plans. In February 2006, FGB increased its share capital through an AED 250.0 million bonus share dividend. As a result of this dividend, the rights issue and the conversion of the 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, a new Chief Executive Officer (“CEO”), who had previously been FGB’s Chief Operating Officer, was appointed. 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 Mohammed Saeed, became a member of the Board of Directors and was nominated as the Managing Director.

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

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 has since been upgraded to a Category I branch in April 2011, allowing FGB to provide wholesale banking services to its clients. FGB also opened a representative office in India in October 2009.

In November 2008, FGB publicly opened First Gulf Libya Bank (“FGLB”), its former banking subsidiary in Libya. The venture was a 50:50 partnership with the Economic and Social Development Fund of Libya and was the first international bank to be launched in Libya. With effect from March 2011, FGB suspended its management agreement with FGLB and all the FGB-nominated members in FGLB have 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 396.0 million was classified as an available for sale investment.

In January 2011, FGB approved a plan to convert the mandatory convertible bonds issued by it in 2004 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 125.0 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 new shares.

## STRATEGY

FGB has grown significantly since 31 December 2005, with consolidated total assets growing at a compound annual growth rate (“CAGR”) of 40.0 per cent. and consolidated net profit growing at a CAGR of 26.0 per cent. between 31 December 2005 and 31 December 2010. FGB’s strategy is to become a leading financial institution in the U.A.E. by focusing on sustained growth through a combination of the following:

- ***Organic Growth of Core Banking Activities***

*Corporate Banking:* One element of FGB’s strategy is to build on opportunities with strategic partners as well as key economic players of the “**2030 Plan**”. The 2030 Plan is the Government of Abu Dhabi’s initiative to transform Abu Dhabi into a modern economic state with a focus on diversifying its economy and reducing its dependence on oil. This provides opportunities for FGB to deal and transact with a more diversified client-based industry. In addition, FGB intends to continue to target large creditworthy U.A.E.-based corporate banking customers and to grow this customer base by selectively expanding its sales and customer relationship presence into the other Emirates outside of Abu Dhabi and Dubai. This is intended to solidify and improve the profitability of these relationships by providing a more comprehensive service, and is also aimed at reducing the concentration of banking services in certain Emirates. In targeting new customers in this area, FGB intends to focus on the quality of service and range of products it can offer as factors that distinguish it from its competitors. In addition, FGB is determined to increase its focus on the small and medium-sized (“SME”) customer segment, being customers with an annual turnover of between AED 15.0 million and AED 50.0 million. In this regard, FGB is focusing on developing cash management and factoring products that it believes will be attractive to its SME customers. Although these customers may be potentially higher risk than larger corporate customers, the provision of banking services to SME customers is correspondingly more profitable and FGB believes that its lending policies are sufficiently robust to identify those with an acceptable level of credit risk.

*Treasury and Investments:* FGB continues to focus on offering a wide range of products (including structured products) and advisory services to its customers and expanding its client base by leveraging on the Group’s existing corporate banking relationships, including targeting the high net worth individuals who form part of that client base.

*Retail Banking:* FGB will continue to focus on the U.A.E. national segment for growth. FGB believes that its innovative products, flexible approach and association with the Government’s housing loan scheme (see “– *Business Activities – Retail Banking*” below) will continue to assist it to consolidate its position in the retail sphere. FGB continues to work towards being a preferred high-quality, low-cost provider of full financial services to target segments, and is investing in the future by launching new businesses in the SME and wealth management areas, hiring new staff and introducing new technology and processes (such as Mobile Banking and an upgraded Wealth Management system). In view of the current business environment, controlled asset growth will be driven by risk analytics and conservative credit policy.

- ***Establishment of Associated Companies and Subsidiaries***

In late 2006, FGB began to offer Islamic banking services through an Islamic window. Initially these services were offered to corporate customers in response to customer-led demand. In early 2007, FGB transferred its corporate Islamic finance business to a separate associated company, Aseel Finance P.J.S.C. (“**Aseel Finance**”), established with three partners to provide *Shari’a*-compliant mortgages to purchasers of developments undertaken by those partners (see “– *Business Activities – Real Estate Activities*” below). Subsequently, in anticipation of an expansion in the retail mortgage market in the U.A.E., FGB commenced offering Islamic banking products to its retail customers, including *Shari’a*-compliant credit cards.

In early 2007, FGB transferred its existing real estate management activities from its corporate banking segment into a separate associated company, Green Emirates Properties P.J.S.C. (“**GEP**”) (see “– *Business Activities – Real Estate Activities*” below). The principal purpose of this transfer was to enable a greater focus on growing the business in conjunction with three strategic partners – ALDAR Properties P.J.S.C., Sorouh Real Estate P.J.S.C. and Reem Investments P.J.S.C. – each of which are leading participants in the Abu Dhabi real estate market. FGB also established separate subsidiaries to undertake property development and

private equity investment, again with a view to enabling a greater focus on the business concerned, and FGB continues to place a strategic focus on the fee income generated by such subsidiaries (see “– *Subsidiaries and Associates*” below).

- ***International and Targeted Regional Growth***

FGB’s international expansion is part of its diversification strategy. New geographies, emerging economies and different products are expected to, in the long term, provide varied revenue sources.

In 2009, FGB upgraded its existing office in Singapore to a wholesale banking unit, thereby establishing the First Gulf Bank Singapore branch, which represents FGB’s regional presence in Asia. Similarly, in April 2011, FGB upgraded its branch in Qatar to a Category I branch providing wholesale banking services to its clients in Qatar and the region.

In addition to the banking outlets in Singapore and Qatar, FGB has also established a representative office in India, which acts as a channel of communication between the head office and clients in India. The role of the Indian representative office is, therefore, limited to collecting information for FGB’s head office about possible market opportunities and providing information about the bank and its products to prospective Indian customers.

The Group’s international footprint currently operates in the corporate space – a core competency of FGB’s operations within the U.A.E. International locations are manned by seasoned bankers from within those markets with an eye to positioning FGB as ‘local’ to the needs of the country and/or region. An established customer service framework has enabled FGB to provide a complete solution to meet clients’ needs.

Building on its success in Singapore, India and Qatar, FGB intends to continue its international expansion on an opportune basis, giving priority to geographic diversification into those countries which are key U.A.E. trading partners, such as China, Korea, Indonesia, Malaysia and the United Kingdom, via the representative office route.

FGB expects that, to a certain extent, elements of its growth strategy outlined above may be pursued on an opportune basis in response to particular market developments and that this approach may include one or more acquisitions should attractive opportunities which further and complement the Group’s growth strategy present themselves.

In order to support its future growth, FGB intends to continue to invest in its infrastructure, including personnel, technology and premises.

## **COMPETITION AND COMPETITIVE STRENGTHS**

### **Competition**

The Group is subject to competition in the U.A.E. from both locally incorporated and foreign banks. As at 31 March 2011, there were, according to the “U.A.E. Monthly Banking Indicators (March 2011)” report issued by the U.A.E. Central Bank, a total of 51 banks with head offices in the U.A.E., of which 23 were locally incorporated and 28 were foreign. Foreign banks also continue to enter the U.A.E. market via representative offices, which, according to the “Annual Report 2010” issued by the U.A.E. Central Bank, grew from 96 as at 31 December 2009 to 102 as at 31 December 2010. Although locally incorporated banks generally have stronger relationships with locally incorporated customers, foreign banks may have greater resources and access to cheaper funding than locally 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.

FGB’s expansion into new areas, such as the establishment of subsidiaries operating in the real estate development market and the private equity investment market, will also bring with it different levels of competition which the Group will need to be able to address if it is to be successful in these new ventures.

## 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:

- ***its profitability, efficiency and sound asset quality have kept pace with its growth.*** For the three month period ended 31 March 2011, the Group's annualised return on average assets was 2.5 per cent., its annualised return on average equity was 14.6 per cent., its cost income ratio was 16.6 per cent. and its non-performing loan to gross loan ratio was 4.5 per cent. For the three month period ended 31 March 2010, the Group's annualised return on average assets was 2.8 per cent., its annualised return on average equity was 16.4 per cent., its cost income ratio was 14.8 per cent. and its non-performing loan to gross loan ratio was 3.6 per cent.
- ***its core banking franchise provides a stable platform from which to expand and diversify its activities and improve its margins*** (see “– Strategy – Organic Growth of Core Banking Activities”).
- ***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, in Islamic banking and in private equity investment. In addition, FGB has established a number of banks operating in other regional emerging markets (see “– Strategy – Establishment of Associated Companies and Subsidiaries” and “– Strategy – International and Targeted Regional Growth”).
- ***its 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.
- ***its 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. The management team has also sought to take advantage of market conditions by focusing the Group's existing real estate activities into new subsidiary and associated companies, including a property development company, and by establishing a private equity investment subsidiary (see “– Business Activities – Real Estate Activities” and “– Subsidiaries and Associates”). 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 top management. FGB's management is focused on risk management, cost discipline, sustainable and profitable growth and revenue diversification.
- ***its 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 4.5 per cent. as at 31 March 2011. The Group has also adopted a **conservative** provisioning policy with total provisions being 3.5 per cent. of gross loans as at 31 March 2011 compared to 3.1 per cent. as at 31 March 2010. The Group's provisioning charge divided by its net loans was 0.5 per cent. for the three month period ended 31 March 2011 compared to 0.5 per cent. for the three month period ended 31 March 2010, 1.7 per cent. in 2010 and 1.9 per cent. in 2009. FGB has no exposure to the U.S. sub-prime market, special investment vehicles or collateral debt obligations market.

## CAPITAL STRUCTURE

As at 31 March 2011, FGB's authorised, issued and paid up share capital comprised 1,500,000,000 shares with a nominal value of AED 1 each.

FGB's major shareholder groups and their approximate shareholdings as at 31 March 2011 were as follows:

Shareholder	per cent.
Members of the ruling family of Abu Dhabi <sup>(1)</sup>	67.3
Other U.A.E. companies and individuals <sup>(2)</sup>	18.8
GCC nationals	4.3
Other foreign shareholders	9.6
<b>Total</b>	<b>100</b>

Note:

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

(2) None of these shareholders individually hold more than 5.0 per cent. of FGB's shares.

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-GCC nationals cannot own, in aggregate, more than 15.0 per cent. of FGB's shares. On 21 June 2011, the Board of Directors resolved to increase the limit on the ownership of FGB's shares by non-GCC nationals to, in aggregate, not more than 25.0 per cent. with effect from 27 June 2011, subject to receipt of all necessary regulatory consents. FGB currently expects to receive all such regulatory consents by the end of July 2011. As at 31 March 2011, approximately 9.6 per cent. of FGB's shares were owned by non-GCC nationals.

## BUSINESS ACTIVITIES

### Overview

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

- Corporate Banking – this segment principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional and high net worth customers. Corporate banking services are provided on both an Islamic and conventional basis.
- Treasury and Investments – 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.
- Retail Banking – this segment principally handles consumer deposits, loans and overdrafts, credit card facilities and funds transfer facilities. The retail banking segment is also establishing a wealth management programme for individuals (other than high net worth individuals who fall within the corporate banking segment) with a minimum net worth of at least U.S.\$100,000. Retail banking services are provided on both an Islamic and conventional basis.
- Real Estate Activities – this segment principally handles the acquisition, leasing, brokerage, management and resale of properties. Prior to the spin off in January 2007 of this business into GEP, being a separate associated company the activities of this segment were classified under Corporate Banking.



three month period ended 31 March 2011, corporate banking accounted for 38.9 per cent. of the Group's operating income excluding associates (compared to 36.7 per cent. for the three month period ended 31 March 2010), and 43.0 per cent. of its net profit (compared to 42.6 per cent. for the three month period ended 31 March 2010). 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.

The corporate banking segment has separate lending teams based in Abu Dhabi (focusing on Abu Dhabi corporates and high net worth individuals), Dubai (focusing on Dubai corporates) and Sharjah (focusing on each of the other Emirates). In addition, FGB has a multinationals lending team based in Abu Dhabi and Dubai (focusing on multinationals and large regional corporates) and a project finance and syndication lending team based in Abu Dhabi (focusing 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 IPOs (including undertaking a share registry function and dividend distribution in relation thereto)). In addition, corporate banking has a separate unit to focus on growing FGB's corporate deposit base, which remains concentrated among a limited number of depositors.

As at 31 March 2011, the geographical split of FGB's total funded and unfunded corporate exposures (based on the geographical presence of the sales force) was as follows: Abu Dhabi – 72.7 per cent., Dubai – 18.6 per cent. and others – 8.7 per cent. As at 31 March 2011, the geographical split of FGB's funded corporate exposures (based on the geographical presence of the sales force) was as follows: Abu Dhabi – 71.5 per cent., Dubai – 19.1 per cent., and others – 9.4 per cent. As at 31 March 2011, the geographical split of FGB's unfunded corporate exposures (based on the geographical presence of the sales force) was as follows: Abu Dhabi – 74.0 per cent., Dubai – 18.0 per cent. and others – 8.0 per cent.

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. FGB believes that there are also opportunities within the existing business segments of oil & gas and aviation which are, in its opinion, less well served by banks in the U.A.E. and which may enable the Group to realise more attractive margins. To this end, FGB is increasingly focusing its attention on attracting creditworthy entities within these segments to diversify its portfolio, see “– *Strategy*” above.

The Group's 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 dirham 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.

In 2008, the corporate banking segment embarked upon the end-to-end “Transaction Banking & Cash Management” solution initiative. In 2009, “Doorstep” banking was launched bringing “Bank Direct” to the customer. “Doorstep” banking provides a number of services including cash, cheque and document pick-up and delivery services, thereby providing an additional channel to its customers whereby they can deposit and/or deliver funds from any location in the U.A.E. without the need to visit the bank in person. In order to adhere to extremely high service and security standards, FGB has strategic tie-ups with service providers to deliver these specialised services. In 2010, the existing offerings were further enhanced by launching “First Value”, FGB's new remote cheque deposit service for corporate customers. First Value is a ground-breaking service introduced for the first time in the GCC region by FGB. First Value enables corporate customers to digitally scan their collection cheques remotely from their office premises at their convenience through a fast and secure method of cheque deposit.

The Group 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 letters of credit, bill discounting and other trade finance facilities.

The Group's corporate banking products are offered on both an Islamic and conventional basis (see “– *Business Activities – Islamic Banking*” below).

The following is a summary of certain of the principal areas of focus for FGB's lending activities:

- *Contractors Financing*

The Group provides a specialised service to contractors, assisting local and international contracting companies with projects in the U.A.E. and, on a limited scale, abroad. These services include the provision of tender bonds, performance bonds, advance payment guarantees, retention bonds, labour bonds and overdrafts, short-term loans and letters of credit. A significant part of the facilities provided to this customer group are provided on an unfunded contingent basis. The Group has successfully financed projects in various fields including oil and gas, water desalination, power, construction, irrigation, roads, sewerage sectors and other infrastructure projects. Prior to 1 January 2007, FGB had an in-house engineering department which supported its customers in the assessment and evaluation of the projects, both before and during the implementation, and helped to minimise the Group's credit risk by assessing projects before agreeing to finance them and monitoring their progress on a quarterly basis. With effect from 1 January 2007, these activities were transferred to its associated company, GEP (see “– *Business Activities – Real Estate Activities*” below).

- *Trade Financing*

The Group has identified the local economy as one of its core target markets and supports local trading entities through the provision of working capital finance and through financing of receivables. Large local groups and trade houses also benefit from the Group's foreign trade services, enabling local importers and re-exporters to conduct their business. This is facilitated by the Group's network of correspondent banks around the world.

- *Manufacturing and Services*

The Group provides both working capital financing, such as overdrafts, short-term loans and letters of credit, as well as long-term capital expenditure financing to its customers engaged in the manufacturing and services sectors.

- *Secured Lending against Shares*

The Group also extends facilities secured by the pledge and/or lodgement of acceptable local company shares to key corporate customers. All these facilities are provided in compliance with the Group's internal policy of offering finance of up to 50.0 per cent. of the market value of the shares. In comparison, the guidelines laid down by the U.A.E. Central Bank allow financing of up to 80.0 per cent. of the market value of the shares.

- *Project Finance and Syndication*

The Group provides large corporates (both public and private), multinational companies and government-related entities with access to the syndicated market for their funded and unfunded requirements. It does so through various debt instruments including corporate loans and structured finance loans (including project finance, asset-backed finance, leveraged finance and equity bridge finance) utilising the strong alliances that it has established with a large network of local and international banks in the syndication market. In addition to acting as mandated lead arranger and originator of deals, the Group also undertakes ancillary roles including acting as bookrunner, hedging bank, facility agent, security agent, documentation bank and co-ordinating bank in various local and regional transactions.

- *Multinational Companies and Oil and Energy Companies*

The Group provides access to trade financing products and services focused on financing infrastructure development in the U.A.E. for large multinational companies and oil and energy companies.

## **Treasury and Investments**

FGB's treasury and investments division was established in 2001, offering basic products to key corporate customers. The treasury and investments division is now responsible for managing the Group's funding and investment activities, as well as managing its liquidity and interest rate risk (see “*Financial Review – Risk Management – Market Risk*,” “*Financial Review – Risk Management –*

*Interest Rate Risk*” and “*Financial Review – Risk Management – Liquidity Risk*” below). The treasury and investments division seeks to enhance the Group’s risk adjusted returns by investing in high quality assets across a range of classes and geographic markets and also to generate fee income through the provision of a range of treasury products including money market, portfolio and asset management, brokerage, treasury services, foreign exchange and structured derivative products to the Group’s customers. As at 31 March 2011, services related to the treasury and investments division accounted for 22.1 per cent. of the Group’s assets (compared to 20.3 per cent. as at 31 March 2010). For the three month period ended 31 March 2011, the treasury and investments division accounted for 7.1 per cent. of the Group’s operating income excluding associates (compared to 8.4 per cent. for the three month period ended 31 March 2010) and 11.6 per cent. of its net profit (compared to 13.9 per cent. for the three month period ended 31 March 2010).

In carrying out operations on behalf of its clients, the treasury and investments division seeks to leverage its relationships with global investment banking firms by structuring bespoke derivative products and tailor-made solutions which the division intermediates for its clients. FGB believes that there are good opportunities for this business to grow in the years ahead given the expanding economy and the increasing sophistication of its client base. In particular, FGB intends to expand its customer base for these products to include high net worth individuals and institutional investors across the Middle East and North Africa (“**MENA**”) region.

The following is a summary of certain of the principal areas of focus for FGB’s treasury and investments division:

- *Financial Institutions*

The financial institutions division (“**FI**”) has coverage of over 375 active correspondent banking relationships supporting FGB’s Treasury and Investments and Corporate Banking activities. The Group’s corporate and institutional clients have access to international trade and payment products through the strong alliances that FGB has established with a large network of local and international banks. The Group’s correspondent banks assist in offering various products including the issuance of letters of credit and guarantees, risk participation and opportunities in relation to syndicated transactions. The division is also responsible for raising medium to long term liquidity for the bank in the form of syndicated loans, bilateral loans and bond issuances, from a large and diversified investor base. During 2010, FI raised approximately AED 5.0 billion in medium-term liquidity through deposits and bilateral loans from banks.

- *Alternative Investments*

Alternative investments include hedge funds and private equity. As at 31 March 2011, alternative investments represented 8.2 per cent. of the Group’s non-trading investment portfolio compared to 8.4 per cent. as at 31 March 2010.

In December 2005, FGB launched its global private equity programme, which includes making direct investments and co-investments in private equity funds from across the world. The programme is being diversified across secondary funds, buyouts, mezzanine and venture capital funds with a view to generating superior returns over the long-term.

- *Margin Trading*

The Group provides trading services for its institutional and private investors and hedging services to its money manager and corporate treasurer clients. The Group offers services in spot foreign exchange, commodities futures including precious metals, energy and agriculture commodities and commodity indices. 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.

- *Equities Brokerage*

The Group offers its local equity brokerage services through First Gulf Financial Services LLC (“**FGFS**”), which was established in 2001 and deals in local equities in the Abu Dhabi and Dubai stock markets (see “– *Subsidiaries and Associates*”). The Group also offers international equity brokerage services to its clients in the GCC region and other countries.

- *Money Market*

FGB’s treasury and investments division manages liquidity and hedges interest rate risk by dealing in the interbank market through swaps and other derivative tools.

- *Foreign Exchange Trading and Advisory*

The treasury and investments division offers the Group's customers full foreign exchange and foreign exchange derivatives service in all major currencies, with the ability to monitor and track prices 24 hours a day.

- *Asset Management*

As at 31 March 2011, the Group had U.S.\$242.6 million in assets under management (compared to U.S.\$271.4 million as at 31 March 2010), principally hedge funds and private equity investments. The Group also manages investment portfolios for its high net worth clients and has developed expertise in equity investing in the MENA region. The Group plans to launch additional equity investment funds on an opportunistic basis.

## **Retail Banking**

Retail banking services were first offered by FGB in 2002 and, as at 31 March 2011, these services accounted for 24.7 per cent. of the Group's assets (compared to 21.9 per cent. as at 31 March 2010). For the three month period ended 31 March 2011, retail banking services accounted for 49.0 per cent. of the Group's operating income excluding associates (compared to 39.4 per cent. for the three month period ended 31 March 2010) and 51.7 per cent. of its net profit (compared to 41.2 per cent. for the three month period ended 31 March 2010).

The Group's retail banking business has grown significantly since it first commenced operations in 2002. As at 31 March 2011, the Group had 191,628 retail customers.

Although the Group's retail banking products are targeted at both U.A.E. nationals and expatriates resident in the U.A.E., FGB has primarily focused on positioning itself as the bank of choice for the U.A.E. national customer segment. In this respect it has a branch network principally aimed at servicing its U.A.E. national customers that offers enhanced service levels, as well as a dedicated sales force targeted at persuading U.A.E. nationals to switch their accounts to FGB and making the switch as simple as possible. 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 banking services.

In addition, in December 2006, following a competitive tendering process, FGB was selected by the Government to manage its AED 5.0 billion housing loan programme. Under the housing loan programme, FGB receives funds from the Government to be disbursed on its behalf and, therefore, has no exposure to the advances made under the housing loan programme. Under this programme, U.A.E. nationals are lent 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. A typical plot is sufficient to build more than one residence, so qualifying U.A.E. nationals who wish to take full advantage of the housing loan programme may approach the Group to finance the construction costs of any additional units they may wish to develop. Such loans made by the Group are typically secured by a first ranking charge, an assignment of any salary earned by the U.A.E. national and an assignment of any rental streams earned on the renting of completed units. The management by the Group of this housing loan programme offers significant potential for new customer acquisition and cross-selling opportunities.

Through Aseel Finance, FGB has also sought to enhance its mortgage products offering with a range of *Shari'a*-compliant mortgages.

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 retail 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 retail products offered by the Group include:

- *Transactional Accounts*

Transactional accounts include interest bearing and non-interest bearing current accounts and savings accounts. The transactional accounts are normally provided with a checking/clearing facility and electronic funds transfer services through a free ATM card.

- *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 or investment requirements and against which customers may take loans and/or overdrafts.

- *Credit and Debit Cards*

The Group's card products provide transactional settlement convenience. As at 31 March 2011, FGB had issued 359,719 credit cards, including *Shari'a*-compliant credit cards compared to 355,000 credit cards as at 31 December 2010. FGB offers Visa and Master Card credit cards 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 March 2007, FGB introduced its first *Shari'a*-compliant credit card branded as the "Makkah" credit card. In December 2007, FGB launched its chip debit Master Card and upgraded all of FGB's ATMs to accept all international Visa and Master Card debit and credit cards. In September 2010 "Online Secure Feature" was launched. Online Secure Feature or "3D Secure" involves an extra level of authentication making online transactions using the FGB internet credit card safer and more secure. The service requires the internet credit card holder to use a personalised password for every online transaction. This authentication ensures that even in the case of a lost or stolen credit card, the credit card cannot be misused online. In addition, "Abu Dhabi Card" was launched in October 2010 with prizes (such as limousine tours, travel packages and marriage and educational funds) worth AED 6.0 million. The "Abu Dhabi Card" also allows its customers to earn reward points (which can be redeemed for vouchers that can be used at certain retailers and utility providers located in the U.A.E.) based on the amount that they spend on their cards.

- *Personal Loans*

The Group's personal loans are offered to provide for the wide range of financial needs of U.A.E. residents, both nationals and expatriates. These loans are generally made against the assignment of salary payments or secured on specific assets, although credit card advances and some personal loans are unsecured. Further to a circular released by the U.A.E. Central Bank on 23 February 2011, new retail 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.

- *Bancassurance*

In 2008, the Group successfully launched its Bancassurance business with an objective to offer insurance linked long-term savings plans and other general insurance products for the home, automobile and medical coverage. The Group's strategy is to build a strong distribution team with certification and training to offer quality service to customers.

## **Real Estate Activities**

As at 31 March 2011, the activities of the real estate division accounted for 5.4 per cent. of the Group's total assets (compared to 5.2 per cent. as at 31 March 2010) and, for the three month period ended 31 March 2011, 1.0 per cent. of its total operating income excluding associates (compared to 12.7 per cent. for the three month period ended 31 March 2010) and 1.8 per cent. of its net profit (compared to 22.9 per cent. for the three month period ended 31 March 2010). 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* – *Corporate 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. Mismak is managed by staff who were transferred from the Group's corporate banking segment and who had built up expertise in this area during their time with FGB. As at 31 March 2011, Mismak had AED 6.3 billion of investment properties on its balance sheet and was involved, through separate

project companies, in 12 ongoing developments. Mismak has an authorised and paid up share capital of AED 1.0 billion. For the three month period ended 31 March 2011, Mismak recorded a net profit of AED 4.0 million.

- *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 three major property developers in Abu Dhabi, being ALDAR Properties P.J.S.C., Sorouh Real Estate 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 500.0 million and a paid up share capital of AED 300.0 million. For the three month period ended 31 March 2011, GEP recorded a net profit of AED 5.3 million.

- *Aseel Finance P.J.S.C.*

In 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, although its principal focus is real estate based. Aseel Finance is 40.0 per cent. owned by FGB. The remaining 60.0 per cent. is shared equally among the other joint venture parties who hold 20.0 per cent. each. Aseel Finance has an authorised and paid up share capital of AED 500.0 million. For the three month period ended 31 March 2011, Aseel Finance recorded a net profit of AED 11.0 million.

## **Islamic Banking**

The Group's Islamic banking activities include the provision of corporate and retail financing, arranging financing for customers through syndicates, *sukuk* issues and bilateral facilities on a *Shari'a*-compliant basis, and providing liability products such as *wakala* deposits (for both corporate and retail customers) and current/call accounts. These services are provided to satisfy the growing demands of certain customers of the Group who require their banking activities to be *Shari'a*-compliant, as well to ensure FGB's participation in this important and fast-growing sector. FGB expects that corporate and retail Islamic banking as well as *Shari'a*-compliant investment banking will grow substantially in the coming years.

Small *Shari'a*-compliant corporate financings and retail mortgages are offered through FGB's affiliate Aseel Finance (which has a licence to conduct all Islamic banking activities except the acceptance of retail deposits). Large corporate *Shari'a*-compliant financings, syndicated *Shari'a*-compliant financings and *sukuk* issues are offered through FGB's Islamic window within the FI, Treasury & Islamic Syndications group, whereby virtually all of the Islamic business is segregated from the conventional activities of FGB. In Abu Dhabi, FGB has a single branch wholly dedicated to its Islamic customers.

The Group's *Shari'a* supervisory board (the "*Shari'a Supervisory Board*") consists of prominent Islamic scholars with a strong background in law, economics and Islamic jurisprudence and is headed by Dr Hussain Hamed Hassan, Chairman and Executive Director of the *Shari'a* Supervisory Board. Other member directors are Sheikh Ajeel Jassem Al Nashmi (Kuwait) and Sheikh Mohammed Abdul Razzaque Al Siddique (U.A.E.).

The Group's Islamic banking products and transactions are carried out in full compliance with its *Shari'a* Supervisory Board's pronouncements.

The principal *Shari'a*-compliant corporate products, retail products and investment banking services are subject to the same credit and business approval criteria as the Group's conventional products and hence largely mirror the available conventional products. These include deposits, loans/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/bonds).

## **BRANCH NETWORK AND PRODUCT DISTRIBUTION**

As at 31 March 2011, FGB's U.A.E.-based operations included its head office and a network of 19 branches in the Emirates of Abu Dhabi, Dubai, Ajman, Sharjah, Fujairah and Ras Al Khaimah. A typical FGB branch in the U.A.E. is headed by a branch manager, staffed by between eight and

thirteen employees and aims to service the needs of the Group's retail customer base. As at 31 March 2011, FGB had a network of 82 automated teller machines/cash deposit machines ("ATMs") and its customers had access to a total shared network of 3,300 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.

In its annual "Service Quality Bank Benchmarking Study" for 2010, Ethos Consultancy ranked FGB third in the Call Centre category, fourth in the Website Response Category, and fourth in the overall rankings. The study aims to provide a comprehensive and independent review of the retail banking sector in the U.A.E.

FGB's phone banking service, known as "Smart Call" allows customers to access their bank and credit card accounts at any time in a very quick and easily accessible manner.

Customers using Smart Call are able to check the latest balance in their accounts and their credit card statements and limits, request a statement by fax, pay utility bills, make online Salik payments, transfer funds between FGB accounts, make utility and credit card payments from FGB accounts and order a cheque-book.

Customers using the Smart Call services receive SMS messages informing them about the completion of transactions initiated through remote channels on their accounts and cards.

FGB also provides SMS banking, known as "SmartSMS", which enables customers to pay utility bills, make online Salik payments, check their account and credit card balances, register for email statements, request backdated credit card email statements, activate their credit and debit cards and set their Smart Call personal identification numbers. With SmartSMS, customers also receive instant SMS alerts on their debit and credit card purchases and ATM transactions.

FGB also provides Internet banking, known as "SmartNET", which enables customers to open online term deposits, pay utility bills, make online Salik payments, check their account and credit card balances and statements, transfer funds to accounts within and outside FGB (domestic and international) and register for email statements.

The major remote banking services launched in 2010 include online payment of DU mobile recharges, post paid bills, online payment of Dubai Water and Electricity ("DEWA") bills, automatic standing instructions for Salik, DEWA and DU, promotion of the Emirati Al Awwal program (being a savings product specifically designed for Emiratis) through automated marketing SMS's, booking of Emirati Al Awwal certificates for existing customers through contact centre, credit card e-statement registration through contact centre and launch of a new customer service front end with an end to end workflow management system.

## SUBSIDIARIES AND ASSOCIATES

FGB is the parent company within the Group. As at 31 March 2011, FGB's subsidiaries and affiliates 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%
Radman Properties Co. LLC <sup>(1)</sup>	Real estate investments	U.A.E.	80.0%
First Merchant International LLC	Merchant banking services	U.A.E.	100.0%
First Gulf Financial Services LLC	Brokerage services	U.A.E.	45.0%
Green Emirates Properties P.J.S.C.	Property management and brokerage	U.A.E.	40.0%
Aseel Finance P.J.S.C.	Islamic financial services	U.A.E.	40.0%

Note:

(1) The 80.0 per cent. share in Radman Properties Co. LLC is owned by Mismak. Radman was incorporated as a single purpose company to develop a property on Reem Island offshore Abu Dhabi city in conjunction with a single other customer of the Group.

FGFS was established in 2001 and is the vehicle through which the Group offers its local equity brokerage services. As at 31 March 2011, FGFS had an authorised and paid-up share capital of AED 30.0 million, total assets of AED 77.1 million and, for the three month period ended 31 March 2011, recorded a net profit of AED 0.2 million. FGFS is licensed to carry out equity brokerage activities on the Abu Dhabi Securities Exchange, the Dubai Financial Market and NASDAQ Dubai (formerly known as the Dubai International Financial Exchange). FGFS is based in Abu Dhabi, with offices at FGB's headquarters in Abu Dhabi, in Dubai and at the Abu Dhabi Securities Exchange. Prior to 1 April 2006, FGB owned 80.0 per cent. of FGFS with the remaining 20.0 per cent. being owned by certain of FGB's shareholders. Since 1 April 2006, FGB's shareholding has been reduced to 45.0 per cent. following a partial sale of the shares held by FGB and the other shareholders, realising a gain for FGB of AED 97.5 million. The purchasers of the shares in FGFS were existing customers of FGB who each hold between 2.0 and 6.0 per cent. of FGFS.

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 three month period ended 31 March 2011 recorded a net profit of AED 9.3 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.

For a description of GEP, Aseel Finance and Mismak, see "*Business Activities – Real Estate Activities*" above.

## **RISK MANAGEMENT AND COMPLIANCE**

The risk management function at FGB is separated into several committees and risk teams. This approach is designed to focus on each risk issue individually. The roles and responsibilities of each of these committees and teams are explained below:

### **Board Level Committees within the Bank**

#### ***Executive Committee***

The Executive Committee (the "EC"), established by resolution of the Board of Directors, oversees the implementation of FGB's policies and the Board of Directors' resolutions, and practices the competencies granted to it by the Board of Directors. The EC comprises four independent members of the Board of Directors as well as the Managing Director of FGB. The EC oversees FGB's overall management and ensures that FGB's business policies and practices are in line with FGB's business interests, as well as with sound corporate governance and compliance standards, including provisions of the U.A.E. Central Bank. The EC meets at least six times a year through its separately convened meetings.

#### ***Risk and Compliance Management Committee***

The Risk and Compliance Management Committee (the "RCMC") comprises two independent directors, the Managing Director and the Chief Risk and Credit Officer (the "CRCO"). The committee meets as often as it determines as appropriate and at least once in a quarter. Under authority delegated to it by the Board of Directors, the RCMC plays a key role in the fulfilment of corporate governance standards and overall risk management by assisting the Board of Directors in the formulation of strategy for enterprise-wide risk management, evaluation of overall risks faced by the Group, alignment of risk policies with business strategies, determination of the level of risks which will be in the best interests of the Group and through risk-based capital planning. The RCMC, by virtue of the 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") is principally responsible for reviewing the internal audit program, considering the major findings of each internal audit review, making appropriate investigations and responses, ensuring co-ordination between the internal and external auditors and keeping under review the effectiveness of internal control systems. In particular, the AC is also responsible for reviewing the external auditor's management letter and management's responses thereto. Members of the AC include three independent Board members and the Head of Internal Audit. The committee meets on a quarterly basis.

## **Enterprise Risk Management Structure**

A well-established risk governance and ownership structure ensures oversight and accountability of the effective management of risk at FGB. The Board of Directors approves risk management plans for FGB and its subsidiaries, associates and foreign offices including representative offices and overseas branches. Under authority delegated by the Board of Directors, the RCMC through its separately convened risk management meeting formulates high-level enterprise risk management policy, exercises delegated risk authorities and oversees the implementation of risk management framework and controls. It monitors all categories of risk, receives reports on actual performance and emerging issues, determines action to be taken and reviews the efficacy of FGB's risk management framework. In its oversight and stewardship of risk management at Group level, RCMC is supported by the Enterprise Risk Management Unit (the "ERMU") (see "*Description of First Gulf Bank P.J.S.C. – Risk Management and Compliance – Enterprise Risk Management Unit*" below) headed by the CRCO, who is also a member of the RCMC. The following management-level committees also form a part of the risk governance structure at FGB:

### ***Corporate Credit Committee***

The Corporate Credit Committee (the "CCC"), established by resolution of the Board of Directors, assists the EC and the Board of Directors to put into operation the corporate credit risk strategy and policies and procedures pertaining to the corporate business of FGB. The primary role of the CCC is to approve credits (within defined credit granting criteria) and monitor the portfolio quality of the corporate banking group, in line with the defined business strategy and credit risk strategy of FGB. The CCC comprises several members of FGB's senior management including the CEO, CRCO, Head of Corporate Banking Group and Head of Credit.

### ***Retail Credit Committee***

Retail Credit Committee (the "RCC") is an executive committee established by resolution of the Board of Directors. It assists the EC and the Board of Directors to put into operation the retail credit strategy and policies and procedures pertaining to the retail banking business of FGB. The primary role of the RCC is to finalise the retail credit criteria and set portfolio level limits, in line with the defined business and credit risk strategy of FGB. The RCC comprises several members of FGB's senior management including the CEO, CRCO, Head of Retail Banking Group and Head of Retail Credit and Collections.

### ***Asset Liability Committee***

The Asset and Liability Management Committee (the "ALCO") is an executive committee established by resolution of the Board of Directors to assist the Board of Directors and RCMC in fulfilling their responsibility to oversee FGB's Asset and Liability (the "ALM") and market risk management functions. Recommendations and decisions made by ALCO are reported to the RCMC. ALCO maintains oversight of market risk, interest rate risk and liquidity risk. The primary goal of FGB's asset and liability management strategy is to achieve optimal return while ensuring adequate levels of liquidity and capital within an effective risk control framework. The ALCO is responsible for establishing these policy directives. The ALCO comprises several members of FGB's senior management including the Managing Director, CEO, Head of Treasury, Chief Financial Officer (the "CFO"), CRCO, Head of Corporate Banking Group and Head of Retail Banking Group.

### ***Investment Management Committee***

The Investment Management Committee (the "IMCO") comprises the Managing Director, CEO, CFO, Chief Risk and Credit Officer, Business Support Director, Head of Treasury, Financial Institutions and Islamic Banking and Head of Investments. This committee is responsible for approving limits for investments and approving individual investment proposals within those limits. IMCO ensures that the investment decisions conform to the guidelines set out in FGB's investment policy and are within overall limits prescribed by the Board of Directors. The committee meets to discuss new proposals for investments as well as to analyse the performance of FGB's existing investments. IMCO also sets guidelines for investments.

### ***Operational Risk Management Committee***

The Operational Risk Management Committee (the "ORMC") is an executive committee established pursuant to FGB's bylaws and by resolution of the Board of Directors to assist the Board of Directors and RCMC in fulfilling their responsibility to oversee FGB's operational risk management

functions. The ORMC comprises several members of FGB's senior management including the CEO, CRCO, Business Support Director, Head of Internal Audit, Head of Central Operations, Head of Treasury, CFO, Head of Corporate Banking Group and Head of Retail Banking Group.

#### ***International Investment Committee***

The International Investment Committee (the "IIC") is an executive committee that acts as a formal body to support the international business area by collectively screening the international investment opportunities presented to them. The members of the committee include the CEO, CFO, CRCO, Chief Investment Officer ("CIO") and Head of International Banking.

#### ***International Credit Committee***

The International Credit Committee (the "ICC") is an executive committee formed by the IIC to oversee the role of international credit function. The members of the committee are the CEO, CRCO, Head of Corporate Banking, Head of International Banking and CEO / Head of International Operations.

#### ***Information Security Committee***

The Information Security Committee (the "ISC") is an executive committee responsible for the ratification of information security policy and procedures and the overall coordination of activities to achieve and maintain compliance with such policies and procedures. Members of the ISC include the CEO, CRCO, CFO, Chief Information Security Officer, Business Services Director, Head of Central Operations, Head of Internal Audit, Head of IT, Head of Operational Risk, Head of Human Resources and Head of Private Banking.

#### ***Technical Steering Committee***

The Technical Steering Committee (the "TSC") is an executive committee responsible for setting the information technology ("IT") related strategic goals and successful implementation of IT objectives within FGB. The TSC ensures the alignment of the IT strategy with the FGB's business strategy and the successful implementation of such strategy. The members of the TSC include the CEO, Head of IT, Business Services Directors and various business unit heads including the CFO, CRCO, Head of Corporate Banking Group and Head of Retail Banking Group.

#### ***Personnel Policy Committee***

The Personnel Policy Committee (the "PPC") is an executive committee that provides a forum to discuss and approve the human resource policies applicable to FGB's staff. The responsibilities of the PPC include review of the recommendations from the Human Resources group relating to compensation, benefits, rewards, working environment, employee terms and conditions and other issues that form part of the HR strategy. The members of the committee include the Managing Director, CEO, Head of HR, CFO, CRCO, CIO, Business Services Director, Head of Corporate Banking Group and Head of Retail Banking Group.

#### ***AML and Compliance Committee***

The AML and Compliance Committee (the "AMLCC") is an executive committee that is responsible for implementation of the AML and compliance requirements in FGB. The AMLCC also reviews and approves new customer relationships. The members of the AMLCC include the CRCO, Head of Corporate Banking Group, Head of Retail Banking Group, Head of Central Operations, CFO and Head of Compliance. The CRCO acts as the Compliance Officer for FGB, with the Head of Compliance acting as his backup; consequently, the CRCO and Head of Compliance are the permanent members of the AMLCC due to their regulatory responsibilities to the U.A.E. Central Bank.

#### ***Business Continuity Planning Committee***

The Business Continuity Planning Committee (the "BCP") is an executive committee which has the overall responsibility for the management of business continuity-related risks. The BCP approves the integrated business continuity management policy and business recovery strategy of FGB. The BCP comprises business functional heads within FGB along with the CEO who decide on all factors of business recovery strategy in day-to-day business as well as in case of a crisis.

## **Enterprise Risk Management Unit**

FGB has a centralized ERMU, which is headed by the CRCO. The ERMU comprises of the Credit Risk Management Unit, Market Risk Management Unit, ALM Risk Management Unit, Operational Risk Management Unit, Compliance Unit and Basel II Unit (see “*Description of First Gulf Bank P.J.S.C. – Risk Management and Compliance – Overview of Enterprise Risk Management Unit*”). The ERMU is the nerve-centre for collection of data, analysis of risk drivers, interpretation of outcome and the wide dissemination of such information to the relevant committees for risk management. The reports produced by the ERMU highlight important information at individual exposure levels and portfolio levels wherever relevant. The ERMU is responsible for archiving of raw and derived data, reports and other analyses for building of risk models, validation, and documentation. The ERMU undertakes this process through partnering with various business and support units by identification, assessment, monitoring, control and reporting of all material risks. The ERMU also monitors compliance with the regulatory procedures and anti-money laundering monitoring procedures of FGB.

## **Enterprise Risk Management Policy Framework**

FGB’s Enterprise Risk Management Policy (“**ERMP**”), by establishing an enterprise-wide risk management framework across the Group, aims to accomplish its core values whilst supporting FGB in being a world class organisation that is maximising its risk adjusted returns for all stakeholders. The core objective of the ERMP is to provide a reasonable degree of assurance to the Board of Directors that any risks that threaten the Group’s achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management system. The ERMP covers the following risks within its ambit with specific policy documents: corporate credit, retail credit, market, operational, interest rate, liquidity, country, strategic, reputational, AML and compliance, information security and other material risks. In addition to these specific risk management policies, the Group also has detailed credit policies and procedures in the corporate and retail banking areas. This framework is cascaded in a hierarchy of policy manuals throughout the Group and communicates standards, instructions and guidance to the Group’s employees.

## **Overview of Enterprise Risk Management Unit**

The current structure of the ERMU is as follows:

- **Credit Risk Management Unit:** The Credit Risk Management Unit team is currently involved in strengthening corporate credit risk policies and enhancing the credit risk process through the implementation and development of predictive analytics. Its responsibilities include:
  - review and revision of credit policies and processes;
  - monitoring of product programmes, budgets, profitability and ensuring these are within established limits;
  - monitoring 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 the U.A.E. Central Bank;
  - preparation and circulation of daily/weekly/monthly Management Information Systems (“**MIS**”) reports for senior management;
  - delivering strategic and tactical initiatives targeting productivity and efficiency gains; and
  - providing support to the CCC 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;
  - monitoring of treasury activities (limits versus utilisation);
  - 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 the U.A.E. Central Bank; 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 asset liability management 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; and
  - back testing of models used for behavioural modelling of non-maturity accounts.
- *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 ISC in its disaster recovery plan; and
  - coordinating with the Compliance & AML Management Unit to ensure that operational risk requirements specified by the U.A.E. Central Bank are met.
- *Compliance and AML Management Unit:* The Compliance and AML Management 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 on regulatory issues;
  - tracking transactions for AML reporting;
  - review of bank-wide policies and procedures; and
  - compliance reviews across the Group.
- *Basel II Unit:* The Basel II Unit is responsible for fulfilment of Basel II (Pillar I, Pillar II – ICAAP, Pillar 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 II related issues;
  - Basel II 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.

### **Compliance Systems**

The Group has implemented an 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.

## INVESTMENTS

The investment division 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 investment team manages two external funds namely Al Saqer Fund and FGCM-Alternative Investment Certificates.

	31 Dec 2008	31 Dec 2009	31 Dec 2010	31 March 2011
			<i>(AED millions)</i>	
<b><i>Carried at fair value through income statement</i></b>				
Investments in managed funds <sup>(1)</sup> .....	520.5	203.4	138.9	130.7
Investments in equities – quoted .....	240.4	214.9	246.3	266.2
Debt Securities.....	—	—	21.6	110.4
<b><i>Available for sale investments</i></b>				
Investments in equities – quoted .....	5.7	—	—	—
– unquoted .....	120.2	125.8	80.2	475.9
Investments in private equity funds <sup>(2)</sup> .....	1,134.8	1,023.0	1,268.3	1,368.6
Structured notes.....	—	—	183.7	—
Debt Securities – quoted .....	25.1	751.9	767.2	1,060.9
– unquoted .....	—	20.0	187.5	220.7
<b><i>Held to maturity investments<sup>(3)</sup></i></b>				
Debt securities <sup>(4)</sup> – quoted.....	3,660.3	7,562.7	9,854.3	12,318.6
– unquoted .....	4,272.6	3,580.3	2,240.2	2,243.4
<b>Total .....</b>	<b>9,979.6</b>	<b>13,482.0</b>	<b>14,988.3</b>	<b>18,195.3</b>
Analysis of debt securities:				
Fixed rate.....	4,208.3	9,063.3	11,276.0	13,970.5
Floating rate .....	3,749.6	2,851.7	1,978.6	1,983.4

(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. The decrease in value of the investment in managed funds is due to the liquidation of the instruments under this category in line with the Group's exit strategy from these investments.

- (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 as at 31 March 2011 amounted to AED 13.9 billion (31 December 2010: AED 12.1 billion; 31 December 2009: AED 10.9 billion; and 31 December 2008: AED 7.9 billion).
- (4) Debt securities represent bonds with maturities ranging up to 10 years from the balance sheet date. Of the debt securities as at 31 December 2010, 85.0 per cent. (2009: 79.0 per cent. and 2008: 71.0 per cent.) comprise bonds which are either guaranteed by governments or issued by entities owned by governments. As at 31 December 2010, the Group's holding of debt securities issued by a single issuer accounted for 69.0 per cent. (2009: 62.0 per cent. and 2008: 46.0 per cent.) of total investments. These securities were issued by the U.S. sovereign. As at 31 December 2010, debt securities with a carrying value of AED 10.2 billion (2009: AED 7.8 billion and 2008: AED 4.6 billion) were pledged under repurchase agreements with overseas financial institutions with a principal value of AED 10.1 billion (2009: AED 7.8 billion and 2008: AED 4.4 billion). As at 31 December 2010, the rating of these overseas financial institutions by Standard & Poor's was A+ and BBB+, respectively.
- (5) Investments in equities amounting to AED 43.8 million as at 31 December 2010, AED 41.7 million as at 31 December 2009 and AED 40.0 million as at 31 December 2008 are held in the name of third parties with the beneficial interest assigned to FGB.
- (6) All unquoted available for sale equity securities are recorded at fair value except for investments amounting to AED 2.4 million as at 31 December 2010 (2009: AED 64.5 million and 2008: AED 64.3 million) which are recorded at cost since their fair values cannot be reliably estimated. There is no active market for these investments and the Group intends to hold them for the long term.
- (7) During 2008, the Group entered into an equity swap in respect of an investment it held in a quoted equity, whereby the rights and benefits to the investment were transferred to a third party in exchange for the payment of interest at the rate of EURIBOR plus 0.5 per cent. for the duration of the swap agreement of 5 years. Under the swap agreement, any appreciation or decline in value of the investment at maturity or termination of the swap, if earlier, would be ceded to the third party. Accordingly, the investment in the quoted equity was de-recognised and the balance outstanding from the third party representing the value of the investment of AED 1,406.0 million at the inception of the swap agreement was recorded under other assets (Note 8 of the 31 December 2008 financial statements). This is a non-cash flow transaction which has been excluded from the statement of cash flows.

## INVESTMENT PROPERTIES

The value of the Group's investment properties as at 31 December 2008, 2009 and 2010 and 31 March 2011, stated at fair value, representing the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, is set out below:

	31 Dec 2008	31 Dec 2009	31 Dec 2010	31 March 2011
		<i>(AED millions)</i>		
Balance as at 1 January.....	2,922.3	3,991.3	6,000.4	7,049.3
Additions .....	1,198.7	638.4	999.5	138.4
Disposal .....	(418.1)	—	(89.5)	—
Transfer from properties and equipment .....	—	1,149.6	—	—
Transferred from properties held for sale .....	—	—	10.9	—
Gain from fair value adjustment.....	288.4	221.0	128.0	—
Balance as at 31 December/31 March.....	<u>3,991.3</u>	<u>6,000.4</u>	<u>7,049.3</u>	<u>7,187.6</u>

All investment properties are valued by independent professional valuers during the fourth quarter as per internal policy. As at each of 31 December 2009 and 2010 all investment properties were valued by independent professional valuers. As per the revised International Accounting Standard, being IAS-40, properties under construction for future use as investment properties were transferred from property and equipment to investment properties effective 1 January 2009.

The property rental income earned by the Group from its investment properties that are leased out under operating leases, amounted to AED 15.7 million in the three month period ended 31 March 2011 (31 March 2010: AED 27.6 million). This compared to AED 119.2 million in the year ended 31 December 2010 (2009: AED 117.4 million and 2008: AED 115.6 million).

## INFORMATION TECHNOLOGY

The Group's information technology ("IT") department is responsible for the Group's IT strategy and delivery of all IT services throughout the Group. The Group's IT strategy is focused on providing reliable information systems to the Group's customers and employees in a secure environment.

For the Group's banking customers, the IT department focuses on providing a convenient and efficient banking service. For its internal business, the IT department focuses on providing effective methods and solutions and processes for promoting and delivering services to its customers.

In January 2003, FGB implemented a new core banking system and upgraded all its servers and computers as well as the network infrastructure. In addition to the core banking system, FGB offers remote banking facilities by offering technology based banking services via a number of channels, including its call centre, interactive voice response technology, internet banking and SMS banking. As part of its strategy to utilise the best technology available to meets its banking requirements, FGB has also implemented systems such as “Loan Origination”, “Wealth Management”, “Oracle enterprise GL”, trading systems for equities, risk management systems (as a part of Basel compliance), business process management systems and document management systems. These systems are regularly upgraded to the latest versions to ensure that FGB’s technology is not obsolete.

On the core technology front, FGB has state of the art hardware, network and storage infrastructure. Given the sensitivity of securing its banking data, FGB has implemented a number of security 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. Given the importance of customer service to its business, FGB has also implemented a robust disaster management programme involving investment in remote fully-fledged business continuity sites in Al Ain and Singapore, where critical systems are replicated to be made available in the event of an unforeseen exigency.

To ensure that it adequately supports FGB’s risk management policies, FGB’s IT systems utilise various automated tools and processes and are also subject to both internal and external audits. FGB is also certified to international standards, including ISO 27001 and ISO 20000.

FGB invested AED 27.8 million in 2008, AED 25.1 million in 2009, AED 19.1 million in 2010 and AED 5.6 million during the three month period ended 31 March 2011 in IT.

## **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 262.9 million as at 31 March 2011 (31 December 2010: AED 272.3 million; 31 December 2009: AED 279.3 million; 31 December 2008: AED 294.9 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 Executive Committee, the Managing Director 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:

<b>Chairman (Acting)</b>	<b><i>H.H. Sheikh Tahnoon Bin Zayed Al Nahyan</i></b>
<b>Vice Chairman</b>	<b><i>H.H. Sheikh Tahnoon Bin Zayed Al Nahyan</i></b>
<b>Board Member</b>	<b><i>Ahmed Ali Al Sayegh</i></b>

Ahmed Ali Al Sayegh is involved in a number of development initiatives of the Government. Most notably he is the CEO of Dolphin Energy Limited. He is also a Board Member of the U.A.E. Offsets Group, Mubadala Development Company, Abu Dhabi Water and Electricity Authority, Etihad Airways, Abu Dhabi Insurance Company and Vice Chairman of Abu Dhabi Media

Company.

Over the last 24 years, he has worked in a wide range of positions of responsibility at leading Government organizations including the Abu Dhabi National Oil Company and Abu Dhabi Investment Company. He holds a degree in Economics and Finance from Lewis & Clark College, USA.

**Managing Director**

***Abdulhamid Mohammed Saeed***

**Board Member**

Abdulhamid Mohammed Saeed has over 27 years of experience in banking, 18 years of which were with Citibank. He joined FGB in September 1999 as the General Manager. Apart from being the Managing Director and Board Member of FGB, he is a Board Member of the Abu Dhabi Securities Exchange, Emirates Investment Authority, Du, Chairman of Aseel Finance, Chairman of First Gulf Financial Services and the Managing Director of Al Reem Investments. He has a Bachelor of Science in Business Administration from the University of Arizona, USA.

**Board Member**

***Sultan Khalfan Sultan Hudairam AlKtebi***

Sultan Khalfan Sultan Hudairam AlKtebi gained a Bachelors Degree in General Administration from the United Arab Emirates University in 1994. He is a private advisor for one of FGB's largest shareholders (a member of the Al Nahyan ruling family). He is Vice Chairman of Al Ain International Group and Board Member in several companies in the U.A.E. and other GCC countries.

**Board Member**

***Khaldoon Khalifa Al Mubarak***

Khaldoon Khalifa Al Mubarak began his career at the Abu Dhabi National Oil Company and held a number of positions at the U.A.E. Offsets Group before assuming his position at FGB.

He is the CEO and Managing Director of Mubadala Development Company, an investment vehicle wholly owned by the Government. He is the Chairman of the Executive Affairs Authority of the Government and also of The Imperial College London Diabetes Center. He is a member of the Abu Dhabi Executive Council, Abu Dhabi Education Council and Abu Dhabi Council for Economic Development. He is a board member of Dolphin Energy Limited and of the Emirates Foundation and also sits on the boards of Lease Plan Corporation and Piaggio Aero. He holds a degree in Economics and Finance from Tufts University, Boston, USA.

**Board Member**

***Khadem Abdulla Al Qubaisi***

Khadem Abdulla Al Qubaisi has previously worked with the Abu Dhabi Investment Authority, as Senior Financial Analyst.

He is the Managing Director of the International Petroleum Investment Company, Chairman of Aabar Investment and the Chairman of Gulf Energy Maritime. He is a member of the Internal Audit Committee at Hyundai Oilbank Co. Ltd., Korea, and of Abu Dhabi Petroleum Investment Co. He is also Vice Chairman of Pak-Arab Refinery Ltd., Pakistan. He is a board member of Parkarab Fertilizers Co.(Pvt) Ltd., Pakistan, Borealis AG, Austria and AMI Agrolinz Melamine International GmbH, Austria. He has a degree in Economics.

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***

12 years experience at FGB

André Sayegh has over 32 years of experience with organisations such as Citibank, Arab Bank Ltd. and Strategic Business Trends, Canada. He joined FGB in December 1999 as the Head of Corporate Banking. He has been the CEO of FGB since April 2006. He has a Masters in Business Administration from the American University of Beirut, Lebanon.

#### **Head of Retail Banking Group**

##### ***Amit Wanchoo***

10 years experience at FGB

Amit Wanchoo has over 28 years of experience in senior management roles with international banks such as Citibank, Mashreq Bank and other multinational consumer goods companies such as Pepsi Cola International and Brooke Bond (Unilever). Amit Wanchoo joined FGB in August 2001. He has a Masters Degree in Management from the Asian Institute of Management, Manila, Philippines.

#### **Business Support Director**

##### ***Zulfiquar Ali Sulaiman***

6 years experience at FGB

Zulfiquar Ali Sulaiman has 36 years of experience in the banking industry, of which 22 years were with Citibank where he managed the operations of Oman as Citigroup Country Officer. His last position with Citibank was Cluster Legal & Compliance Head for Turkey, Middle East and Africa. He joined FGB in December 2004 as Chief of Staff. He has 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 & Credit Officer**

##### ***Arif Shaikh***

10 years experience at FGB

Arif Shaikh has 24 years of experience working with multinational banks, financial institutions and audit firms such as ANZ Grindlays Bank, Hong Kong Bank, KPMG Peat Marwick, Bank of Credit & Commerce and PricewaterhouseCoopers. He has been with FGB since January 2001 and heads the Risk Management and Corporate Credit Divisions. He has a Bachelors 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***

10 years experience at FGB

Karim Karoui has 24 years of banking and finance experience with organisations such as ICI (Industrie Cosmetique Internationale) and Citibank Tunisia where he held the position of Country Financial Controller. He joined FGB in June 2001 as Financial Controller. He has a Masters in Accounting from IHEC, Tunisia.

**Head of Human Resources*****Gareth Powell***

Less than 1 year's experience at FGB

Gareth Powell has recently joined FGB and has over 20 years experience in human resources. A fellow of the Chartered Institute of Personnel and Development, he has experience in the UK, U.S., Middle East and South America. Gareth has spent the majority of his career with HSBC, recently leaving to join FGB. He holds a Bachelors Degree in Arts (Spanish with French) with Honours from Kings College, University of London.

**Head of Treasury / Financial Institutions/ Islamic Banking*****Shafiqur Rahman Adhami***

11 years experience at FGB

Shafiqur Rahman Adhami has over 35 years of banking experience with organisations such as Union National Bank and Bank of Credit & Commerce. He joined FGB in August 2000 as Country Head, Credit Analysis in the Corporate Banking Division. He presently heads Treasury and Investments, FI and Islamic Banking. He holds a Bachelors Degree in Commerce from the University of Karachi, Pakistan.

**Head of Corporate Banking*****George Abraham***

3 years experience at FGB

George Abraham has over 31 years of banking experience covering the areas of corporate marketing, corporate credit, retail credit, operations and branch management in banks such as State Bank of India, HSBC, Emirates Bank International and National Bank of Dubai. He has an MA from St. Stephen's College in India.

**Head of International Business Development*****Nadeem Siddiqui***

4 years experience at FGB

Nadeem Siddiqui has more than 26 years experience, of which, 17 years were with Citibank. He has held various positions internationally in areas such as retail investments, audit and credit and risk. He has a Masters in Business Administration from California State University.

**Head of Strategy and Planning*****Hana Al Rustamani***

11 years experience at FGB

Hana Al Rustamani has over 14 years of experience in management roles with international banks such as Citibank. Hana joined FGB in May 2000 and has a Masters Degree in Information Management from the George Washington University, USA.

**Board Committees**

FGB has the following Board committees:

***Executive Committee***

The members of this committee include Ahmed Ali Al Sayegh (Chairman of the Executive Committee), Khaldoun Khalifa Al Mubarak (Member of the Executive Committee), Abdulhamid Mohammed Saeed (Managing Director) and André Sayegh (CEO).

#### *Risk and Compliance Management Committee*

The members of this committee include three Board members (comprising Abdulhamid Mohammed Saeed and Khaldoon Khalifa Al Mubarak) and the Chief Risk & Credit Officer. The committee meets quarterly.

#### *Audit Committee*

The members of this committee include three Board members (comprising Khaldoon Khalifa Al Mubarak, Abdulhamid Mohammed Saeed and Khadem Abdulla Al Qubaisi) and the Head of Internal Audit. The committee meets quarterly.

#### ***Employees***

As at 31 March 2011, FGB employed 894 members of staff as compared to 956 as at 31 December 2010, 969 as at 31 December 2009 and 989 as at 31 December 2008. These staff members do not include the approximately 1,500 strong direct sales force used by the Group, see “- *Branch Network and Product Distribution*” above.

FGB’s human resources policies aim to ensure that the Group’s staffing requirements are met through the recruitment and development of talented individuals and the implementation of tailored training and development programmes, performance appraisal and reward systems. FGB estimates that over 85 per cent. of its staff attend at least one training programme a 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. Unlike many other banks in the U.A.E., FGB has been substantially compliant with these targets year on year.

## SELECTED FINANCIAL INFORMATION

The following information has been derived 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, which have been incorporated by reference 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 2010, 2009, 2008 and for the three month period ended 31 March 2011, 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 IFRS.

	As at 31 December			As at 31 March 2011
	2008	2009	2010	
	(AED millions)			
Selected balance sheet data:				
Cash and balances with U.A.E. Central Bank.....	5,005.0	5,547.0	8,526.3	6,579.5
Due from banks and financial institutions.....	2,837.4	4,626.5	10,267.5	9,108.3
Loans and advances, net.....	79,363.0	90,385.9	95,628.0	97,064.4
Non-trading investments.....	9,979.6	13,482.0	14,988.3	18,195.3
Total assets .....	107,521.7	125,472.5	140,758.0	142,805.3
Customers' deposits .....	73,962.7	86,421.9	98,741.9	98,455.3
Term loans.....	5,785.0	9,820.0	11,723.7	12,525.1
Total liabilities .....	90,902.1	102,569.8	116,126.9	118,738.6
Share capital .....	1,375.0	1,375.0	1,375.0	1,500.0
Treasury shares.....	(44.9)	(198.8)	(1,056.3)	—
Capital notes.....	—	4,000.0	4,000.0	4,000.0
Legal reserve .....	5,305.1	5,305.1	5,305.1	8,780.1
Retained earnings .....	4,546.0	6,834.9	8,955.1	8,572.6
Total equity.....	16,619.6	22,902.8	24,631.1	24,066.7
Total equity and liabilities.....	107,521.7	125,472.5	140,758.0	142,805.3
	Year ended 31 December			Three months ended 31 March 2011
	2008	2009	2010	
	(AED millions)			
Selected income statement data:				
Net interest income and income from Islamic financing.....	2,580.5	3,833.7	4,257.2	1,145.8
Operating income.....	4,698.4	6,164.0	6,305.0	1,603.0
General and administrative expenses.....	(1,134.9)	(1,080.6)	(1,121.5)	(266.2)
Impaired assets charge.....	(566.4)	(1,680.5)	(1,639.1)	(459.0)
Non-controlling interests .....	(8.0)	2.6	123.9	2.5
Profit for the period attributable to the Equity holders of the Bank .....	3,005.3	3,310.3	3,420.4	875.3
Basic and diluted earnings per share (AED) <sup>(1)</sup> .....	2.1	2.1	2.2	0.6
Selected ratios:				
Return on average assets <sup>(2)</sup> .....	3.3	2.8	2.6	2.5(8)
Return on average equity <sup>(3)</sup> .....	22.5	16.9	14.7	14.6(8)
Cost income ratio <sup>(4)</sup> .....	24.2	17.5	17.8	16.6
Non-performing loans ratio <sup>(5)</sup> .....	0.6	1.6	4.6	4.5
Provisioning charge/net loans <sup>(6)</sup> .....	0.7	1.9	1.7	0.5
Net loans/customer deposits .....	107.3	104.6	96.8	98.6
Total capital ratio <sup>(7)</sup> .....	14.1	22.6	22.9	22.6

Notes:

- (1) See Note 16 to the Financial Statements for the three months ended 31 March 2011, Note 25 to the Financial Statements for the year ended 31 December 2010, Note 26 to the Financial Statements for the year ended 31 December 2009 and Note 24 to the Financial Statements for the year ended 31 December 2008.
- (2) Profit for the year 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 90,359.6 million in 2008, AED 116,497.1 million in 2009 and AED 133,115.3 million in 2010. For the three month period ended 31 March 2011, average assets are determined by adding total assets at the beginning and at the end of the period and dividing by two which amounted to AED 141,781.7 million.
- (3) Profit for the year 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 13,370.0 million in 2008,

AED 19,568.7 million in 2009 and AED 23,322.1 million in 2010. For the three month period ended 31 March 2011, average shareholders' equity is determined by adding shareholders' equity at the beginning and at the end of the period and dividing by two which amounted to AED 24,036.7 million.

- (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".
- (8) In this section, 'annualised percentage' represents (actual percentage for the year to date)/n\*12, where n = number of months in the period, and 'annualised ratio' represents (actual ratio for the year to date)/n\*12, where n = number of months in the period.

## 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, guarantees and acceptances which 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 2008, 2009, 2010 and 31 March 2011.

	As at 31 December			As at 31 March 2011
	2008	2009	2010	
	<i>(AED millions)</i>			
Acceptances .....	1,731.2	1,215.5	1,697.3	2,073.8
Letters of credit .....	13,547.7	13,885.1	16,365.3	16,481.3
Guarantees.....	33,348.3	40,954.8	43,808.8	43,853.0
<b>Total contingent liabilities .....</b>	<b>48,627.2</b>	<b>56,055.4</b>	<b>61,871.4</b>	<b>62,408.1</b>
Commitments to extend credit maturing within one year.....	12,643.4	3,538.1	2,849.4	2,974.3
Commitments for future capital expenditure .....	5,525.8	3,581.1	2,514.7	2,384.6
Commitments for future private equity investments.....	643.9	586.7	799.9	754.9
<b>Total commitments.....</b>	<b>18,813.1</b>	<b>7,705.9</b>	<b>6,164.0</b>	<b>6,113.8</b>
<b>Total commitments and contingent liabilities.....</b>	<b>67,440.3</b>	<b>63,761.3</b>	<b>68,035.4</b>	<b>68,521.9</b>

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 in each of 2008, 2009 and 2010 in respect of transactions entered into by the Group with related parties (other than shareholders).

	<b>As at 31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>(AED millions)</i>		
<i>Board members and key management personnel</i>			
Loans and advances to customers.....	12,593.9	13,178.5	13,373.7
Customers' deposits.....	2,945.5	4,007.5	4,339.1
Commitments and contingent liabilities.....	5,401.6	4,109.2	2,870.6
Interest and commission income.....	584.7	795.3	835.1
Interest expense.....	142.8	131.9	145.5
<i>Associates</i>			
Loans and advances to customers.....	600.0	701.2	785.5
Customers' deposits.....	671.6	305.1	158.1
Commitments and contingent liabilities.....	771.6	769.5	763.0
Interest and commission income.....	25.6	31.3	37.1
Interest expense and Islamic financing expense.....	1.6	4.5	2.9
<b>Compensation of key management personnel:</b>			
Short term employee benefits.....	58.0	74.6	83.3
Post employment benefits.....	10.1	11.6	8.3

## FINANCIAL REVIEW

*The following discussion should be read in conjunction with the Financial Statements. Unless otherwise specified, the financial data discussed below has been extracted without material adjustment from the Financial Statements.*

*References in this financial review to 2008, 2009, 2010 are for the 12 months ended 31 December and to 2011 are for the three month period ended 31 March 2011 and references to average balances in relation to a year and period of three months 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 (principally comprising loans and other credit facilities and deposit and current accounts for corporate, institutional and high net worth customers), treasury and investment operations (principally comprising money market, portfolio management, brokerage, treasury services, foreign exchange and structured derivative products), retail banking (principally comprising consumer deposits, loans and overdrafts, credit cards and funds transfer facilities) and real estate activities (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 8 branches in Abu Dhabi and through 11 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 plastic cards, brokerage and fund management) which principally generate fee and commission income.

As at 31 March 2011 the Group had total assets of AED 142.8 billion compared with AED 140.8 billion on 31 December 2010, total net loans and advances to customers of AED 97.1 billion at 31 March 2011 compared with AED 95.6 billion at 31 December 2010 and total deposits from customers of AED 98.5 billion at 31 March 2011 compared with AED 98.7 billion at 31 December 2010. For the three month period ended 31 March 2011, the Group recorded total operating income of AED 1.6 billion and net profit of AED 877.7 million compared with total operating income of AED 6.3 billion and profit of AED 3.5 billion for the year ended 31 December 2010. The Group's shareholders' equity was AED 24.1 billion at 31 March 2011 compared with AED 24.6 billion at 31 December 2010. The Group's annualised return on average assets for the three month period ended 31 March 2011 was 2.5 per cent. and its return on average equity was 14.6 per cent. For 2010, the return on average assets was 2.6 per cent. and its return on average equity was 14.7 per cent. (compared with 2.8 per cent. and 16.9 per cent., respectively in 2009 and 3.3 per cent. and 22.5 per cent., respectively in 2008). For each of the three month period ended March 2011 and the years ended December 2010, 2009 and 2008, these returns were calculated on period end averages only. The Group's annualised net interest margin for the three month period ended 31 March 2011 was 3.7 per cent. compared with 3.6 per cent. for the year ended 31 December 2010, 3.7 per cent. for the year ended 31 December 2009 and 3.1 per cent. for the year ended 31 December 2008.

### Significant Factors Affecting Results of Operations

The Group's results during the three full years and single three month period under review have been affected, among other things, by: (a) a significant stock market decline in the U.A.E. during 2008; (b) a decline in the number of initial public offerings ("IPOs") over the period under review; and (c) generally increasing real estate values in the U.A.E. up to the third quarter of 2008 and decreasing value thereafter.

#### **Stock Market Decline**

During 2008, stock markets in the U.A.E. and the wider GCC region experienced a significant decline in share valuations, stabilising through 2009 and 2010 and declining again more recently. As a result, the Group's portfolio of investments carried at fair value through the income statement showed a loss of AED 307.5 million in 2008, a loss of AED 32.0 million in 2009, a loss of AED 10.6 million in

2010 and a loss of 16.2 million during the three month period ended 31 March 2011. The table below illustrates the stock market changes by reference to the indices published by each of the Abu Dhabi Securities Exchange and the Dubai Financial Market.

	As at 31 December			As at
	2008	2009	2010	31 March 2011
Abu Dhabi Securities Market Index .....	2,390.0	2,743.6	2,719.9	2,607.1
Dubai Financial Market Index.....	1,636.2	1,803.6	1,630.5	1,556.0

Source: Bloomberg

### ***IPOs***

Despite the acute global financial crisis resulting in the disappearance of both investors' and issuers' appetite in the region, FGB acted as receiving bank on two IPOs in 2008. No IPOs were launched in the local market in 2009 and 2010 and therefore FGB did not act as lead receiving bank or receiving bank in respect of any IPOs during this period.

### ***Real Estate Values***

Real estate values increased significantly in the U.A.E. up to the third quarter of 2008, and experienced a decreasing trend thereafter until the first quarter of 2011, in particular in Dubai. The Group's investment properties have grown from AED 3,991.3 million at 31 December 2008, to AED 6,000.4 million at 31 December 2009, AED 7,049.3 million at 31 December 2010 and AED 7,187.6 million at 31 March 2011. Due to a revised IFRS accounting standard, being IAS 40, properties under construction are treated as investment properties. This was implemented by FGB with effect from 1 January 2009.

In 2008, the Group's gain on revaluation of its investment properties was AED 288.4 million, in 2009 it was AED 221.0 million and in 2010 it was AED 128.0 million.

### ***Critical 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 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 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 three months ended 31 March 2011 compared to three months ended 31 March 2010**

##### ***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 periods indicated.

	<b>3 months ended 31 March</b>		<b>Percentage change March</b>
	<b>2010</b>	<b>2011</b>	<b>2010/2011</b>
	<i>(AED millions)</i>		
Interest income and income from Islamic financing .....	1,589.9	1,713.1	7.7
Interest expense and Islamic financing expense.....	(552.7)	(567.2)	(2.6)
<b>Net interest income and income from Islamic financing.....</b>	<b>1,037.2</b>	<b>1,145.9</b>	<b>10.5</b>

##### ***Net Interest Income and Income from Islamic Financing and Margin***

During the three month period ended 31 March 2011, the Group recorded a net interest income and income from Islamic financing of AED 1,713.1 million compared to AED 1,589.9 million for the three month period ended 31 March 2010. This increase principally reflects the increase in average volume of interest earning assets.

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 3.7 per cent. annualised for the three month period ended 31 March 2011, compared to 3.6 per cent. annualised for the three month period ended 31 March 2010. 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 3.3 per cent. annualised for the three month period ended 31 March 2011, compared to 3.3 per cent. annualised for the three month period ended 31 March 2010.

##### ***Other Operating Income and Share of Profits of Associates***

The following table sets out the Group's other operating income for each of the periods indicated.

	<b>3 months ended 31 March</b>		<b>Percentage change March</b>
	<b>2010</b>	<b>2011</b>	<b>2010/2011</b>
	<i>(AED millions)</i>		
Investment income (loss) .....	28.4	(11.1)	(139.1)
Commission income.....	123.4	116.6	(5.5)
Fee income.....	159.9	228.1	42.7
Brokerage and fund management fee income .....	3.5	2.9	(17.1)
Foreign exchange income .....	31.2	20.7	(33.7)
Derivative income .....	14.4	16.9	17.4
Fees and commissions on credit cards .....	63.8	60.0	(6.0)
Gain on sale of development properties.....	178.6	—	(100.0)
Share of profits of associates.....	(13.2)	6.6	150.0
Rental income.....	27.6	15.7	(43.1)
Other.....	4.2	0.8	(81.0)
<b>Total other operating income and share of profits of associates ...</b>	<b>621.9</b>	<b>457.1</b>	<b>(26.5)</b>

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 94.9 per cent. of other operating income for the three month period ended 31 March 2011 compared to 68.3 per cent. for the three month period ended 31 March 2010. Each of the key sources of operating income is described further below.

The Group's share of profits of associates was AED 6.6 million during the three month period ended 31 March 2011 compared to a share of losses of associates of AED 13.2 million during the three month period ended 31 March 2010.

### *Investment Income*

The following table sets out the Group's investment income for each of the periods indicated.

	<b>3 months ended 31 March</b>		<b>Percentage change March</b>
	<b>2010</b>	<b>2011</b>	<b>2010/2011</b>
	<i>(AED millions)</i>		
Gains on disposal of available for sale investments.....	32.9	1.0	(97.0)
Loss (gains) on disposal of investments carried at fair value through income statement.....	(22.4)	(2.1)	(90.6)
Change in fair value of investments carried at fair value through income statement.....	16.7	(16.2)	(197.0)
Other investment income.....	1.2	6.1	408.3
<b>Total investment income .....</b>	<b>28.4</b>	<b>(11.1)</b>	<b>(139.1)</b>

Net gains on the disposal of investments totalled AED 1.0 million during the three month period ended 31 March 2011 compared to 32.9 million during the three month period ended 31 March 2010.

### *Fee Income*

The Group's fee income amounted to AED 228.1 million for the three month period ended 31 March 2011 compared to AED 159.9 million for the three month period ended 31 March 2010, principally reflecting the increase in the Group's personal loans.

### *Foreign Exchange Income*

The Group's foreign exchange income amounted to AED 20.7 million for the three month period ended 31 March 2011 compared to AED 31.2 million for the three month period ended 31 March 2010, principally reflecting the decrease in the trading volume and number of these products brokered for the Group's clients.

### *Derivative Income*

The Group's derivative income amounted to AED 16.9 million for the three month period ended 31 March 2011 compared to AED 14.4 million for the three month period ended 31 March 2010, principally reflecting the increase in the trading volume and number of these products brokered for the Group's clients.

### *Commission Income*

The Group's commission income amounted to AED 116.6 million for the three month period ended 31 March 2011 compared to AED 123.4 million for the three month period ended 31 March 2010, principally reflecting a decrease in margin due to pricing pressures. The Group's contingent liabilities, being acceptances, letters of credit and guarantees, grew from AED 58.3 billion as at 31 March 2010 to AED 62.4 billion as at 31 March 2011.

### *Fees and Commissions on Credit Cards*

The Group's fees and commission on credit cards amounted to AED 60.0 million for the three month period ended 31 March 2011 compared to AED 63.8 million for the three month period ended 31 March 2010, principally reflecting the decrease in the volume of cards issued by the Group.

### **Results of Operations for the years ended 2008, 2009 and 2010**

#### ***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	
	2008	2009	2010	2008/2009	2009/2010
	<i>(AED millions)</i>				
Interest income and income from Islamic financing .....	4,957.3	6,490.0	6,578.9	30.9	1.4
Interest expense and Islamic financing expense .....	(2,376.7)	(2,656.2)	(2,321.7)	11.8	(12.6)
<b>Net interest income and income from Islamic financing .....</b>	<b>2,580.5</b>	<b>3,833.7</b>	<b>4,257.2</b>	<b>48.6</b>	<b>11.0</b>

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	
	2008	2009	2010	2008/2009	2009/2010
	<i>(AED millions)</i>				
<b>Interest income</b>					
Loans and advances .....	4,182.3	5,838.8	5,972.2	39.6	2.3
Deposits with banks .....	189.4	85.1	79.4	(55.1)	(6.7)
Income related to subscriptions to IPOs .....	23.4	—	—	(100)	—
Investment securities					
– Available for Sale .....	2.2	34.3	33.6	1,459.1	(5.0)
– Held to maturity .....	258.2	140.5	127.3	(45.6)	(9.4)
Notional interest on impaired loans and advances .....	5.9	1.6	26.9	(72.9)	1581.3
<b>Total .....</b>	<b>4,661.3</b>	<b>6,100.3</b>	<b>6,239.5</b>	<b>30.9</b>	<b>2.3</b>
<b>Income from Islamic financing</b>					
Islamic financing income .....	295.9	389.6	339.5	31.7	(12.9)
<b>Total .....</b>	<b>295.9</b>	<b>389.6</b>	<b>339.5</b>	<b>31.7</b>	<b>(12.9)</b>
<b>Interest income and income from Islamic financing .....</b>	<b>4,957.3</b>	<b>6,490.0</b>	<b>6,578.9</b>	<b>30.9</b>	<b>1.4</b>

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 93.4 per cent. of the Group's total interest income and income from Islamic financing in 2008 compared to 94.0 per cent. in 2009 and 94.4 per cent. in 2010. Interest income, excluding income from Islamic financing, increased in 2010 by AED 139.2 million, or 2.3 per cent., as compared to 2009 and increased in 2009 by AED 1,439.0 million, or 30.9

per cent., as compared with 2008. These increases were 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 2010 by AED 8.1 billion, or 9.6 per cent., as compared to 2009 and increased in 2009 by AED 23.0 billion, or 37.1 per cent., as compared with 2008. The average rate of interest earned on the Group's portfolio of loans and advances was 6.5 per cent. in 2010 compared to 7.0 per cent. in 2009 and 6.7 per cent. in 2008 and the average rate on interest earned on its debt securities portfolio was 1.5 per cent. in 2010, compared to 2.7 per cent. in 2009 and 4.6 per cent. in 2008.

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 295.9 million in 2008, AED 389.6 million in 2009 and AED 339.5 million in 2010.

For the reasons given under “– *Significant Factors affecting Results of Operations – IPOs*”, interest income relating to IPO subscriptions fell significantly over the period under review, from AED 23.4 million in 2008 to nil in 2009 and nil in 2010.

#### ***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.

	<b>Year ended 31 December</b>			<b>Percentage change</b>	
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2008/2009</b>	<b>2009/2010</b>
	<i>(AED millions)</i>				
Interest expense					
Customers' deposits.....	1,837.9	2,344.5	1,898.2	27.6	(19.0)
Interest expense related to IPO related deposits .....	2.6	—	—	(100.0)	—
Bank deposits .....	305.3	111.8	21.7	(63.4)	(80.5)
Term loans.....	222.3	44.7	313.1	(79.9)	600.4
<b>Total .....</b>	<b>2,368.1</b>	<b>2,501.0</b>	<b>2,233.0</b>	<b>5.6</b>	<b>(10.7)</b>
Islamic financing expense					
<b>Other Islamic financing expense.....</b>	<b>8.4</b>	<b>155.2</b>	<b>88.7</b>	<b>1,747.6</b>	<b>(42.8)</b>
<b>Total .....</b>	<b>8.4</b>	<b>155.2</b>	<b>88.7</b>	<b>—</b>	<b>—</b>
<b>Interest expense and Islamic financing expense .....</b>	<b>2,376.5</b>	<b>2,656.2</b>	<b>2,321.7</b>	<b>11.8</b>	<b>(12.6)</b>

The Group principally pays interest on deposits made by its customers. This expense accounted for 77.3 per cent. of the Group's total interest and Islamic financing expense in 2008 compared to 88.3 per cent. in 2009 and 81.8 per cent. in 2010.

Interest expense decreased in 2010 by AED 268.0 million, or 10.7 per cent., compared to 2009 and increased in 2009 by AED 132.8 million, or 5.6 per cent., compared to 2008. In 2009, the increase was principally due to an increase in customers' deposits and in 2010, the decrease was principally due to a decrease in cost of customers' deposits and bank deposits. The average balance of customer deposits increased in 2010 by AED 12.4 billion, or 15.4 per cent., compared to 2009 and increased in 2009 by AED 17.1 billion, or 27.1 per cent., compared to 2008. The average rate of interest paid on customer deposits was 2.2 per cent. in 2010 compared to 3.0 per cent. in 2009 and 3.0 per cent. in 2008.

### ***Net Interest Income and Income from Islamic Financing and Margin***

The Group's net interest income and income from Islamic financing in 2009 increased by 48.6 per cent. to AED 3,833.7 million from AED 2,580.5 million in 2008 and in 2010, increased by 11.0 per cent. compared to 2009 to AED 4,257.2 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 3.6 per cent. in 2010 compared to 3.7 per cent. in 2009 and 3.1 per cent. in 2008. 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 3.6 per cent. in 2010 compared to 3.4 per cent. in 2009 and 3.0 per cent. in 2008.

### ***Other Operating Income and Share of Profit of Associates***

The following table sets out the Group's other operating income and share of profit of associates for each of the years indicated.

	Year ended 31 December			Percentage change	
	2008	2009	2010	2008/2009	2009/2010
	<i>(AED millions)</i>				
Gain on revaluation of investment properties .....	288.5	221.1	128.0	(23.4)	(42.1)
Investment income.....	(252.7)	56.2	44.8	(122.2)	(20.3)
Fee income .....	610.4	529.3	736.8	(13.3)	39.2
Foreign exchange income .....	104.1	122.5	91.3	17.7	(25.5)
Derivative income.....	214.7	221.2	25.0	3.0	(88.7)
Commission income .....	273.1	360.7	471.7	32.1	30.8
Fees and commissions on credit cards.....	203.1	298.9	266.6	47.2	(10.8)
Share of profits (losses) of associates	156.9	29.0	(37.8)	(81.5)	(230.3)
Brokerage and fund management fee income .....	27.0	18.5	11.5	(31.5)	(37.8)
Gain on sale of development properties .....	240.1	460.0	178.6	91.6	(61.2)
Loss on revaluation of property and equipment.....	—	(83.6)	—	—	(100.0)
Gain (Loss) on sale of property and equipment.....	98.7	(24.4)	(3.1)	(124.7)	(87.3)
Rental income.....	115.6	117.4	119.2	1.6	1.5
Other.....	38.4	3.4	15.1	(91.1)	344.1
Total other operating income and share of profits of associates.....	2,117.8	2,330.2	2,047.8	10.0	(12.1)

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 54.4 per cent. of other operating income in 2008, 68.2 per cent. of other operating income in 2009 and 79.9 per cent. of other operating income in 2010. Each of these sources of operating income is described further below.

The Group's share of profits (losses) of associates was AED 156.9 million in 2008, AED 29.0 million in 2009 and AED (37.8) million in 2010. The Group's brokerage and fund management fee income was AED 27.0 million in 2008, AED 18.5 million in 2009 and AED 11.5 million in 2010.

The Group's other sources of operating income have experienced a decline during the period under review, mainly due to a decrease in non-recurring gains from sale of properties. The income from other sources (excluding gain from sale of properties) has been stable over the period under review.

### *Investment Income*

The following table sets out the Group's investment income for each of the years indicated.

	Year ended 31 December			Percentage change	
	2008	2009	2010	2008/2009	2009/2010
<i>(AED millions)</i>					
Gains on disposal of available for sale investments.....	21.8	49.7	63.7	128.4	28.2
Gains (losses) on disposal of investments carried at fair value through income statement.....	23.3	28.6	(15.6)	22.7	(154.5)
Change in fair value of investments carried at fair value through income statement .....	(307.5)	(32.0)	(10.6)	89.6	66.9
Other investment income.....	9.7	10.0	7.3	3.1	(27.0)
<b>Total investment income.....</b>	<b>(252.7)</b>	<b>56.3</b>	<b>44.8</b>	<b>122.3</b>	<b>(20.4)</b>

Net gains on the disposal of investments totalled AED 45.1 million in 2008, AED 78.3 million in 2009 and AED 48.2 million in 2010. The Group's portfolio of investments carried at fair value through the income statement (which it marked to market at the end of 2008, 2009 and 2010) showed a loss of AED 307.5 million in 2008 compared to a loss of AED 32.0 million in 2009 and a loss of AED 10.6 million in 2010. Other investment income comprises dividend income less brokerage expenses and has been relatively steady over the period.

### *Fee Income*

The Group's fee income amounted to AED 610.4 million in 2008, AED 529.3 million in 2009 and AED 736.8 million in 2010, principally due to a decrease in loan origination during 2009 and a subsequent increase in 2010. At 31 December 2008, the Group had granted AED 19.9 billion in personal loans. By 31 December 2009, this had increased to AED 27.8 billion and by 31 December 2010, it was AED 33.9 billion. Fees charged on personal loans accounted for 80.6 per cent. of the Group's total fee income in 2008, compared to 73.7 per cent. in 2009 and 74.1 per cent. in 2010. The Group also charges fees on the corporate and syndicated loans it grants although the income from these fees was more variable over the period under review.

### *Foreign Exchange and Derivative Income*

The Group's foreign exchange and derivative income amounted to AED 318.8 million in 2008, AED 343.7 million in 2009 and AED 116.4 million in 2010, principally reflecting the increase and subsequent decrease, respectively, in the volume and number of these products brokered for the Group's clients.

### *Commission Income*

The Group's commission income amounted to AED 273.1 million in 2008, AED 360.7 million in 2009 and AED 471.7 million in 2010, principally reflecting the increase in its contingent liabilities, being acceptances, letters of credit and guarantees, which grew from AED 48.6 billion at 31 December 2008 to AED 56.1 billion at 31 December 2009 and to AED 61.9 billion at 31 December 2010.

### *Fees and Commissions on Credit Cards*

The Group's fees and commission on credit cards amounted to AED 203.1 million in 2008, AED 298.9 million in 2009 and AED 266.6 million in 2010, reflecting an increase in income (mainly due to additional insurance and membership fee income) during 2009 and a decrease in income (mainly due to a decrease in the volume of cards issued by the Group) during 2010. At 31 December 2008 the Group had approximately 372,200 credit cards in issue compared to approximately 360,220 credit cards at 31 December 2009 and approximately 355,000 credit cards at 31 December 2010, representing decreases of 3.2 per cent. and 1.4 per cent., respectively.

### *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	
	2008	2009	2010	2008/2009	2009/2010
	<i>(AED millions)</i>				
Staff costs .....	559.5	579.7	556.3	3.6	(4.0)
Depreciation .....	38.8	61.4	61.1	58.2	(0.5)
Other general and administrative expenses.....	536.6	439.5	504.2	(18.1)	14.7
<b>Total general and administrative expenses .....</b>	<b>1,134.9</b>	<b>1,080.6</b>	<b>1,121.6</b>	<b>(4.8)</b>	<b>3.8</b>

Staff costs and depreciation together accounted for 52.7 per cent., 59.3 per cent. and 55.0 per cent. of its total general and administrative expense in 2008, 2009 and 2010, 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 20.2 million, or 3.6 per cent., in 2009 compared to 2008 and decreased by AED 23.4 million, or 4.0 per cent., in 2010 compared to 2009. The increase in 2009 was primarily caused by an increase in the number of employees reflecting the general growth in the Group as well as by increases in salaries paid, whereas the decrease in 2010 reflected a decline in the number of the Group's employees. Based on the number of full time equivalent staff at the start and end of each year, the Group employed an average of 912 staff during 2008, an average of 979 staff during 2009 and an average of 963 staff during 2010, an increase of 7.4 per cent. in 2009 compared to 2008 and a decrease of 1.7 per cent. in 2010 compared to 2009. The staff cost per average employee was AED 614.0 thousand in 2008 compared to AED 592.0 thousand in 2009 and AED 578.0 thousand in 2010, a decrease of 3.5 per cent. in 2009 compared to 2008 and 2.4 per cent. in 2010 compared to 2009. As a percentage of total general and administrative expenses, staff cost was 49.6 per cent. in 2010, 53.6 per cent. in 2009 and 49.3 per cent. in 2008.

#### *Depreciation*

Depreciation increased by 58.2 per cent., in 2009 compared to 2008 and decreased by 0.5 per cent. in 2010 compared to 2009, principally reflecting increases in depreciable assets during 2009. As a percentage of total general and administrative expenses, depreciation was 3.4 per cent. in 2008, 5.7 per cent. in 2009 and 5.4 per cent. in 2010.

#### *Other general and administrative expenses*

The most significant components of other general and administrative expenses are the Group's outsourcing costs which together comprised 35.6 per cent. of other general and administrative expenses in 2008, 34.7 per cent. in 2009 and 29.1 per cent. in 2010, principally reflecting decreases in the size of the Group's outsourced sales force over the period.

#### *Impaired Assets Charge*

The Group's impaired assets charge net of recoveries was AED 566.3 million in 2008, AED 1,680.5 million in 2009 and AED 1,639.1 million in 2010. Recoveries were AED 26.1 million in 2008, AED 21.6 million in 2009 and AED 17.1 million in 2010. 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 0.7 per cent. in 2008, 1.9 per cent. in 2009 and 1.7 per cent. in 2010.

**Financial Condition as at 31 December 2008, 2009 and 2010 and as at 31 March 2011**

**Total Assets**

As at 31 December 2008, the Group had total assets of AED 107.5 billion as compared to AED 125.5 billion at 31 December 2009, AED 140.8 billion at 31 December 2010 and AED 142.8 billion at 31 March 2011. The increases over the discussed period principally reflect increases in cash and balances with the U.A.E. Central Bank, due from banks, loans and advances to customers and in non-trading investments.

**Loans and Advances, Net**

As at 31 December 2008, the Group had net loans and advances of AED 79.4 billion as compared to AED 90.4 billion at 31 December 2009, AED 95.6 billion at 31 December 2010 and AED 97.1 billion at 31 March 2011. The increases over the discussed period were mainly the result of strong demand for loans by the Group's customers, particularly in the retail, real estate and services sectors. As a percentage of total assets, net loans and advances were 73.8 per cent. at 31 December 2008, 72.0 per cent. at 31 December 2009, 67.9 per cent. at 31 December 2010 and 68.0 per cent. at 31 March 2011.

The Group's loan portfolio comprises loans and advances to corporate and retail 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 2008, 2009 and 2010.

As at 31 December						
	2008		2009		2010	
<i>(AED millions, except percentages)</i>						
Agriculture.....	120.6	0.1%	237.9	0.3%	292.5	0.3%
Energy.....	633.6	0.8%	438.1	0.5%	797.7	0.8%
Trading.....	4,545.1	5.6%	3,635.3	3.9%	3,703.0	3.7%
Construction.....	5,021.1	6.2%	5,720.1	6.2%	4,840.3	4.9%
Transport.....	500.4	0.6%	785.1	0.8%	723.3	0.7%
Personal – retail.....	19,947.4	24.8%	27,830.9	30.0%	33,930.5	34.3%
Personal – others.....	10,232.8	12.7%	7,657.3	8.2%	6,085.5	6.2%
Government.....	496.4	0.6%	340.2	0.4%	532.7	0.5%
Share financing.....	5,289.2	6.6%	4,310.9	4.6%	4,045.7	4.1%
Real estate.....	13,545.1	16.8%	17,878.2	19.2%	18,444.5	18.6%
Services.....	12,562.2	15.6%	15,050.7	16.2%	15,884.7	16.1%
Public sector.....	5,067.7	6.3%	6,360.8	6.8%	6,268.1	6.3%
Manufacturing.....	2,542.3	3.2%	2,670.2	2.9%	3,374.2	3.4%
Total gross loans and advances.....	80,503.8	100.0%	92,915.7	100.0%	98,922.8	100.0%
Less provision for impaired loans and advances.....	(1,140.8)	—	(2,529.8)	—	(3,294.8)	—
<b>Total net loans and advances...</b>	<b>79,363.0</b>	—	<b>90,385.9</b>	—	<b>95,628.0</b>	—
of which:						
Conventional loans and advances.....	74,549.3	93.9%	84,884.3	93.9%	89,857.9	94.0%
Islamic financing.....	4,813.7	6.1%	5,501.6	6.1%	5,770.1	6.0%

The majority of the growth in the Group's loans and advances between 31 December 2008 and 31 December 2010 is concentrated in the retail, real estate and services sectors. The growth in the retail portfolio reflects the Group's focus on growing this business. Personal loans (including credit card advances) are generally secured by salary assignments and the Group generally does not lend to individuals earning less than AED 10,000 per month. 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 2010, comprised 17.0 per cent. of its deposit base.

### *Non-trading Investments*

As at 31 December 2008, the Group had a non-trading investments portfolio of AED 10.0 billion as compared to AED 13.5 billion at 31 December 2009, AED 15.0 billion at 31 December 2010 and 18.2 billion at 31 March 2011. The changes over the two years reflected an increase in USD-denominated treasury bills within the fixed income portfolio. As a percentage of total assets, non-trading investments were 9.3 per cent. at 31 December 2008, 10.7 per cent. at 31 December 2009, 10.6 per cent. at 31 December 2010 and 12.7 per cent at 31 March 2011. Information on the Group's non-trading investments portfolio is set out under "*Description of First Gulf Bank P.J.S.C. – Investments*" and "*Description of First Gulf Bank P.J.S.C. – Investment Properties*".

### **Total Liabilities**

As at 31 December 2008, the Group had total liabilities of AED 90.9 billion as compared to AED 102.6 billion at 31 December 2009, AED 116.1 billion at 31 December 2010 and AED 118.7 billion at 31 March 2011. The increases over the discussed period principally reflect increases in customer deposits.

### *Customers' Deposits*

As at 31 December 2008, the Group had total customers' deposits of AED 74.0 billion as compared to AED 86.4 billion at 31 December 2009, AED 98.7 billion at 31 December 2010 and AED 98.5 billion at 31 March 2011. The increases over the two years principally reflect the Group's strong relationships with its key corporate and governmental depositors and the need to fund its growth. As a percentage of the Group's total liabilities, customers' deposits were 81.4 per cent. at 31 December 2008, 84.3 per cent. at 31 December 2009, 85.0 per cent. at 31 December 2010 and 82.9 per cent. at 31 March 2011.

### **Funding**

The table below sets out the principal sources of the Group's funding as at 31 December 2008, 2009, 2010 and at 31 March 2011.

	As at 31 December			As at 31 March
	2008 <sup>(1)</sup>	2009	2010	2011
	(AED millions)			
Customer deposits .....	73,962.7	86,421.9	98,741.9	98,455.3
Term loans.....	5,785.0	9,820.0	11,723.7	12,525.1
Due to banks .....	3,112.6	1,940.6	1,527.1	2,789.1
Shareholders' equity .....	16,619.6	22,902.8	24,631.1	24,066.7

Note:

(1) Due to U.A.E. Central Bank Amount amounted to AED 4.2 billion.

The Group's funding base principally consists of customer deposits, which grew from AED 74.0 billion as at 31 December 2008 to AED 98.7 billion as at 31 December 2010, and slightly decreased to AED 98.5 billion at 31 March 2011. As at 31 March 2011, the Group had a 8.9 per cent. market share of customer deposits in the U.A.E. compared to 9.4 per cent. at 31 December 2010, 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 2008, 2009 and 2010.

	As at 31 December		
	2008	2009	2010
	(AED millions)		
Current accounts .....	5,584.1	5,769.8	7,886.8
Saving accounts .....	136.3	193.3	896.7
Time deposits.....	59,628.0	71,007.3	78,684.4
Call and other deposits.....	8,614.2	9,451.5	11,274.1
Total .....	<b>73,962.6</b>	<b>86,421.9</b>	<b>98,741.9</b>

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 2008, the five largest depositors accounted for around 33.0 per cent. of total customer deposits at that date as compared to 32.0 per cent. at 31 December 2009 and 29.0 per cent. at 31 December 2010. As at 31 December 2010, the 10 largest and 20 largest depositors accounted for approximately 40.1 per cent. and 52.5 per cent., respectively, of total customer deposits.

As at 31 December 2010, time deposits included AED 9.2 billion 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 7.4 billion at 31 December 2009 and AED 3.6 billion at 31 December 2008.

In December 2006, FGB received an 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. 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 5.0 billion within 30 years failing which any outstanding amount is to be transferred back to the Government. As at 31 March 2011, the Government time deposits amounted to AED 9,139.0 million compared with AED 8,754.0 million at 31 December 2010, AED 6,873.0 million at 31 December 2009 and AED 5,644.0 million at 31 December 2008. As at 31 March 2011 housing loans amounting to AED 8,905.3 million, compared with AED 8,343.9 million at 31 December 2010, AED 6,416.1 million at 31 December 2009 and AED 2,556.3 million at 31 December 2008, 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.

As at 31 December 2008, time deposits also included deposits of AED 4,510.1 million placed by the U.A.E. Federal Government for a period of 3-5 years which was subject to FGB meeting certain minimum capital ratios and other U.A.E. Central Bank compliance requirements. In 2009, the U.A.E. Federal Government granted an option to convert the time deposits into a Tier 2 Capital qualifying loan which bears interest at the rate of 4.0 per cent. per annum for the first two years and steps up to 4.5 per cent. per annum and 5.0 per cent. per annum in the third and fourth years, and from the fifth year onwards at 5.25 per cent. per annum. FGB exercised the conversion option and the deposit was re-categorised as a subordinated loan as of 31 December 2009. The loan matures on 31 December 2016, subject to annual redemption arrangements after 5 years.

#### ***Syndicated Loan***

As at 31 March 2011, FGB had one syndicated loan of U.S.\$825.0 million outstanding repayable in November 2012. The loan bears interest at LIBOR plus a margin of 0.275 per cent. per annum. Under the loan, FGB has covenanted to maintain a capital adequacy ratio at least equal to the Basel I minimum capital requirement as implemented in the U.A.E. The loan also contains other standard provisions including a negative pledge, non-disposal covenant and events of default.

#### ***Bank Loans***

As at 31 March 2011, FGB had four bank loans totalling U.S.\$525.0 million outstanding, consisting of three bank loans of U.S.\$150.0 million each repayable in December 2011, April 2012 and May 2012, respectively, and a bank loan of U.S.\$75.0 million repayable in June 2012. A bank loan of U.S.\$150.0 million bears interest at 2.85 per cent. and other bank loans of U.S.\$ 375.0 million loan bear interest at LIBOR plus a margin.

#### ***Due to banks***

The following table sets out the breakdown of due to banks for the Group as at 31 December 2008, 2009 and 2010.

	<b>As at 31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>(AED millions)</i>		
Current and demand accounts .....	235.9	116.5	193.5
Deposits maturing within one year .....	2,876.7	1,824.1	1,333.6
<b>Total.....</b>	<b>3,112.6</b>	<b>1,940.6</b>	<b>1,527.1</b>

### ***Total Equity***

The Group's total equity amounted to AED 16.6 billion at 31 December 2008 as compared to AED 22.9 billion at 31 December 2009, AED 24.6 billion at 31 December 2010 and AED 24.1 billion at 31 March 2011. The Group's total equity comprises its issued share capital (the latter of which was AED 1.38 billion at 31 December 2008, AED 1.38 billion at 31 December 2009, AED 1.38 billion at 31 December 2010 and AED 1.5 billion at 31 March 2011), its reserves and its retained earnings (the latter of which were AED 4.5 billion at 31 December 2008, AED 6.8 billion at 31 December 2009, AED 9.0 billion at 31 December 2010 and AED 8.6 billion on 31 March 2011). 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 March 2011 and AED 5.3 billion at 31 December of 2010, 2009 and 2008.

At 31 March 2011, shareholders' equity includes AED 4.0 billion Tier 1 capital notes issued by FGB in February 2009 to the Government.

### ***Other potential funding sources***

In June 2007, FGB established the Programme. In 2009, FGB issued a three year Euro medium term note (the "**outstanding notes**") with an aggregate principal amount of U.S.\$ 500.0 million (equivalent of AED 1,837.0 million). The outstanding notes are due in November 2012 and carry a coupon rate of 4.0 per cent. per annum payable semi-annually. At 31 December 2010, outstanding notes with a nominal value of U.S.\$ 30.0 million had been repurchased by FGB. Use of the Programme is intended to increase diversification of the Group's sources of funding and its liquid investment portfolio provides a further potential source of diversification, see "*Description of First Gulf Bank P.J.S.C. – Investments*" and "*Description of First Gulf Bank P.J.S.C. – Investment Properties*".

In November 2010, the bank entered into several transactions amounting in total to U.S.\$144.9 million (equivalent to AED 532.2 million) with a foreign bank to obtain financing against the sale of debt securities, with arrangements to repurchase such debt securities at a fixed future date. The maturity dates of these transactions range from August 2012 to April 2019.

In addition, on 16 February 2011, FGB issued five year bonds with an aggregate principal amount of CHF 200.0 million (equivalent of AED 801.0 million). The maturity date of the bonds is 16 February 2016 and they carry a coupon rate of 3.0 per cent. per annum payable annually.

### ***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 U.A.E. Central Bank's guidelines and Bank for International Settlements (BIS) requirements is that, under the U.A.E. Central Bank's guidelines, GCC government exposure is risk weighted at zero per cent. Details of the Group's risk weighted assets and capital base as at each of 31 December 2008, 2009, 2010 and 31 March 2011, calculated in accordance with U.A.E. Central Bank guidelines are set out in the table below.

	As at 31 December			As at 31 March 2011
	2008	2009	2010	
	<i>(AED millions)</i>			
Share capital .....	1,375.0	1,375.0	1,375.0	1,500.0
Capital notes .....	—	4,000.0	4,000.0	4,000.0
Legal reserves .....	5,305.1	5,305.1	5,305.1	8,780.1
Special reserves .....	846.6	846.6	846.6	846.6
General reserves .....	120.0	120.0	120.0	120.0
Retained earnings .....	4,546.0	6834.9	8,955.1	8,572.6
Mandatory convertible bonds .....	3,600.0	3,600.0	3,600.0	—
Own shares held .....	(44.9)	(198.8)	(1,056.3)	—
Non-controlling interests .....	374.4	384.9	504.8	119.7
<b>Tier I capital (A) .....</b>	<b>16,122.2</b>	<b>22,267.7</b>	<b>23,650.3</b>	<b>23,939.0</b>
Tier II federal government loan .....	—	4,510.1	4,510.1	4,510.1
Asset revaluation reserves <sup>(1)</sup> .....	31.8	39.4	39.4	39.4
Foreign currency translation reserve .....	(18.2)	(14.5)	(18.5)	(6.3)
Cumulative changes in fair value .....	(32.5)	(115.0)	11.8	46.4
<b>Tier II capital (B) .....</b>	<b>(18.9)</b>	<b>4,420.0</b>	<b>4,542.8</b>	<b>4,589.6</b>
Investments in unconsolidated subsidiaries .....	—	—	—	—
Investments in unconsolidated associates .....	(553.0)	(561.5)	(516.8)	(523.4)
<b>Total deductions (C) .....</b>	<b>(553.0)</b>	<b>(561.5)</b>	<b>(516.8)</b>	<b>(523.4)</b>
<b>Total capital base (A+B-C) .....</b>	<b>15,550.3</b>	<b>26,126.2</b>	<b>27,676.3</b>	<b>28,005.2</b>
<b>Risk weighted assets</b>				
Balance sheet items .....	86,898.6	89,851.3	92,918.4	95,608.8
Off-balance sheet exposures .....	23,451.4	25,833.5	27,740.8	28,092.5
<b>Total risk weighted assets .....</b>	<b>110,350.0</b>	<b>115,684.8</b>	<b>120,659.2</b>	<b>123,701.3</b>
Tier 1 capital adequacy ratio (%) .....	14.6%	19.2%	19.6%	19.4%
Total capital adequacy ratio (%) .....	14.1%	22.6%	22.9%	22.6%

Note:

(1) The revaluation reserve represents the impact of revaluation of land held for own use to its estimated fair value based on professional valuations performed by independent real estate valuers. This is reflected as a part of equity in FGB's financial statements. 45 per cent. of the revaluation reserve is treated as asset revaluation reserves, which are reflected as Tier II capital.

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 of approximately 12.0 to 15.0 per cent. FGB's Asset and Liability Management Committee ("ALCO") is responsible for monitoring FGB's capital adequacy ratio on a quarterly basis.

The table below reflects FGB's view of the impact of Basel II capital calculations on the Group's capital adequacy ratio as at 31 December 2010 and 31 March 2011. This information is unaudited information prepared by the Group.

	As at 31 December 2010		As at 31 March 2011	
	Basel I	Basel II	Basel I	Basel II
	<i>(AED millions)</i>			
Tier I capital.....	23,650.3	24,531.8	23,939.0	23,932.7
Tier II capital .....	4,542.8	5,293.2	4,589.6	5,481.4
Deductions.....	(516.8)	(516.8)	(523.4)	(523.4)
<b>Total capital.....</b>	<b>27,676.3</b>	<b>29,308.2</b>	<b>28,005.2</b>	<b>28,890.7</b>
<b>Risk weighted assets</b>				
Credit risk.....	120,659.2	117,634.1	123,701.3	120,402.8
Market risk.....	—	3,165.6	—	7,517.0
Operational risk.....	—	6,551.6	—	6,551.6
<b>Total risk weighted assets .....</b>	<b>120,659.2</b>	<b>127,351.2</b>	<b>123,701.3</b>	<b>134,471.4</b>
<b>Capital adequacy ratio .....</b>	<b>22.9%</b>	<b>23.01%</b>	<b>22.6%</b>	<b>21.5%</b>

## 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, currency risk and equity price risk); (iii) liquidity risk; and (iv) operational risk (including legal risk). Each of these risks is described in more detail below and is also discussed in Note 31 to the Group's consolidated financial statements as at and for the year ended 31 December 2010, which are incorporated by reference in this document (the "2010 Financial Statements") and in Note 32 to the Group's consolidated financial statements as at and for the year ended 31 December 2009, which are incorporated by reference in this document (the "2009 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. Two Board level committees and three management level committees form part of the overall risk management structure within the Group. The Board level committees include: (i) the Risk and Compliance Management Committee ("RCMC"), which is responsible for establishment, monitoring and review of the compliance and risk management framework within the Group; and (ii) the Audit Committee, which has overall responsibility for assessing the internal audit findings, directing the implementation of audit recommendations and overseeing the internal audit activities being undertaken. The management level committees include: (i) ALCO, which has principal responsibility for the Group's asset and liability management process; (ii) the Credit Committee, which is responsible for approval and decisions on the Group's funded and non-funded credit limits / exposures; and (iii) the Investment Management Committee, which has the responsibility of approving investment decisions within the limits set by the Executive Committee. The Group's Chief Risk & Credit Officer ("CRO") is responsible for risk management for the Group and is a member of each of the above committees, except the Audit Committee. The CRO reports directly to the Managing Director and the RCMC and has a dotted line reporting responsibility to the CEO.

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 head of the risk management unit reports to the CRO 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 and liquidity risk, operational risk, compliance and Basel II. Each of these sub-units reports to the head of the risk management unit.

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 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 Audit Committee.

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

The Group has established an Enterprise-wide Risk Management ("ERM") structure in co-ordination with external consultants Dun & Bradstreet South Asia Middle East Limited ("D&B SAME"). This ERM initiative includes definition and clear segregation of duties, review and enhancement of risk policies and implementation of appropriate software systems for risk monitoring and computations for capital adequacy.

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 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.

As mentioned, the Group has contracted with D&B SAME and SunGard Data Systems Inc. ("SunGard"), both leading providers of risk and capital management solutions, to further enhance its risk management and compliance protocols. D&B SAME provides consultancy and technology services to further enhance the Group's risk management processes for credit risk and operational risk in accordance with the Basel II standards. SunGard provides a suite of technology solutions for the automation of Basel II capital calculations and enhancement of market risk and liquidity risk processes within the Group. Automation of Basel II capital calculations has already been completed and the remaining systems are in various phases of completion.

#### ***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 2009 and 2010. This exposure does not take into account netting and collateral agreements that serve as credit risk mitigants. Where financial instruments are recorded at fair value, the amounts shown in the table represent the then current credit risk exposure but not the maximum credit risk exposure that could arise in the future as a result of changes in values.

	<b>As at 31 December</b>	
	<b>2009</b>	<b>2010</b>
	<i>(AED millions)</i>	
Balances with the U.A.E. Central Bank.....	5,310.4	8,269.8
Due from banks and financial institutions.....	4,626.6	10,267.5
Loans and advances.....	90,385.9	95,628.0
Non-trading investments.....	11,914.9	13,254.5
Other assets.....	4,092.6	3,099.2
<b>Total.....</b>	<b>116,330.4</b>	<b>130,519.0</b>
Contingent liabilities.....	56,055.4	61,871.4
Commitments.....	3,538.1	2,849.4
<b>Total.....</b>	<b>59,593.6</b>	<b>64,720.8</b>
<b>Total credit risk exposure.....</b>	<b>175,923.9</b>	<b>195,239.8</b>

In terms of concentration, the Group's funded and non-funded credit exposure to its top five borrowers as at 31 December 2010 was AED 19,834.5 million compared to AED 18,855.1 million at 31 December 2009, in each case before taking account of any collateral or other credit enhancements. Net of this protection, the credit exposures were AED 11,540.6 million at 31 December 2010 and AED 9,329.0 million at 31 December 2009.

The table below sets out the Group's financial assets by geographic region and by industry sector at 31 December 2009 and 2010.

	<b>As at 31 December</b>	
	<b>2009</b>	<b>2010</b>
	<i>(AED millions)</i>	
<b>Geographic region</b>		
U.A.E.....	100,782.6	111,444.8
Other Arab countries.....	3,063.5	4,183.3
Europe .....	3,899.8	4,619.7
USA .....	7,961.9	9,432.5
Rest of the world.....	622.5	838.7
Total financial assets subject to credit risk.....	116,330.3	130,519.0
Non-financial assets .....	9,142.2	10,239.0
<b>Total assets .....</b>	<b>125,472.5</b>	<b>140,758.0</b>
<b>Industry sector</b>		
Commercial and business .....	62,643.6	63,001.9
Personal .....	27,051.4	32,952.6
Government .....	14,823.5	19,598.1
Banks and financial institutions.....	9,552.3	12,807.2
Other .....	2,259.5	2,159.2
Total financial assets subject to credit risk.....	116,330.4	130,519.0
Non-financial assets .....	9,142.2	10,239.0
<b>Total assets .....</b>	<b>125,472.5</b>	<b>140,758.0</b>

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 the risk rating of the customer. The risk rating system is being revised towards transformation to a dual rating system as per Basel II requirements.

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 Credit Committee by the Board. Exposures beyond these limits are approved by the Executive Committee. 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 retail lending mainly consists of loans to U.A.E. nationals and expatriates earning salaries in excess of AED 120,000 per annum. Loans are generally secured by salary assignment, with a maximum loan amount of AED 250,000. A new credit scoring system based on the Basel II dual rating framework is being developed for application and behavioural scoring of customers.

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. The frequency of these valuations depends on the type of mitigant, for example, equity collaterals are valued on a daily basis whereas mortgage used as collateral is valued once every two years.

Responsibility of 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 categories ranging from 1 (exceptional) to 10 (loss). The significant majority of the Group's loan portfolio is designated as performing, which includes categories 1 to 6, category 7 loans are considered as watch list accounts and categories 8 to 10 are considered as non-performing. For regulatory reporting purposes, the Group reports its loans to the U.A.E. Central Bank using a five grade scale where 1 is performing, 2 is watch list, 3 is sub-standard and 4 to 5 are non-performing.

The tables below set out the Group's categorisation by credit quality of the following asset classes at 31 December 2009, 2010 and 31 March 2011.

**As at 31 December 2009**

	<b>Pass</b>	<b>Watch</b>	<b>Sub- standard</b>	<b>Past due or impaired</b>	<b>Total</b>
<i>(AED millions)</i>					
Cash and balances with U.A.E.					
Central Bank .....	5,310.4	—	—	—	5,310.4
Due from banks and financial institutions .....	4,626.5	—	—	—	4,626.5
Loans and advances .....	86,609.8	1,197.5	235.4	4,873.0	92,915.7
Other assets .....	4,092.6	—	—	—	4,092.6
Non-trading investments .....	11,914.9	—	—	—	11,914.9
<b>Total .....</b>	<b>112,554.2</b>	<b>1,197.5</b>	<b>235.4</b>	<b>4,873.0</b>	<b>118,860.1</b>

**As at 31 December 2010**

	<b>Pass</b>	<b>Watch</b>	<b>Sub- standard</b>	<b>Past due or impaired</b>	<b>Total</b>
<i>(AED millions)</i>					
Cash and balances with U.A.E.					
Central Bank .....	8,269.8	—	—	—	8,269.8
Due from banks and financial institutions .....	10,267.5	—	—	—	10,267.5
Loans and advances .....	88,784.4	3,755.7	—	6,382.7	98,922.8
Other assets .....	3,099.2	—	—	—	3,099.2
Non-trading investments .....	13,254.5	—	—	—	13,254.5
<b>Total .....</b>	<b>123,675.4</b>	<b>3,755.7</b>	<b>—</b>	<b>6,382.7</b>	<b>133,813.8</b>

As at 31 March 2011

	Pass	Watch	Sub-standard	Past due or impaired	Total
	(AED millions)				
Cash and balances with U.A.E.					
Central Bank.....	6,319.6	—	—	—	6,319.6
Due from banks and financial institutions.....	9,108.3	—	—	—	9,108.3
Loans and advances .....	89,392.1	4,244.1	—	6,992.1	100,628.4
Other assets .....	3,445.6	—	—	—	3,445.6
Non-trading investments .....	15,953.9	—	—	—	15,953.9
<b>Total .....</b>	<b>124,219.5</b>	<b>4,244.1</b>	<b>—</b>	<b>6,992.1</b>	<b>135,455.8</b>

Loans and advances categorised as “watch” are those which exhibit some weakness and minor deteriorating trends that could jeopardise repayment if not corrected. Loans and advances which are categorised as “sub-standard” are generally accounts whose timely repayment is at risk and where payments may become overdue. Past due loans and advances include those which may be past due by only a few days and the majority of such loans are not considered to be impaired. The tables below set out an analysis of past due loans by age at 31 December 2009, 2010 and 31 March 2011.

As at 31 December 2009

	< 30 days	31 to 60 days	61 to 90 days	> 91 days	Total
	(AED millions)				
Past due but not impaired loans and advances.....	1,048.6	460.7	265.9	1,647.0	3,422.2
Past due and impaired loans and advances.....					4,873.0
Less:					
Past due but not impaired loans and advances.....					(3,422.2)
<b>Impaired loans and advances .....</b>					<b>1,450.8</b>

As at 31 December 2010

	< 30 days	31 to 60 days	61 to 90 days	> 91 days	Total
	(AED millions)				
Past due but not impaired loans and advances.....	1,111.3	450.5	254.2	—	1,815.9
Past due and impaired loans and advances.....					6,382.7
Less:					
Past due but not impaired loans and advances.....					(1,815.9)
Impaired loans and advances:					
Loans and advances under restructuring.....					880.0
Other loans and advances.....					3,686.8
					4,556.8
<b>Impaired loans, excluding loans and advances under restructuring.....</b>					<b>3,686.8</b>

**As at 31 March 2011**

	<u>&lt; 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>&gt; 91 days</u>	<u>Total</u>
	<i>(AED millions)</i>				
Past due but not impaired loans and advances .....	1,570.1	479.0	386.2	—	2,435.3
Past due and impaired loans and advances .....					6,992.1
Less:					
Past due but not impaired loans and advances .....					(2,435.3)
Impaired loans and advances:					
Loans and advances under restructuring .....					880.0
Other loans and advances .....					3,676.8
					4,556.8
<b>Impaired loans, excluding loans and advances under restructuring .....</b>					<b>3,676.8</b>

The table below shows the movements in the Group's provision for impairment of loans and advances.

	<u>2009</u>	<u>2010</u>	<u>2011<sup>(1)</sup></u>
	<i>(AED millions)</i>		
At 1 January .....	1,140.8	2,529.8	3,294.8
Amounts written off .....	(289.9)	(847.2)	(168.7)
Recoveries .....	(21.6)	(17.1)	(5.7)
Charge for the year/period .....	1,702.1	1,656.2	464.7
Notional interest on impaired loans and advances .....	(1.6)	(26.9)	(21.1)
<b>At 31 December .....</b>	<b>2,529.8</b>	<b>3,294.8</b>	<b>3,564.0<sup>(1)</sup></b>

Note:

(1) At 31 March.

The total carrying amount of loans and advances which have been renegotiated at 31 March 2011 was AED 3,517.9 million compared to AED 3,826.8 million at 31 December 2010 and to AED 2,455.7 million at 31 December 2009.

Corporate loans are deemed non-performing when an instalment of principal or interest is unpaid for 180 days and, with effect from 31 December 2010, 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. 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 Credit Committee.

Retail loans are monitored in buckets once overdue by more than 30 days. Interest on overdue retail loans is suspended after 180 days and, with effect from 31 December 2010, after 90 days, at which time they are fully provisioned. In addition, collective provisions are made against retail 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 retail 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 2010, loans and advances on which interest is not being accrued or is suspended amounted to AED 4,566.8 million (equal to 4.6 per cent. of total gross loans at 31 December 2010).

At 31 December 2008, the provision for impaired loans and advances amounted to AED 1,140.8 million representing 232.8 per cent. of all non-accruing loans (which totalled AED 489.9 million at the same date). In comparison, the provision for impaired loans and advances at 31 December 2009 amounted to AED 2,529.8 million representing 174.4 per cent. of all non-accruing loans (which totalled AED 1,450.8 million at the same date) and the provision for impaired loans and advances at 31 December 2010 amounted to AED 3,294.8 million representing 72.1 per cent. of all non-accruing loans (which totalled AED 4,566.8 million at the same date). As at 31 March 2011, the provision for impaired loans and advances amounted to AED 3,564.0 million representing 78.2 per cent. of all non-accruing loans (which totalled AED 4,556.8 million at the same date). The ratio of non-accruing loans to total gross loans was 0.6 per cent. at 31 December 2008, 1.6 per cent. at 31 December 2009, 4.8 per cent. at 31 December 2010 and 4.5 per cent. at 31 March 2011.

In 2010, non-performing loans increased mainly due to changes in the rules relating to the classification of non-performing loans. 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. The Group has written off most of its historical debts which were carried forward from the previous management. For the year ended 31 December 2008, the Group wrote off AED 73.5 million compared to AED 289.9 million in 2009 and AED 847.2 million in 2010. In 2010, the increase in write-offs was mainly due to the write-offs of retail loans as per the Group's policy. The Executive Committee has approved these write-offs. For the three months ended 31 March 2010, the Group wrote off AED 26.0 million compared to AED 168.7 million for the three months ended 31 March 2011.

In 2008, provisions net of recoveries (which were AED 26.1 million) were AED 566.4 million compared to AED 1,680.5 million net of recoveries (which were AED 21.6 million) in 2009 and AED 1,639.1 million net of recoveries (which were AED 17.1 million) in 2010.

As at 31 March 2011, the Group's aggregate amount of outstanding exposure to Dubai World Group was AED 880 million (including interest in suspense). As at 31 March 2011, provisions related to the Dubai World Group exposure had been provided for in the amount of AED 82.0 million, which is in compliance with existing U.A.E. Central Bank guidelines for provisioning.

### ***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, foreign exchange rates and the prices of its debt, equity and commodity investments.

The Group has established policies for conducting its investment (including trading investments) and foreign exchange business with stipulated limits for these activities. In addition, investments are made in accordance with defined investment criteria which are formulated by the Investment Committee and are reviewed by the Executive Committee on a yearly basis which aims to ensure that the investments are of a satisfactory quality and liquidity.

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.

Owing to the limited size of the trading book portfolio and the requirement of sophisticated software systems, the Group does not currently use Value-at-Risk as a risk measure. However, this tool shall be introduced as part of its risk management initiatives in a phased manner.

### ***Interest Rate Risk***

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Group manages this risk through hedging and by reviewing the re-pricing of assets and liabilities through risk management strategies. The asset liability management risk team monitors the gaps and reports both interest rate risk and liquidity risk to the ALCO on a monthly basis.

Note 31.4 to the 2010 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 2010 and 31 December 2009. 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 2010, assuming all other variables remain constant. The table shows that an increase in rates would have had a theoretical positive impact on the Group's net interest income in 2010 by AED 16.9 million (as compared with a positive impact of AED 63.4 million in 2009). 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 Investment Management Committee. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

Note 31.4 to the 2010 Financial Statements includes a table which shows the currencies to which the Group had significant exposure at 31 December 2010 and 31 December 2009. The analysis estimates the effect of an increase or decrease of 1.0 per cent. in certain currency exchange rates on the Group's net interest income for one year based on its monetary assets and liabilities held at 31 December 2010 and 31 December 2009, respectively, and its forecast cash flows, assuming all other variables remain constant. The table shows that an increase in the USD exchange rates would have had a theoretical positive impact on the Group's net interest income in 2010 of AED 4.5 million (as compared with a positive impact of AED 24.8 million in 2009). 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 31.4 to the 2010 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 2010 and 31 December 2009, respectively, assuming all other variables remain constant. The table shows that 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 8.5 million on the Group's net income in 2010 and AED 8.1 million on the Group's net income in 2009. 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 6.9 million on the Group's net income in 2010 and AED 10.2 million on the Group's net income in 2009.

Note 31.4 to the 2010 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 2010 and 31 December 2009, 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 2010 and 31 December 2009, respectively, assuming all other variables remain constant. The table shows that a change of 5.0 per cent. in the net asset value of the private equity funds in which the Group was invested would have had a theoretical effect of AED 63.4 million on the Group's equity as at 31 December 2010 and AED 51.1 million on the Group's equity as at 31 December 2009.

### ***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 both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

The Group seeks to maintain liquid assets at prudent levels to ensure that cash can quickly be made available 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 7.8 billion at 31 December 2008, AED 10.2 billion at 31 December 2009 and AED 18.8 billion at 31 December 2010.

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 2008, 2009 and 2010.

	<b>Percentage of total assets</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
		(%)	
Liquid assets .....	7.3	8.1	13.4
Loans and advances .....	73.8	72.0	67.9
Investments .....	9.3	10.7	10.6
Other assets.....	9.6	9.2	8.1
<b>Total assets .....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The day-to-day management of liquidity within the framework of the Group's liquidity risk policy is the responsibility of the 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 2008, 2009 and 2010 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 2010					
	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
<i>(AED millions)</i>					
<b>ASSETS</b>					
Cash and balances with U.A.E.					
Central Bank .....	4,026.3	4,500.0	—	—	8,526.3
Due from banks and financial institutions .....	10,212.4	55.1	—	—	10,267.5
Loans and advances, net .....	22,431.0	14,319.3	29,644.1	29,233.6	95,628.0
Non-trading investments .....	8,968.1	2,290.9	646.6	3,082.7	14,988.3
Other assets .....	3,156.2	—	—	—	3,156.2
Financial assets .....	48,794.1	21,165.2	30,290.7	32,316.4	132,566.3
Non-financial assets .....					8,191.7
<b>Total assets .....</b>					<b>140,758.0</b>
<b>LIABILITIES</b>					
Due to banks .....	1,527.1	—	—	—	1,527.1
Customers' deposits .....	67,548.9	20,205.5	2,233.5	8,754.0	98,741.9
Term loans .....	—	551.0	6,454.4	4,718.3	11,723.7
Other liabilities .....	4,134.2	—	—	—	4,134.2
<b>Total liabilities .....</b>	<b>73,210.1</b>	<b>20,756.5</b>	<b>8,687.9</b>	<b>13,472.3</b>	<b>116,126.9</b>

As at 31 December 2009					
	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
<i>(AED millions)</i>					
<b>ASSETS</b>					
Cash and balances with U.A.E.					
Central Bank .....	2,347.0	3,200.0	—	—	5,547.0
Due from banks and financial institutions .....	4,626.5	—	—	—	4,626.5
Loans and advances, net .....	27,079.5	9,670.9	23,890.3	29,745.2	90,385.9
Non-trading investments .....	7,773.6	1,149.3	1,626.4	2,932.6	13,482.0
Other assets .....	4,230.6	—	—	—	4,230.6
Financial assets .....	46,057.2	14,020.3	25,516.7	32,677.8	118,272.0
Non-financial assets .....					7,200.6
<b>Total assets .....</b>					<b>125,472.5</b>
<b>LIABILITIES</b>					
Due to banks .....	1,390.6	550.0	—	—	1,940.6
Customers' deposits .....	68,981.1	8,362.9	2,205.0	6,872.9	86,421.9
Term loans .....	—	—	5,309.9	4,510.1	9,820.0
Other liabilities .....	4,387.3	—	—	—	4,387.3
<b>Total liabilities .....</b>	<b>74,759.0</b>	<b>8,912.9</b>	<b>7,514.9</b>	<b>11,383.0</b>	<b>102,569.8</b>

**As at 31 December 2008**

	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<i>(AED millions)</i>					
<b>ASSETS</b>					
Cash and balances with U.A.E.					
Central Bank .....	5,005.0	—	—	—	5,005.0
Due from banks and financial institutions .....	2,837.4	—	—	—	2,837.4
Loans and advances, net .....	30,539.9	9,678.3	18,085.0	21,059.8	79,363.0
Non-trading investments .....	3,660.3	643.7	812.0	4,863.6	9,979.6
Other assets .....	3,780.0	—	—	—	3,780.0
Financial assets .....	45,822.6	10,322.0	18,897.0	25,923.4	100,965.0
Non-financial assets .....					6,556.6
<b>Total assets .....</b>					<b>107,521.6</b>
<b>LIABILITIES</b>					
Due to banks .....	3,012.6	100.0	—	—	3,112.6
Due to U.A.E. Central Bank .....	4,200.0	—	—	—	4,200.0
Customers' deposits .....	55,928.9	5,944.0	4,522.1	7,567.6	73,962.6
Medium term loans .....	2,754.8	—	3,030.2	—	5,785.0
Other liabilities .....	3,841.8	—	—	—	3,841.8
<b>Total liabilities .....</b>	<b>69,738.1</b>	<b>6,044.0</b>	<b>7,552.3</b>	<b>7,567.6</b>	<b>90,902.0</b>

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 2010 its five largest depositors accounted for 29.0 per cent. of its total customer deposits and its 10 largest depositors accounted for 40.1 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 2009 and 2010.

	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>(AED millions)</i>				
<b>31 December 2010</b>					
Contingent liabilities.....	37,373.6	6,032.2	18,465.5	—	61,871.4
Commitments .....	956.6	4,567.4	639.9	—	6,163.9
<b>Total .....</b>	<b>38,330.3</b>	<b>10,599.6</b>	<b>19,105.4</b>	<b>—</b>	<b>68,035.3</b>
<b>31 December 2009</b>					
Contingent liabilities.....	38,795.6	7,353.2	9,906.7	—	56,055.4
Commitments .....	635.6	5,515.4	1,554.9	—	7,705.9
<b>Total .....</b>	<b>39,431.1</b>	<b>12,868.5</b>	<b>11,461.6</b>	<b>—</b>	<b>63,761.3</b>

### ***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 estimated at AED 435.2 million for the year ended 31 December 2010, compared to AED 408.4 million for the year ended 31 December 2009.

### ***Derivatives***

In the ordinary course of its business, the Group enters into a range of transactions that involve derivative instruments. In these transactions the Group assists its customers and counterparties (typically other financial institutions) in altering their risk profile in a particular area by structuring transactions to meet the particular needs of the customer or counterparty. The positions accumulated from such activity are typically passed on to others in the market but may also be managed as open positions with a view to a limited profit. The Group manages the risks involved in this activity through appropriate limits and stop loss parameters established and monitored by the risk management division.

The Group also enters into derivative transactions to hedge its currency, interest rate and cash flow risks as part of its asset and liability management activities. This hedging may be in respect of specific financial instruments, forecasted transactions or strategic hedging against overall balance sheet exposures.

The total derivatives book by notional value at 31 March 2011 was AED 36.5 billion compared to AED 32.6 billion at 31 December 2010, AED 39.4 billion at 31 December 2009 and AED 40.3 billion at 31 December 2008. Further information on the Group's transactions involving derivatives is set out in Note 3 to the 31 March 2011 Financial Statements, Note 29 to the 2010 Financial Statements and Note 30 to the 2009 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-Qaiwain, Fujairah and Ras Al Khaimah – has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers 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.

The U.A.E. is the second largest economy in the GCC region after the Kingdom of Saudi Arabia and has been steadily growing over the last decade, faltering only twice, in 1998 and 2001, due to lower oil prices and the Organisation of the Petroleum Exporting Countries (“**OPEC**”) mandated production cuts. Although it has a more diversified economy than most of the other countries in the GCC region, its wealth is still largely based on oil and gas. According to data gathered by OPEC, at 31 December 2009, the U.A.E. had approximately 7.3 per cent. of proven global oil reserves (giving it the sixth largest oil reserves in the world). According to the “BP Statistical Review of World Energy” published in June 2011, the U.A.E. had, at 31 December 2010, approximately 7.1 per cent. of proven global oil reserves (continuing to give it the sixth largest oil reserves in the world as at that date). 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, which contribute around 80 per cent. of the U.A.E.’s GDP, are spending substantial amounts on expanding infrastructure.

The U.A.E. National Bureau of Statistics has estimated on a preliminary basis that real GDP in the U.A.E. for 2010 was AED 977.3 billion, representing a real GDP growth rate of 1.4 per cent., reflecting the general economic recovery in the wake of the global economic crisis and the increase in oil prices during 2010. In 2009, the U.A.E. National Bureau of Statistics estimated that real GDP in the U.A.E. was AED 963.5 billion, representing a real GDP growth rate of minus 1.6 per cent.

On 23 April 2010, Moody’s reaffirmed the U.A.E.’s long-term rating of Aa2 with a stable outlook. In its report, Moody’s cited the fact that the Federal Government of the U.A.E. is fully supported by the Government of Abu Dhabi.

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 U.A.E. National Bureau of Statistics.

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 Iran over three islands in the Gulf and, as such, is not immune to the political risks and volatility that have over-shadowed 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 in the WTO, progress towards economic liberalisation has been slow, through trade agreements with Europe and the United States are being negotiated.

# THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

## Summary

The global financial crisis has had an effect on the U.A.E. banking sector and the key concerns facing the sector include a liquidity shortage and a fall in real estate and equities prices. Although 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.

## Characteristics of the Banking System

### *Lack of Consolidation*

The U.A.E. may be seen as being over-banked with 51 different banks (comprised of 23 locally-incorporated banks and 28 foreign banks) licensed to operate inside the U.A.E. (excluding the Dubai International Financial Centre (the "DIFC")), serving a population estimated to be in the region of approximately 8.3 million people. Traditionally there has been little impetus for consolidation. However, mergers in the past have tended to come as a result of banks facing financial difficulties and some commentators suggest that the recent financial crisis has created more favourable conditions for consolidation. The federal structure of the country 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, Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C merged.

The relatively small size of most U.A.E. banks has sometimes hindered them from competing for large financing deals in the region. It also means that they have comparatively small franchises with which to absorb capital costs, such as information technology system development. The advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, 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 players chasing 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 costs have been a prominent feature of many banks' expenses.

### *Limited Foreign Ownership*

In 1987, the 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. 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, Dubai Bank, Noor Islamic Bank, Sharjah Islamic Bank, Osool Finance 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.: federal laws and decrees, local laws and *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 or local government will apply his or its own rules, regulations and practices.

### ***Supervision of Banks***

The main piece of legislation covering the banking system is Union Law No. 10 of 1980 (the “**Union Law**”) which established the U.A.E. Central Bank. 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 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 and allowed U.S. dollars drawings against U.A.E. dirhams CD holdings.

The U.A.E. dirham is linked to the International Monetary Fund’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.

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 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 and the Abu Dhabi Securities Exchange (both of which were established in 2000), have grown rapidly over recent years, such growth has been affected by the recent global financial crisis.

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 NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009 the Dubai Financial Market announced its intention to acquire the NASDAQ Dubai, with completion of the acquisition having occurred in July 2010.

### ***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. 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 country 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 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 International Financial Reporting Standards (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. Basel II was introduced effective as from 1 January 2008.

### ***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 are currently 23, are required to be public shareholding companies with a minimum share capital of AED 40 million and must be majority owned by U.A.E. nationals. Licensed foreign banks, of which there are currently 28, need to demonstrate that at least AED 40 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 global financial crisis, may represent a risk to the U.A.E. banking system. Equity prices declined generally in the U.A.E. in 2008 but, more recently, have rebounded with the Abu Dhabi Securities Exchange's Abu Dhabi index rising from 2,390.0 at 31 December 2008, to 2,743.6 at 31 December 2009, 2,719.9 at 31 December 2010 and 2,607.1 at 31 March 2011, and the Dubai Financial Market index rising from 1,636.3 at 31 December 2008, to 1,803.6 at 31 December 2009 to 1,630.5 at 31 December 2010 and 1,562.3 at 31 March 2010.

### ***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 deposit ratio of 100 per cent. set by the U.A.E. Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

U.A.E. banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. Together, these deposits constituted approximately 63.7 per cent. of total deposits of the U.A.E. banking sector as at 31 March 2011. The U.A.E. Federal Government and the public sector contributed approximately 23.6 per cent. as at 31 March 2011. Non-resident and other sources contributed approximately 12.7 per cent. as at the same date.

In response to the 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 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The U.A.E. Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the U.A.E. Central Bank.

In addition to these measures, the U.A.E. Federal Government also provided AED 50 billion in deposits to U.A.E. banks (as part of a larger AED 70 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, in aggregate, a sum of AED 16 billion in subordinated Tier I Capital Notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi, Abu Dhabi Commercial Bank, FGB, Union National Bank and Abu Dhabi Islamic Bank.

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 billion funding programme and that the first tranche, valued at U.S.\$10 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 billion tranche was fully subscribed equally by National Bank of Abu Dhabi and Al Hilal Bank.

### ***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 1 January 2008. Since 1993, the U.A.E. Central Bank has imposed a 10 per cent. minimum total capital ratio. 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 total capital adequacy ratios of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009 and at least 12 per cent., with a Tier 1 ratio of not less than 8 per cent., by 30 June 2010. The circular stated that the new requirements, which were effective on 31 August 2009, apply to national and foreign banks and will be reviewed at the start of 2011. As at the date of this Base Prospectus, no further developments have been announced. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital. GCC sovereign debt is risk-weighted at nil per cent.

Whilst the calculation of capital adequacy ratios in the U.A.E. follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent.

Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by 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 to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

The U.A.E. Central Bank defines large exposures as any funded on-or-off balance sheet exposure 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) are 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).

Exposures above these limits are subject to U.A.E. Central Bank approval. Exposures to the government and sovereign risk are exempt from the regulations.

In addition, the U.A.E. Central Bank lending limits also require that:

- no commercial bank can hold shares or bonds issued by commercial companies in excess of 25 per cent. of the bank's own funds; and
- no bank is permitted to grant loans or advances for the purpose of funding commercial or residential real estate construction in an amount exceeding 20 per cent. of its total deposits, unless it has prior authorisation from the U.A.E. Central Bank as an institution specialising in this type of business.

#### ***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., respectively. Any loans with either interest or principal in arrears by more than 180 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 carried on the balance sheets of U.A.E. banks when compared to banks operating in other economies.

## GENERAL DESCRIPTION OF THE SUKUK ASSETS

The Sukuk Assets which are the subject of the Trust constituted for each Series of Certificates will comprise the Mudaraba Portfolio and the Wakala Portfolio, which consist of: (i) an undivided ownership interest in a portfolio owned by FGB of real estate assets (each a “**Real Estate Ijara Asset**”), as will be established pursuant to a certificate signed by authorised officers of FGB, in accordance with the powers delegated to such authorised officers by the board of directors of FGB, for which FGB (or another person on FGB’s behalf) has provided *Shari’a*-compliant financing pursuant to *ijara* contracts (each a “**Real Estate Ijara Contract**”) (including any ancillary rights under such Real Estate Ijara Contracts) (such assets being the “**Initial Mudaraba Assets**” and the portfolio of such assets being the “**Initial Mudaraba Portfolio**”, and following the Issue Date of a Series, together with Eligible Non-Real Estate Ijara Assets that are subject to Non-Real Estate Ijara Contracts (including any ancillary rights under such Non-Real Estate Ijara Contracts) and other *Shari’a*-Compliant Investments acquired and/or made (as applicable) by the Mudarib in accordance with the Master Restricted Mudaraba Agreement, the related Restricted Mudaraba Contract and the relevant Mudaraba Investment Plan, the “**Mudaraba Portfolio**” and each asset comprising the Mudaraba Portfolio, a “**Mudaraba Asset**”); and (ii) non-real estate *ijara* assets each a (“**Non-Real Estate Ijara Asset**”) for which FGB (or another person on FGB’s behalf) has provided *Shari’a*-compliant financing pursuant to *ijara* contracts (each a “**Non-Real Estate Ijara Contract**”) (including any ancillary rights under such Non-Real Estate Ijara Contracts), receivables under *murabaha* (sale of commodities or goods on a cost plus basis) contracts (including any ancillary rights under such *murabaha* contracts) and other *Shari’a*-compliant assets originated, held or owned by FGB, including the income generated therefrom and any agreements or documents in relation to such assets (as more particularly described in relation to any Series in the Final Terms and the Conditions relating to such Series) (each such asset an “**Initial Wakala Asset**” and the portfolio of such assets, as will be established pursuant to a certificate signed by authorised officers of FGB, in accordance with the powers delegated to such authorised officers by the board of directors of FGB, being the “**Initial Wakala Portfolio**”, and following the Issue Date of a Series, together with any Eligible Non-Real Estate Ijara Assets and other *Shari’a*-compliant assets originated, held or owned by FGB (including the income generated therefrom and any agreement and documents in relation to such assets), as the case may be, which may have been substituted for any Initial Wakala Asset in accordance with the Management Agreement, the Master Wakala Purchase Agreement, the relevant Supplemental Purchase Contract and the Wakala Asset Sale Undertaking Deed, the “**Wakala Portfolio**” and each asset comprising the Wakala Portfolio, a “**Wakala Asset**”), in each case originated by FGB **provided that:** (i) on the Issue Date of each Series only, at least 51 per cent. of the aggregate of the Value of: (a) the Mudaraba Portfolio; and (b) the Wakala Portfolio, shall be derived from Real Estate Ijara Assets, Non-Real Estate Ijara Assets and/or any other *Shari’a*-compliant assets that have associated with them underlying tangible assets; and (ii) on and following the Issue Date, at least 30 per cent. of the Value of the Wakala Portfolio, shall be derived from Non-Real Estate Ijara Assets and/or any other *Shari’a*-compliant assets that have associated with them underlying tangible assets; and (iii) on and following the Issue Date, at least 30 per cent. of the Value of the Mudaraba Portfolio, shall be derived from Real Estate Ijara Assets and Non-Real Estate Ijara Assets. The *ijara* contracts comprise lease contracts where FGB (as lessor) has leased assets to a lessee in respect of which payments are due from the lessee. The *murabaha* receivables are amounts receivable in respect of sale contracts whereby FGB (as vendor) has sold a commodity or goods, at a price that includes cost plus a stated profit, in respect of which regular deferred payments are due from the purchaser.

Pursuant to each Restricted Mudaraba Contract and the Mudaraba Investment Plan contained therein, the Mudarib shall invest the relevant Mudaraba Capital of that Restricted Mudaraba Contract to acquire an undivided ownership interest in Real Estate Ijara Assets which are subject to Real Estate Ijara Contracts which are Eligible Mudaraba Assets. An “**Eligible Mudaraba Asset**” means: (a) a Real Estate Ijara Asset or Non-Real Estate Ijara Asset: (i) in respect of which FGB is entitled to receive payments due to it in respect of the Real Estate Ijara Contract or Non-Real Estate Ijara Contract related to such Real Estate Ijara Asset or Non-Real Estate Ijara Asset; (ii) in respect of which the lessee under the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract is not in breach of its payment obligations under that Real Estate Ijara Contract or Non-Real Estate Ijara Contract or any documents associated with that Real Estate Ijara Contract or Non-Real Estate Ijara Contract; (iii) that has been originated or is held or owned by FGB in a manner consistent with its usual credit and origination policies; (iv) that constitutes legal, valid, binding and enforceable obligations of the obligor under the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract in the jurisdiction in which such obligor is located and the jurisdiction in which any related

asset is located; (v) in respect of which there has not occurred any acceleration or analogous event; (vi) in respect of which the Value of such Real Estate Ijara Asset or Non-Real Estate Ijara Asset is equal to or greater than the value of the consideration given for such Real Estate Ijara Asset or Non-Real Estate Ijara Asset as at the date upon which the relevant Real Estate Ijara Asset or Non-Real Estate Ijara Asset becomes part of the Mudaraba Portfolio; or (b) a *Shari'a*-Compliant Investment in respect of which the Value of such *Shari'a*-Compliant Investment is not less than the value of the consideration given for such *Shari'a*-Compliant Investment as at the date the *Shari'a*-Compliant Investment becomes part of the Mudaraba Portfolio.

The composition of the Mudaraba Portfolio may change over the life of each Series of Certificates as the Mudarib is required, under the relevant Restricted Mudaraba Contract, to use all revenues derived in the nature of principal (including fixed rentals (in the case of *ijara* assets)) (“**Mudaraba Portfolio Principal Revenues**”) from the Mudaraba Portfolio to invest in additional Eligible Mudaraba Assets in accordance with the Mudaraba Investment Plan. The Eligible Mudaraba Assets in which Mudaraba Portfolio Principal Revenues are reinvested in will relate to Real Estate Ijara Assets, except to the extent that no Real Estate Ijara Assets are available for investment purposes, in which case the Mudarib shall reinvest the Mudaraba Portfolio Principal Revenues in Eligible Mudaraba Assets which relate to Non-Real Estate Ijara Assets, and to the extent that no Real Estate Ijara Assets or Non-Real Estate Ijara Assets are available for investment purposes, the Mudarib shall reinvest the Mudaraba Portfolio Principal Revenues in *Shari'a*-Compliant Investments. Such additional Eligible Mudaraba Assets will form part of the Mudaraba Portfolio of that relevant Series.

The Wakala Assets in respect of each Series of Certificates will be originated by FGB and represent obligations of lessees and obligors in the United Arab Emirates. FGB will represent in the Master Wakala Purchase Agreement that the Wakala Assets transferred to the Trustee in respect of each Series of Certificates do or will comply in all material respects with *Shari'a* principles laid down by the *Shari'a* Board of FGB.

All Wakala Assets acquired by the Trustee will be Eligible Wakala Assets. The composition of the Wakala Assets may change over the life of each Series of Certificates as the Managing Agent is required, under the Management Agreement, to use all Wakala Portfolio Revenues which do not comprise Wakala Portfolio Income Revenues (including fixed rentals (in the case of *ijara* assets) and cost element (in the case of receivables under *murabaha* contracts)) (the “**Wakala Portfolio Principal Revenues**”) to invest in additional Eligible Wakala Assets of an equal value, provided that, at all times, at least 30 per cent. of the Wakala Assets shall be Non-Real Estate Ijara Assets that are subject to Non-Real Estate Ijara Contracts (including any ancillary rights under such Non-Real Estate Ijara Contracts) and/or any other *Shari'a*-compliant assets that have associated with them underlying tangible assets. Such additional Eligible Wakala Assets will form part of the Wakala Assets of that relevant Series. In the event that any Wakala Asset ceases to be an Eligible Wakala Asset, the Managing Agent shall be obliged to replace the relevant Wakala Asset (and associated contract) with a Wakala Asset which is an Eligible Wakala Asset. An “**Eligible Wakala Asset**” means, in respect of each Series of Certificates, an Income Generating Asset: (a) which has been originated or is held or owned by FGB in a manner consistent with its usual credit and origination policies; (b) which constitutes legal, valid, binding and enforceable obligations of the obligor thereof in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located; (c) in respect of which FGB is entitled to receive all payments due to it in respect of such Income Generating Asset; (d) in respect of which there has not occurred any acceleration or analogous event; (e) which is capable of being sold and transferred to the Trustee by FGB in accordance with the terms set out in the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract; and (f) in respect of which the Value of such Income Generating Asset is equal to or greater than the value of the consideration given for such Income Generating Asset as at the date the asset is sold and transferred to the Trustee under the relevant Supplemental Purchase Contract or Wakala Asset Sale Undertaking Deed, as applicable, and “**Income Generating Assets**” means: (a) Non-Real Estate Ijara Assets; (b) in relation to a purchase of Wakala Assets on the Issue Date only, receivables under *murabaha* (sale of commodities or goods on a cost plus basis) contracts (including any ancillary rights under such *murabaha* contracts); and/or (c) other *Shari'a*-compliant assets originated, held or owned by FGB, including the income generated therefrom and any agreements or documents in relation to such assets.

**No investigation or enquiry will or has been made and no due diligence will or has been conducted by or on behalf of any Dealer, the Trustee in respect of any Sukuk Assets. Reference should be made to the paragraphs under “Risk Factors – Risk factors relating to the Sukuk Assets”.**

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Trustee and the Principal Paying Agent (as defined in the Conditions).*

### **The Master Wakala Purchase Agreement, as supplemented by each Supplemental Purchase Contract**

The Master Wakala Purchase Agreement between FGB and the Trustee, as supplemented and amended from time to time, and each Supplemental Purchase Contract applicable to a Series of Certificates are and will be governed by English law.

#### *Sale of Wakala Portfolio*

On the Issue Date of the relevant Series, FGB agrees, in connection with the issue of a Series of Certificates, from time to time to sell and transfer to the Trustee, and the Trustee agrees to purchase and receive from FGB by way of sale and transfer on the relevant Issue Date, FGB's undivided rights, title, interests, benefits and entitlements in certain assets constituting the Wakala Portfolio in a schedule to the relevant Supplemental Purchase Contract.

The Trustee will be under an obligation to invest a proportion of the Proceeds of each Series in a Wakala Portfolio in accordance with the terms of the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract. In the event that, on the Issue Date of a Series, no eligible Real Estate Ijara Assets are available for investment in accordance with the Master Restricted Mudaraba Agreement and the relevant Restricted Mudaraba Contract, the Trustee may invest the whole of the Proceeds of such Series in a Wakala Portfolio.

#### *Purchase Price*

The purchase price payable for the Wakala Portfolio of any relevant Series of Certificates (the "**Purchase Price**") will be set out in the relevant Supplemental Purchase Contract.

#### *Records*

All records in respect of the Wakala Assets will be retained by FGB.

#### *Representations and Warranties*

FGB will only provide very limited representations and warranties in respect of the Wakala Assets on the Issue Date of the relevant Series.

#### *Undertakings of FGB*

FGB provides only very limited undertakings in the Master Purchase Agreement.

### **Management Agreement**

The Management Agreement will be entered into on the Closing Date between the Trustee and FGB, in its capacity as managing agent of the Wakala Portfolio (the "**Managing Agent**") and is governed by English law. Under the Management Agreement, the Managing Agent shall be obliged, in accordance with an investment plan (the "**Wakala Investment Plan**") to manage the Wakala Portfolio through the provision of certain services (the "**Services**") including, but not limited to, ensuring timely receipt of all revenues from the Wakala Portfolio (the "**Wakala Portfolio Revenues**"), collecting or enforcing the collection of such Wakala Portfolio Revenues and investing all Wakala Portfolio Revenues which do not comprise Wakala Portfolio Income Revenues (including fixed rentals (in the case of *ijara* assets) and cost element (in the case of receivables under *murabaha* contracts)) (the "**Wakala Portfolio Principal Revenues**") in acquiring further Eligible Wakala Assets from FGB.

#### *Appointment of FGB as Managing Agent*

The Trustee will appoint the Managing Agent to service the Wakala Portfolio applicable to each Series of Certificates. In particular, the Managing Agent:

- (a) will manage the Wakala Portfolio in accordance with the Wakala Investment Plan, the terms of which will be completed in respect of each Series;

- (b) it shall use its reasonable endeavours to do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) to ensure the assumption and compliance by the counterparties to each Non-Real Estate Ijara Contract, *murabaha* (sale of commodities or goods on a cost plus basis) contract and/or other *Shari'a*-compliant assets constituting the Wakala Assets of its covenants, undertakings or other obligations thereunder;
- (c) it shall, in conjunction with acting as Mudarib under the Master Restricted Mudaraba Agreement, ensure that, on the Issue Date of a Series (but not thereafter), at least 51 per cent. of the aggregate of the Value of: (i) the Mudaraba Portfolio; and (ii) the Wakala Portfolio, on such Issue Date shall be derived from Real Estate Ijara Assets, Non-Real Estate Ijara Assets, and/or any other *Shari'a*-compliant assets that have associated with them underlying tangible assets;
- (d) it shall ensure that, at all times, at least 30 per cent. of the Value of the relevant Wakala Portfolio shall be derived from Non-Real Estate Ijara Assets and/or any other *Shari'a*-compliant assets that have associated with them underlying tangible assets and in the event that, at any time, the percentage of the Wakala Portfolio comprising Non-Real Estate Ijara Assets and/or any other *Shari'a*-compliant assets that have associated with them underlying tangible assets should fall below 30 per cent. of the Value of the relevant Wakala Portfolio at any time, the Managing Agent shall as soon as reasonably possible thereafter acquire sufficient Eligible Non-Real Estate Ijara Assets or any other *Shari'a*-compliant assets that have associated with them underlying tangible assets to raise such percentage to a level that is equal to or greater than 30 per cent. of the Value of the relevant Wakala Portfolio at such time;
- (e) it shall use its best endeavours to manage each Wakala Portfolio such that on the date which is the Business Day immediately preceding the relevant Dissolution Date, the aggregate Value of such Wakala Portfolio for each Series is at least equal to the Purchase Price paid by the Trustee under the Master Wakala Purchase Agreement and the relevant Supplemental Purchase Contract;
- (f) upon the maturity of, or default or potential default in respect of, any Original Wakala Asset, it shall remove such Original Wakala Asset from the relevant Wakala Portfolio for each Series and shall substitute such asset with an Eligible Wakala Asset, in accordance with the Management Agreement, the Wakala Asset Sale Undertaking Deed, or as otherwise agreed between the Trustee and the Managing Agent;
- (g) it shall use its reasonable endeavours to discharge all its obligations in its capacity as party to each Non-Real Estate Ijara Contract, *murabaha* (sale of commodities or goods on a cost plus basis) contract and/or other *Shari'a*-compliant agreement constituting the relevant Wakala Portfolio;
- (h) it may pay on behalf of the Trustee any costs, expenses, losses and Taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Portfolio;
- (i) it shall use its best endeavours to ensure the timely receipt of all Wakala Asset Revenues, investigate non payment of Wakala Asset Revenues and generally make all reasonable efforts to collect or enforce the collection of such Wakala Asset Revenues under the relevant contract or instrument as and when the same shall become due;
- (j) it shall use its best endeavours to ensure that the Expected Wakala Portfolio Income Revenues are at least equal to those which the Managing Agent and the Trustee commercially intend to achieve as set out in the Wakala Investment Plan;
- (k) it shall maintain the Collection Accounts and the Wakala Reserve Account in accordance with the terms of the Management Agreement and maintain separate ledgers to record: (1) any amount of Wakala Portfolio Principal Revenues received in respect of any of the Wakala Assets; (2) the amount of Wakala Portfolio Income Revenues received in respect of the Wakala Assets; and (3) any amount of Wakala Portfolio Income Revenues remaining after deducting amounts payable to the Trustee;
- (l) it shall obtain all necessary authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Management Agreement;
- (m) if a *Shari'a*-compliant liquidity facility (the "**Liquidity Facility**") is to be provided, provide such Liquidity Facility in accordance with Condition 6(g) (*Trust – Operation of Liquidity Facility*) and the Management Agreement;

- (n) ensure that lessees in respect of the Non-Real Estate Ijara Assets maintain industry standard insurances in respect of such Non-Real Estate Ijara Assets and fulfil all structural repair and major maintenance obligations in respect of the Non-Real Estate Ijara Assets (each in accordance with the terms of any underlying Non-Real Estate Ijara Contract);
- (o) in the event that, on a Dissolution Date: (i) FGB fails to pay an Exercise Price (as defined in the Purchase Undertaking Deed and Sale Undertaking Deed respectively) in accordance with clause 3.2 of the Sale Undertaking Deed or clause 3.2 of the Purchase Undertaking Deed; or (ii) the Managing Agent fails to pay to the Transaction Account the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets (less, without duplication or double counting, the Wakala Percentage of any relevant Surrender Amount):
  - (i) the Trustee shall maintain its ownership interest in the applicable Wakala Portfolio;
  - (ii) the Managing Agent shall continue to perform the Services in respect of such Wakala Portfolio; and
  - (iii) unless otherwise instructed by the Delegate (in circumstances where the delegation has become effective), the Managing Agent shall, for the period for which the relevant Exercise Price (as defined in the Purchase Undertaking Deed and Sale Undertaking Deed respectively) remains outstanding, continue to credit all Wakala Asset Revenues in accordance with Clause 4 (*Collection and Wakala Reserve Accounts*) of the Management Agreement; and
- (p) it shall carry out any incidental matters relating to any of the above.

#### *Standard of Care*

The Managing Agent shall perform its duties under the Management Agreement in accordance with all applicable laws and regulations, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that is not repugnant to the *Shari'a*.

#### *Fees*

FGB has received a fee for acting as Managing Agent which comprises a fixed basic fee of U.S.\$1,000 and may also receive an incentive amount calculated as the remaining balance (if any) of the Wakala Reserve Account, as more particularly described in “*Operation of the Collection Accounts and Reserve Accounts*” below.

#### *Operation of Collection Accounts and Wakala Reserve Accounts (Wakala Assets)*

The Managing Agent will maintain on its books a separate non-interest bearing ledger account (a “**Collection Account**”). All Wakala Portfolio Revenues which comprise returns on account of profit on Wakala Assets (“**Wakala Portfolio Income Revenues**”) received by the Managing Agent in respect of Wakala Assets of each Series will be credited to the Collection Account and applied by the Managing Agent in the following order of priority:

- (a) *first*, payment of all or any due and payable Management Liabilities Amounts (including any amounts due and repayable under the Liquidity Facility);
- (b) *second*, on the Wakala Portfolio Income Distribution Date, the Managing Agent shall pay into the relevant Transaction Account an amount equal to the lesser of the Wakala Percentage of the Required Amount for the corresponding Periodic Distribution Date or Dissolution Date and the balance of the Collection Account; and
- (c) *third*, if the balance of the Income Collection Account on such day exceeds the aggregate of (i) the Wakala Percentage of the Required Amount for such Periodic Distribution Date or Dissolution Date, as the case may be, and (ii) any amounts due and payable pursuant to paragraph (a) above, the Managing Agent shall retain the surplus as a reserve and credit such surplus to a reserve ledger account in the name of the Managing Agent (the “**Wakala Reserve Account**”).

For these purposes, “**Required Amount**” means the aggregate of the amounts described in paragraphs (i), (ii) and (iii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) and, in relation to a Dissolution Date, the aggregate of the amounts described in paragraphs (i), (ii), (iii) and (iv) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*).

The Managing Agent is required, under the Management Agreement, to use all Wakala Portfolio Revenues which do not comprise Wakala Portfolio Income Revenues to invest in additional Eligible Wakala Assets, which will form part of the Wakala Portfolio of that relevant Series.

On each Wakala Portfolio Income Distribution Date, the Managing Agent will apply any amounts standing to the credit of the Wakala Reserve Account by paying the same into the Transaction Account, towards the aggregate amount of any shortfall between: (i) the amounts standing to the credit of the Transaction Account at such time (after taking into account any payments made or to be made pursuant to the Master Restricted Mudaraba Agreement); and (ii) the Required Amount due on the corresponding Periodic Distribution Date (a “**Shortfall**”). The Managing Agent will be entitled to use amounts standing to the credit of the Wakala Reserve Account for its own account, provided that such amounts shall be repaid by it if so required to fund a Shortfall in respect of the relevant Series.

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following: (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable); and (iii) the deposit in the Transaction Account by the Managing Agent of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets (less, without duplication or double counting, the Wakala Percentage of any relevant Surrender Amount), is less than the Required Amount, due on such date then the Managing Agent may utilise any amounts standing to the credit of the Wakala Reserve Account to the extent of such Shortfall.

Upon final termination or dissolution of the Trust as provided in Condition 11 (*Capital Distributions of the Trust*), and provided that all obligations owed by FGB to the Trustee have been met, the Managing Agent shall be entitled to retain the remaining balance (if any) of the Wakala Reserve Account (after any payments into the Transaction Account as provided above) for its own account as an incentive amount.

#### *Representations and Warranties*

The Managing Agent shall make certain limited representations and warranties including, *inter alia*, as to due incorporation, power and authority and the validity of its obligations under the Management Agreement.

#### *Termination of Appointment*

FGB’s appointment as Managing Agent may be terminated without notice upon the occurrence of any FGB Event (see “*Summary of the Principal Transaction Documents – Purchase Undertaking Deed*” below). The occurrence of an FGB Event will also be a Dissolution Event allowing the Trustee, at its option, to declare (or, upon written request of Certificateholders representing not less than 20 per cent. in face amount of the relevant Series of Certificates for the time being outstanding and being indemnified and/or secured and/or pre-funded to its satisfaction, requiring it to declare) the Certificates of the relevant Series to be immediately due and payable.

The payment obligations of the Managing Agent under the Management Agreement are and will be direct, unconditional, unsecured and general obligations of the Managing Agent and shall rank at least *pari passu* with all other unsecured, unsubordinated and general obligations of the Managing Agent.

#### *Incentive Amount*

Upon final termination and dissolution of the Trust, and provided that all obligations owed by FGB to the Trustee have been met, the Managing Agent shall be entitled to retain the remaining balance (if any) of the Wakala Reserve Account for its own account as an incentive amount.

#### **The Master Restricted Mudaraba Agreement**

The Master Restricted Mudaraba Agreement will be entered into on the Closing Date between the Trustee (in its capacity as Rabb-al-Maal) and FGB (in its capacity as Mudarib) is governed by the laws of the Emirate of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the United Arab Emirates.

In relation to each Series of Certificates the Trustee (in its capacity as Rabb-al-Maal) has agreed to deposit the relevant Mudaraba Capital into a ledger account maintained by the Rabb-al-Maal with

the Mudarib (the “**Mudaraba Account**”) and enter into a restricted *mudaraba* (each a “**Restricted Mudaraba**”) with FGB as the Mudarib in accordance with the terms of the Master Restricted Mudaraba Agreement and a Restricted Mudaraba Contract. Pursuant to the Restricted Mudaraba, the Mudarib acknowledges and agrees that, on the Issue Date, it will invest the relevant Mudaraba Capital to acquire an undivided ownership interest in a portfolio of Eligible Real Estate Assets (and associated Real Estate Contracts) owned by FGB and each undivided ownership interest in an asset will constitute a Mudaraba Asset, and together such Mudaraba Assets will constitute the Mudaraba Portfolio of that Restricted Mudaraba Contract.

Pursuant to the terms of the Master Restricted Mudaraba Agreement, the Mudarib shall be obliged to maintain separate ledgers to record: (1) any amount of Mudaraba Portfolio Principal Revenues received in respect of an Actual Liquidation or Constructive Liquidation of the relevant Restricted Mudaraba; (2) the amount of Mudaraba Profit received in respect of the Mudaraba Portfolio which is payable to the Rabb-al-Maal; and (3) any amounts of Mudaraba Profit remaining after deducting amounts payable to the Rabb-al-Maal. The Mudarib will, to the extent possible, reinvest Mudaraba Portfolio Principal Revenues received in respect of the Mudaraba Portfolio of each Series of Certificates in additional Eligible Mudaraba Assets in accordance with the Mudaraba Investment Plan. The Eligible Mudaraba Assets in which Mudaraba Portfolio Principal Revenues are reinvested in will relate to Real Estate Ijara Assets, except to the extent that no Real Estate Ijara Assets are available for investment purposes, in which case the Mudarib shall reinvest the Mudaraba Portfolio Principal Revenues in Eligible Mudaraba Assets which relate to Non-Real Estate Ijara Assets and to the extent that no Real Estate Ijara Assets or Non-Real Estate Ijara Assets are available for investment purposes, the Mudarib shall reinvest the Mudaraba Portfolio Principal Revenues in *Shari'a*-Compliant Investments. Such additional Eligible Mudaraba Assets will form part of the Mudaraba Portfolio of that relevant Series. Pursuant to the Master Restricted Mudaraba Agreement, at least 30 per cent. of the Value of the Mudaraba Portfolio shall be derived from Real Estate Ijara Assets and Non-Real Estate Ijara Assets. In the event that, at any time, the percentage of Mudaraba Assets comprising Real Estate Ijara Assets and Non-Real Estate Ijara Assets should fall below 30 per cent., the Mudarib shall as soon as reasonably possible acquire sufficient additional Eligible Ijara Assets to raise the percentage to a level that is equal to or greater than 30 per cent. For these purposes, “**Eligible Ijara Asset**” means a Real Estate Ijara Asset or a Non-Real Estate Ijara Asset which is an Eligible Mudaraba Asset.

Under the terms of the Master Restricted Mudaraba Agreement, in relation to each Restricted Mudaraba, the Mudarib shall be obliged, among other things, to ensure that the Mudaraba Capital is invested in accordance with the terms of the Master Restricted Mudaraba Agreement, the Restricted Mudaraba Contract and the related Mudaraba Investment Plan, ensure that lessees in respect of the Real Estate Ijara Assets and Non-Real Estate Ijara Assets maintain industry standard insurances and fulfil all structural repair and major maintenance obligations in respect of the relevant Real Estate Ijara Assets and Non-Real Estate Ijara Assets (each in accordance with the terms of any underlying Real Estate Ijara Contract or Non-Real Estate Ijara Contract, as applicable), to monitor, subject to, and in accordance with its usual and standard practices from time to time, on a monthly basis the Value and the income generating properties of the relevant Mudaraba Assets, use its best endeavours to re-invest all Mudaraba Portfolio Principal Revenues in Eligible Mudaraba Assets and use its best endeavours to manage the Mudaraba Portfolio such that the Value of the relevant Mudaraba Portfolio is, on the Business Day immediately preceding the relevant Dissolution Date, equal to or greater than the Mudaraba Capital. The Mudarib shall re-invest any Mudaraba Portfolio Principal Revenues in additional Eligible Mudaraba Assets derived from FGB.

Following the distribution of profit between the Mudarib and FGB in respect of their respective undivided ownership interests in FGB’s portfolio of assets, the Mudarib shall make profit distributions in relation to a Restricted Mudaraba Contract on a Constructive Liquidation Distribution Date (as such term is defined in the Conditions), on the basis of a Constructive Liquidation, in respect of each Constructive Liquidation Distribution Period, of the relevant Restricted Mudaraba by the Mudarib. The profits (if any) generated by the Mudaraba Capital, being an amount equal to: (i) all revenues received in respect of the Mudaraba Assets; plus (ii) the Value of the Mudaraba Assets upon the relevant Constructive Liquidation Distribution Date or Mudaraba End Date, as applicable, minus the aggregate of: (a) the Mudaraba Capital; (b) any costs (consisting of direct costs and allocated costs) and/or provisions associated with the Mudaraba Assets during the Mudaraba Term; and (c) any taxes incurred in connection with the Master Restricted Mudaraba Agreement or applicable Restricted Mudaraba Contract (including in connection with any transfer,

sale or disposal of any Mudaraba Asset during the Mudaraba Term) but excluding the Mudarib's obligations (if any) to pay any taxes or additional amounts under, or in connection with, Condition 12 (*Taxation*) (the "**Mudaraba Profit**") in relation to the applicable Restricted Mudaraba Contract, for a Constructive Liquidation Distribution Period will be calculated on the basis of such Constructive Liquidation of the Restricted Mudaraba by the Mudarib, and will be allocated to the Rabb-al-Maal and the Mudarib in accordance with the profit sharing ratio set out in the Master Restricted Mudaraba Agreement. On each Constructive Liquidation Distribution Date, following the Constructive Liquidation of the Restricted Mudaraba (and unless the Rabb-al-Maal has informed the Mudarib otherwise), the Mudaraba Capital will be reinvested in the Restricted Mudaraba in accordance with the Mudaraba Investment Plan.

In the event that, on a Constructive Liquidation Distribution Date, the portion of the Mudaraba Profit in relation to a Restricted Mudaraba Contract payable to the Rabb-al-Maal is greater than the Mudaraba Percentage of the then applicable Required Amount under the relevant Series of Certificates to which that Restricted Mudaraba Contract relates, the amount of any excess shall be credited to a ledger account in the name of the Mudarib (the "**Mudaraba Reserve Account**"). The portion of Mudaraba Profit payable to the Transaction Account on such Constructive Liquidation Distribution Date in relation to such Series shall be reduced accordingly. The Mudarib will be entitled to use amounts standing to the credit of the Mudaraba Reserve Account for its own account, **provided that** such amounts shall be repaid by the Mudarib if so required to fund a Shortfall in respect of the relevant Series.

On each Constructive Dissolution Distribution Date, the Mudarib will, after taking into account any payments made or to be made pursuant to the Management Agreement, apply any amounts standing to the credit of the Mudaraba Reserve Account, by paying the same into the Transaction Account, towards the aggregate amount of any shortfall between: (i) the amounts standing to the credit of the Transaction Account at such time; and (ii) the Required Amount due on the corresponding Periodic Distribution Date (a "**Shortfall**").

In the event that, on a Dissolution Date, the amount standing to the credit of the Transaction Account following: (i) the liquidation of the relevant Restricted Mudaraba in accordance with the Master Restricted Mudaraba Agreement; (ii) the Exercise Price becoming due and payable under the Purchase Undertaking Deed or Sale Undertaking Deed (as applicable); and (iii) the deposit in the Transaction Account by the Managing Agent of any Wakala Portfolio Principal Revenues held by the Managing Agent in relation to the Series that have not yet as of the Dissolution Date been invested in Eligible Wakala Assets (less, without duplication or double counting, the Wakala Percentage of any relevant Surrender Amount), is less than the Required Amount due on such date, then the Mudarib may utilise any amounts standing to the credit of the Mudaraba Reserve Account in order to cover any Shortfall.

Upon final termination or dissolution of the Trust as provided in Condition 11 (*Capital Distributions of the Trust*), after all amounts due under the Certificates of the relevant Series have been satisfied in full, the Mudarib shall be entitled to retain the remaining balance (if any) of the Mudaraba Reserve Account (after any payments into the Transaction Account as provided above) for its own account as an incentive amount.

The Mudarib shall, in relation to a Restricted Mudaraba Contract, liquidate the relevant Restricted Mudaraba on the applicable Mudaraba End Date (by way of an Actual Liquidation or Constructive Liquidation) and shall distribute an amount (the "**Final Liquidation Proceeds**") equal to the aggregate of:

- (a) an amount equal to the Value of the relevant Mudaraba Portfolio upon the date of the relevant Liquidation less the Mudaraba Percentage of any relevant Surrender Amount; plus
- (b) any Mudaraba Portfolio Principal Revenues held by the Mudarib in relation to such Restricted Mudaraba Contract at the relevant time that have not yet been invested in further Eligible Mudaraba Assets.

For these purposes, "**Surrender Amount**" means, in respect of each Series, the aggregate face amount of any Certificates cancelled by the Trustee following the exercise of the Redemption Undertaking Deed or the Change of Control Undertaking Deed; and

"**Value**" means: (a) in respect of any Mudaraba Asset, the amount determined by FGB on the relevant date as: (i) in the case of a Real Estate Ijara Asset or a Non-Real Estate Ijara Asset, the aggregate of all due and unpaid fixed rental instalment amounts payable by the lessee to FGB under

the related Real Estate Ijara Contract or Non-Real Estate Ijara Contract (as applicable) on such date; or (ii) the outstanding face amount or par value then outstanding of a *Shari'a*-Compliant Investment; and (b) in respect of the relevant Mudaraba Portfolio, the aggregate of the amounts determined under (i) and (ii) in respect of the Mudaraba Assets comprising the Mudaraba Portfolio on such date.

The parties to the Master Restricted Mudaraba Agreement agree that, on the applicable Mudaraba End Date, any amounts standing to the credit of the Mudaraba Reserve Account after all amounts due under the Certificates of the relevant Series have been satisfied in full shall be paid to the Mudarib as an incentive amount for its performance. The Rabb-al-Maal acknowledges that it shall have no entitlement in respect of any surplus amounts that are paid to the Mudarib as an incentive amount.

Upon the maturity of a Series, the occurrence of a Dissolution Event, the redemption of all of the Certificates in a Series following the exercise of the relevant Redemption Undertaking or Change of Control Undertaking or the exercise of a Sale Undertaking, the relevant Restricted Mudaraba will be liquidated (by way of an Actual Liquidation or Constructive Liquidation) and the Mudarib will distribute the Final Liquidation Proceeds in accordance with the Master Restricted Mudaraba Agreement and the Restricted Mudaraba Contract.

The acts of the Mudarib under the Master Restricted Mudaraba Agreement and each Restricted Mudaraba Contract will be monitored and audited from time to time by the *Shari'a* Board of FGB in accordance with normal operating procedures.

#### ***Undertakings of the Rabb-al-Maal***

The Rabb-al-Maal provides only very limited undertakings in the Master Restricted Mudaraba Agreement.

#### **The Master Declaration of Trust, as supplemented by each Supplemental Declaration of Trust**

The Master Declaration of Trust will be entered into on the Closing Date between FGB, the Trustee and the Delegate and is governed by English law. A Supplemental Declaration of Trust between the same parties shall be entered into on the Issue Date of each Series of Certificates and shall also be governed by English law.

Upon issue of the Global Certificate initially representing the Certificates of any Series, the Master Declaration of Trust and the relevant Supplemental Declaration of Trust shall together constitute the Trust declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series of Certificates comprise (unless otherwise specified in the relevant Supplemental Declaration of Trust), *inter alia*, the Sukuk Assets, the Trustee's rights under the Purchase Undertaking Deed and certain other documents it has entered into and any amounts it may have deposited in the relevant Transaction Account, subject to the terms of the relevant Supplemental Declaration of Trust.

Pursuant to the Master Declaration of Trust, the Trustee will, in relation to each Series of Certificates, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the holders of the Certificates *pro rata* according to the face amount of Certificates of that Series held by each Certificateholder, in accordance with the provisions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust;
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust;
- (c) subject to being indemnified and/or secured and/or pre-funded to its satisfaction enforce the Trust Assets including, insofar as it is able, taking all reasonably necessary steps to enforce each of the Master Declaration of Trust, the Purchase Undertaking Deed, the Master Restricted Mudaraba Agreement, the Management Agreement and any other relevant Transaction Document if FGB shall have at any time failed to perform its obligations under it;
- (d) collect the proceeds of the Trust Assets in accordance with the terms of the Master Declaration of Trust and, if applicable, the terms of the relevant Supplemental Declaration of Trust;
- (e) distribute the proceeds of any enforcement of the Trust Assets, as described in the Master Declaration of Trust and in the Master Restricted Mudaraba Agreement (see the section entitled "*Summary of the Principal Transaction Documents – Master Restricted Mudaraba Agreement*");

- (f) maintain proper books of account in respect of the relevant Trust; and
- (g) take such other steps as are reasonably necessary to ensure that the Certificateholders of each Series receive the distributions to be made to them in accordance with the Transaction Documents.

In the Master Declaration of Trust, the Trustee also undertakes that, *inter alia*:

- (a) it may or shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) upon being directed to do so by the Certificateholders enforce the obligations of FGB under the Master Declaration of Trust, the Purchase Undertaking Deed, the Master Restricted Mudaraba Agreement, the Management Agreement and any other Transaction Document to which FGB is a party;
- (b) to the extent that it prepares accounts, it shall cause to be prepared and certified by its auditors in respect of each financial accounting period accounts in such form as will comply with all relevant legal and accounting requirements and all requirements for the time being of any stock exchange on which the Certificates are listed; and
- (c) following the occurrence of a Dissolution Event in respect of any Series of Certificates and, subject to Condition 15 (*Dissolution Events*), it shall (i) promptly notify the Certificateholders of the occurrence of such Dissolution Event, and (ii) take all such steps as are necessary to enforce the obligations of FGB under the Purchase Undertaking Deed, the Management Agreement and the relevant Restricted Mudaraba Contract in accordance with the provisions of the Management Agreement, the Master Restricted Mudaraba Agreement and any other Transaction Document to which FGB is a party.

The Trustee irrevocably and unconditionally appoints the Delegate (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) to exercise all of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by the Master Declaration of Trust that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, exercise all of the rights of the Trustee under the Purchase Undertaking Deed and any of the other Transaction Documents (**provided that** no obligations, duties or covenants of the Trustee pursuant to the Master Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the delegation) and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Master Declaration of Trust (the foregoing being the Delegation of the Relevant Powers). The appointment of such delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

In addition to the Delegation of the Relevant Powers, certain powers under the Master Declaration of Trust have been vested solely in the Delegate, including, *inter alia*, the power to determine the occurrence of a Dissolution Event, the power to waive or authorise a breach of an obligation or determine that a Dissolution Event or Potential Dissolution Event shall not be treated as such, and the power to consent to certain types of amendments to any Transaction Document or the memorandum and articles of association of the Trustee.

A Collection Account, a Transaction Account, a Wakala Reserve Account and a Mudaraba Reserve Account will be established in respect of each Series of Certificates. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise: (i) the Rabb-al-Maal's portion of any Mudaraba Profit and the proceeds of a Constructive Liquidation of the relevant Restricted Mudaraba; (ii) payments from the relevant Collection Account immediately prior to each Periodic Distribution Date (see "*Summary of the Principal Transaction Documents – Management Agreement*") below); and (iii) the Exercise Price received from FGB under the relevant Sale Agreement (see "*Summary of the Principal Transaction Documents – Purchase Undertaking Deed*" and "*Summary of the Principal Transaction Documents – Sale Undertaking Deed*" below). The Master Declaration of Trust provides that all monies credited to the Transaction Account in respect of each Series will be applied by the Trustee in the following order of priority in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*):

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

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

In addition, under the Master Declaration of Trust FGB undertakes to the Trustee that, if any amount payable by FGB to the Trustee pursuant to any Transaction Document is not recoverable from FGB for any reason whatsoever and the Trustee suffers any cost, expense, loss or taxes as a result of the Trustee's holding of the Trust Assets (which cost, expense or loss is not recoverable under the relevant Transaction Documents), then FGB will indemnify the Trustee against all losses, claims, costs, charges and expenses, but excluding the costs of funding the same, to which it may be subject or which it may incur under or in respect of the Transaction Documents.

The Master Declaration of Trust specifies that, on or after the relevant Dissolution Date of a Series of Certificates, the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available and comprising the relevant Trust Assets of that Series, subject to the priority of payments set out in the Conditions. The Certificateholders have no claim or recourse against the Trustee in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Following the distribution of the Trust Assets to the Certificateholders in accordance with the Conditions and the Master Declaration of Trust, the Trustee shall not be liable for any further sums, and accordingly the Certificateholders may not take any action against the Trustee or any other person to recover any such sum, in respect of the Certificates or the Trust Assets.

The Trustee shall not be bound in any circumstances to take any action to enforce or to realise such Trust Assets or take any action against FGB under any Transaction Documents to which FGB is a party unless directed or requested to do so by the Certificateholders in accordance with the Conditions, and then only to the extent indemnified to its satisfaction.

No Certificateholder shall be entitled to proceed directly against FGB unless: (i) the Trustee, having become bound so to proceed, fails to do so within 30 days of becoming so bound and such failure is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against FGB) holds at least 20 per cent. of the aggregate face amount of the Certificates then outstanding.

The foregoing is subject to the following: after enforcing or realising such Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 6(e) (*Trust – Operation of Wakala Reserve Account*), Condition 6(f) (*Trust – Operation of Mudaraba Reserve Account*) and Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of such Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee to recover any further sums in respect of such Certificates and the right to receive any such sums unpaid shall be extinguished. Under no circumstances shall the Trustee or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking Deed or any Sale Agreement, and the sole right of the Trustee and the Certificateholders against FGB shall be to enforce the obligation of FGB to pay the Dissolution Amount and any other amounts due under the Transaction Documents.

**Certificateholders, by subscribing for or acquiring Certificates, acknowledge that no recourse may be had for the payment of any amount owing in respect of any Certificates against the Trustee or the Delegate, in any circumstances whatsoever, or the relevant Trust to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee or the Delegate and the relevant Trust shall be extinguished.**

Certificateholders should note that through, *inter alia*, the Purchase Undertaking Deed, the Trustee and the Delegate will have recourse to FGB and the ability of the Trustee to pay the amounts due in respect of the Certificates will ultimately be dependent on FGB.

### Purchase Undertaking Deed

A Purchase Undertaking Deed will be entered into on the Closing Date by FGB in favour of the Trustee, which will be governed by English law.

Under the Purchase Undertaking Deed, FGB irrevocably undertakes in favour of the Trustee to purchase and receive from the Trustee the relevant Wakala Portfolio applicable to a Series of Certificates (each undertaking in respect of a Series, a “**Purchase Undertaking**”) on:

- (a) the relevant Scheduled Dissolution Date;
- (b) any earlier due date following the occurrence of a Dissolution Event; or
- (c) the date on which all of the Certificates of the relevant Series are cancelled following the exercise of the relevant Redemption Undertaking and/or Change of Control Undertaking (as the case may be),

at the Exercise Price specified in the Purchase Undertaking Deed.

In order to exercise these rights, the Trustee (or the Delegate on its behalf) will be required to deliver an exercise notice to FGB under the Purchase Undertaking Deed.

The Exercise Price payable by FGB upon exercise of the relevant Purchase Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Portfolio, upon the date of exercise of the relevant Purchase Undertaking, less the Wakala Percentage of any Surrender Amount; (ii) an amount equal to any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; (iii) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*) and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date. Any amount payable as part of the relevant Exercise Price pursuant to (ii) above will be off-set against the equivalent amount owed by the Trustee to the Managing Agent.

For these purposes, “**Surrender Amount**” means, in respect of each Series, the aggregate face amount of any Certificates cancelled by the Trustee following the exercise of the Redemption Undertaking Deed or the Change of Control Undertaking Deed; and

“**Value**” means: (a) in respect of any Wakala Asset, the amount determined by FGB on the relevant date as: (i) in the case of a Non-Real Estate Ijara Asset, the aggregate of all due and unpaid fixed rental instalment amounts payable by the lessee to FGB under such Non-Real Estate Ijara Contract on such date; (ii) in the case of a Wakala Asset comprising *murabaha* receivables under a *murabaha* contract, the outstanding face amount or par value then outstanding of such Wakala Asset on such date; or (iii) in the case of any other *Shari’a*-compliant asset that is a Wakala Asset, the outstanding face amount or par value then outstanding of that *Shari’a*-compliant asset on such date; and (b) in respect of the relevant Wakala Portfolio, the aggregate of the amounts determined under subparagraphs (i), (ii) and (iii) in respect of the Wakala Assets comprising the Wakala Portfolio on such date.

FGB agrees in the Purchase Undertaking Deed that all payments by it under the Purchase Undertaking Deed will be made without set off or counterclaim of any kind and without any such deduction or withholding for or on account of Tax unless required by law and, in the event that there is any deduction or withholding, FGB shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no withholding or deduction had been made.

Subject to payment of the Exercise Price in accordance with the Purchase Undertaking Deed, the parties will enter into a sale agreement (a “**Sale Agreement**”) to effect the sale and transfer by the Trustee to FGB of the relevant Wakala Portfolio on the Dissolution Date of the relevant Series of Certificates. The specific terms applicable to each such sale will be confirmed in the Sale Agreement and the form of each such Sale Agreement is scheduled to the Purchase Undertaking Deed.

### ***Sale Undertaking Deed***

A Sale Undertaking Deed will be entered into on the Closing Date, by the Rabb-al-Maal in favour of FGB, which will be governed by English law.

Under the Sale Undertaking Deed, the Trustee will irrevocably undertake to FGB to sell and transfer the relevant Wakala Portfolio applicable to a Series of Certificates (each undertaking in respect of a Series, a “**Sale Undertaking**”) to FGB in the event of certain tax gross-ups being required or, in the event that FGB exercises a call option in relation to a Series (the “**Optional Dissolution Right**”).

Under the terms of the Sale Undertaking Deed, and subject to the Trustee being entitled to redeem the Certificates upon the occurrence of a Tax Event (as defined in Condition 11(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*)) or, if specified as applicable in the applicable Final Terms of a Series, the exercise of an Optional Dissolution Right, FGB may (by exercising its right under the Sale Undertaking Deed and delivering an exercise notice to the Trustee (with a copy to the Delegate) specifying the Tax Redemption Date or Optional Dissolution Date, which must not be less than 30 nor more than 60 days after the date on which the exercise notice is given and (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable to the particular Series) must also be a Periodic Distribution Date) oblige the Trustee to sell and transfer the relevant Wakala Portfolio at the relevant Exercise Price two Business Days prior to the Tax Redemption Date or Optional Dissolution Date, as the case may be. The exercise of FGB’s right under the Sale Undertaking Deed is subject to the Trustee (or the Delegate on its behalf) not having previously delivered an exercise notice under, and as defined in, the Purchase Undertaking Deed.

The Exercise Price payable by FGB upon exercise of the relevant Sale Undertaking shall be an amount equal to the aggregate of: (i) an amount equal to the sum of the Value of the relevant Wakala Assets in the Wakala Portfolio, upon the date of exercise of the relevant Sale Undertaking, less the Wakala Percentage of any relevant Surrender Amount; (ii) any amounts repayable but unpaid by the Trustee to the Managing Agent under the Liquidity Facility; (iii) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*)) in accordance with Condition 6(h) (*Trust – Application of Proceeds from Trust Assets*); and (iv) without duplication or double-counting, any other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date. Any amount payable as part of the relevant Exercise Price pursuant to (ii) above will be off-set against the equivalent amount owed by the Trustee to the Managing Agent.

FGB agrees in the Sale Undertaking Deed that all payments by it under the Sale Undertaking Deed will be made without set off or counterclaim of any kind and without any such deduction or withholding for or on account of Tax unless required by law and, in the event that there is any such deduction or withholding, FGB shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no withholding or deduction had been made.

Subject to payment of the Exercise Price in accordance with the Sale Undertaking Deed, the parties will enter into a Sale Agreement to effect the sale and transfer by the Trustee to FGB of the relevant Wakala Portfolio on the Dissolution Date of the relevant Series of Certificates. The specific terms applicable to each such sale will be confirmed in the Sale Agreement and the form of each such Sale Agreement is scheduled to the Sale Undertaking Deed.

### ***Wakala Asset Sale Undertaking Deed***

A Wakala Asset Sale Undertaking Deed will be entered into on the Closing Date by the Trustee in favour of FGB (in its capacity as Trustee for the Certificateholders), which will be governed by English law.

Pursuant to the Wakala Asset Sale Undertaking Deed, the Trustee will, with respect to each Series, give a Wakala Asset Sale Undertaking in favour of FGB pursuant to which the Trustee undertakes, upon receipt of a substitution notice, to transfer certain Wakala Assets to FGB in exchange for the receipt of certain new Wakala Assets from FGB, on the condition that the value of the new Wakala Assets is at least equal to the Value of the new Wakala Assets on such date.

### ***Change of Control Undertaking Deed***

A Change of Control Undertaking Deed will be entered into on the Closing Date by FGB in favour of the Trustee (in its capacity as Trustee for the Certificateholders) and the Delegate, which will be governed by English law.

To the extent the Change of Control Exercise Option is specified as being applicable in the applicable Final Terms, following the occurrence of a Change of Control Event and the receipt of a Change of Control Purchase Notice by FGB in accordance with Condition 14(c) (*Purchase and Cancellation of Certificates – Redemption at the Option of the Certificateholders (Change of Control Exercise Option)*), FGB irrevocably undertakes, in respect of the relevant Series of Certificates (each such undertaking, a “**Change of Control Undertaking**”) to:

- (a) purchase from the relevant Certificateholders the Certificates which are to be redeemed, being the Change of Control Certificates, at the Change of Control Amount, which amount is equal to the sum of:
  - (i) the outstanding face amount of the Change of Control Certificates; and
  - (ii) any due but unpaid Periodic Distribution Amounts under such Change of Control Certificates; and
- (b) surrender such purchased Change of Control Certificates to the Trustee in exchange for:
  - (i) the Trustee granting FGB a *pro rata* co-ownership interest in the relevant Wakala Portfolio and the relevant Mudaraba Portfolio; and
  - (ii) the cancellation by the Trustee of the Change of Control Certificates.

The exercise of the Trustee’s right under the Change of Control Undertaking Deed is subject to: (i) the Trustee (or the Delegate on its behalf) not having previously delivered an Exercise Notice under, and as defined in, the Purchase Undertaking Deed; and (ii) FGB not having previously delivered an Exercise Notice under, and as defined in, the Sale Undertaking Deed.

### ***Redemption Undertaking Deed***

A Redemption Undertaking Deed will be entered into on the Closing date by the Trustee in favour of FGB, which will be governed by English law.

In accordance with the exercise of the right granted under Condition 14(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by FGB and/or any of its Subsidiaries*), the Trustee undertakes (each undertaking in respect of a Series, a “**Redemption Undertaking**”), following the receipt of a Cancellation Notice by the Trustee, to cancel any Certificates surrendered to it by FGB or a relevant Subsidiary of FGB, being the “**Cancellation Certificates**”, in exchange for:

- (a) the Trustee granting FGB a *pro rata* co-ownership interest in the relevant Wakala Portfolio and the relevant Mudaraba Portfolio; and
- (b) the cancellation by the Trustee of such Cancellation Certificates.

The exercise of FGB’s right under the relevant Redemption Undertaking is subject to: (i) the Trustee (or the Delegate on its behalf) not having previously delivered an Exercise Notice under, and as defined in, the Purchase Undertaking Deed; and (ii) FGB not having previously delivered an Exercise Notice under, and as defined in, the Sale Undertaking Deed.

### ***Representations of no Immunity***

In each of the Transaction Documents to which FGB is a party, FGB has represented and warranted that it has entered into such Transaction Document in connection with the exercise of its powers to raise money. Accordingly, FGB has, in each of those Transaction Documents, acknowledged and agreed that it is not entitled to claim for itself or any of its assets immunity from legal process in actions taken in relation to any Transaction Document and brought against FGB in a court of competent jurisdiction irrespective of the identity of the holders of beneficial interests in the Certificates.

## TAXATION

*The following is a general description of certain United Arab Emirates and European Union tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those countries or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments of profit, principal and/or other amounts under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

### United Arab Emirates

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 profit and principal to any holder of the Certificates. In the event of such imposition of any such withholding, the Trustee has undertaken to gross-up any payments subject to certain limited exceptions.

The Constitution of the 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.

### Cayman Islands

*The following is a discussion of certain Cayman Islands tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.*

There are no income, corporation, capital gains tax or estate duty, inheritance tax or gift tax in effect in the Cayman Islands on the basis of present legislation. The Trustee has obtained an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, that for a period of 20 years from the date of issue no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment (as defined in the Tax Concessions Law (1999 Revision)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. An instrument of transfer in respect of a Certificate may be stampable if executed in or brought to the Cayman Islands. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$ 730. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### EU Savings Directive

Under the EU Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

A number of non EU countries and territories and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendment to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional adviser.

## SUBSCRIPTION AND SALE

Certificates may be sold from time to time by the Trustee to any one or more of Citigroup Global Markets Limited, HSBC Bank plc and Standard Chartered Bank (the “**Dealers**”). The arrangements under which Certificates may from time to time be agreed to be sold by the Trustee to, and purchased by, the Dealers are set out in a Programme Agreement dated 11 July 2011 (the “**Programme Agreement**”) and made between, amongst others, the Trustee, FGB and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Certificates, the price at which such Certificates will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Trustee in respect of such purchase. The Programme Agreement 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 Series of Certificates.

### General

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Certificates or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Trustee, FGB and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Certificates or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out 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 this paragraph.

Selling restrictions may be supplemented or modified with the agreement of the Trustee and FGB. Any such supplement or modification may be set out in the applicable Final Terms (in the case of a supplement or modification relevant only to a particular Series of Certificates) or in a supplement to this Base Prospectus.

### United States of America

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Certificates: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Certificates comprising the relevant Series, as certified to the Principal Paying Agent or the Trustee by such Dealer (or, in the case of a sale of a Series of Certificates to or through more than one Dealer, by each of such Dealers as to the Certificates of such Series purchased by or through it, in which case the Principal Paying Agent, the Trustee or FGB 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 Certificates during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Certificates comprising any Series, any offer or sale of Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (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 Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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 Trustee and FGB for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that**, no such offer of Certificates referred to in paragraphs (a) to (c) above shall require the Trustee, FGB 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 Certificates to the public**” in relation to any Certificates 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 Certificates to be offered so as to enable an investor to decide to purchase or subscribe Certificates, 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**” for the purposes of this paragraph means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

#### **United Kingdom**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) in relation to any Certificates which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by the Trustee;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or FGB; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

#### **Hong Kong**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii)

in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **Japan**

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold Certificates, and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **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 Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates have 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 Certificates. 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 Certificates as aforesaid without the necessary approvals being in place.

### **Singapore**

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and that it will not offer or sell any Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor pursuant to Section 274 of the SFA; (ii) to a relevant person, 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) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities.

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the information contained in this Base Prospectus does not constitute a public offer of securities in the U.A.E. in accordance with the Commercial Companies Law (Federal Law 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Base Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the U.A.E.

### **Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the “**DFSA**”); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

### **Kingdom of Saudi Arabia**

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 10 and/or Article 11 of the “Offer of Securities Regulations” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the “**KSA Regulations**”). Each Dealer has represented, warranted and agreed, and each further Dealer will be required to represent, warrant and agree that the offer of the Certificates will not be directed at more than 60 Saudi Investors (excluding “**Sophisticated Investors**” (as defined in Article 10 of the KSA Regulations)) and the minimum amount payable per Saudi Investor (excluding Sophisticated Investors) will be not less than Saudi Riyal (SR) 1 million or an equivalent amount.

The offer of Certificates shall not therefore constitute a “**public offer**” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Certificates are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

### **Kingdom of Bahrain**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to the Public (as defined in Articles 142-146 of the Commercial Companies Law (decree Law No. 21/ 2001) of Bahrain) in the Kingdom of Bahrain.

### **Qatar**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver, directly or indirectly, any Certificates in Qatar, except: (a) in compliance with all applicable laws and regulations 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 Qatar.

**Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall not make any invitation to the public in the Cayman Islands to subscribe for any Certificates.

## **GENERAL INFORMATION**

### **Authorisation**

The establishment of the Programme and the issuance of Certificates thereunder has been duly authorised by a resolution of the Board of Directors of the Trustee dated 6 July 2011. The Trustee has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates. The entry into the Transaction Documents to which it is a party was authorised by a resolution of the shareholders of FGB dated 25 February 2009 and a resolution of the board of directors of FGB dated 22 June 2011.

### **Listing of Certificates**

The admission of Certificates to the Official List will be expressed as a percentage of their nominal amount (excluding any due but unpaid Periodic Distribution Amounts). It is expected that each Series of Certificates which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Certificate initially representing the Certificates of such Series.

Application has been made (i) to the UK Listing Authority for Certificates issued under the Programme to be admitted to the Official List and (ii) to the London Stock Exchange for such Certificates to be admitted to trading on the Regulated Market. The listing of the Programme in respect of Certificates is expected to be granted on or around 14 July 2011. 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, unlisted Certificates may be issued pursuant to the Programme.

### **Legal and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Trustee or FGB is aware) which may have, or have had during the twelve months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Trustee, FGB and any of FGB's Subsidiaries.

### **Significant/Material Change**

Since 31 December 2010 there has been no material adverse change in the prospects of FGB or FGB and its Subsidiaries and, since 31 March 2011, there has not been any significant change in the financial or trading position of FGB or FGB and its Subsidiaries.

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

### **Auditors**

The consolidated financial statements of FGB have been audited without qualification in accordance with International Standards on Auditing for each of the two years ended 31 December 2009 and 31 December 2010 by Ernst & Young Middle East (Abu Dhabi branch) of 11th Floor, Al Ghaith Tower, Hamdan Street, Abu Dhabi, 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. The unaudited interim condensed consolidated financial statements of FGB as at 31 March 2011 have been reviewed by Ernst & Young Middle East (Abu Dhabi branch), as stated in their review report incorporated by reference herein.

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

### **Documents on Display**

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Trustee and from the specified office of the Principal Paying Agent for the time being in London:

- (a) the Memorandum and Articles of Association of the Trustee and FGB;
- (b) the audited consolidated financial statements of FGB for the years ended 31 December 2009 and 31 December 2010 in each case, together with the audit reports prepared in connection therewith, and the unaudited interim condensed consolidated financial statements of FGB for the three months ended 31 March 2011 together with any review report prepared in connection therewith;
- (c) the Management Agreement, the Master Wakala Purchase Agreement and each Supplemental Purchase Contract, the Master Restricted Mudaraba Agreement and each Restricted Mudaraba Contract, the Purchase Undertaking Deed, the Redemption Undertaking Deed, the Sale Undertaking Deed, the Wakala Asset Sale Undertaking Deed, the Change of Control Undertaking Deed, the Agency Agreement, the Master Declaration of Trust, the Corporate Services Agreement and the forms of the Global Certificate and the Certificates in definitive form;
- (d) any Supplemental Declaration of Trust in relation to Certificates which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system;
- (e) a copy of this Base Prospectus; and
- (f) any future supplements to the Base Prospectus including Final Terms (save that a Final Terms relating to a Certificate which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of Certificates and identity) and any other documents incorporated herein or therein by reference (free of charge).

#### **Clearing Systems**

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Certificates of each Series will be specified in the applicable Final Terms. The applicable Final Terms shall specify any other clearing system as shall have accepted the relevant Certificates for clearance together with any further appropriate information.

#### **Passporting**

The Trustee 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 FSA to the competent authority in any Member State.

#### **Dealers transacting with FGB**

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 FGB and its Subsidiaries in the ordinary course of business.

**TRUSTEE AND RABB-AL-MAAL**

**FGB Sukuk Company Limited**  
c/o MaplesFS Limited  
P.O. Box 1093, Queensgate House  
Grand Cayman  
KY1-1102  
Cayman Islands

**FGB AND MUDARIB**

**First Gulf Bank P.J.S.C.**  
P.O. Box 6316  
Abu Dhabi  
United Arab Emirates

**DELEGATE**

**Citicorp Trustee Company Limited**  
14th Floor  
Citigroup Centre  
Canada Square  
London E14 5LB  
United Kingdom

**PRINCIPAL PAYING AGENT, CALCULATION AGENT AND TRANSFER AGENT**

**Citibank N.A., London Branch**  
14th Floor  
Citigroup Centre  
Canada Square  
London E14 5LB  
United Kingdom

**REGISTRAR**

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

**ARRANGERS AND DEALERS**

**Citigroup Global Markets  
Limited**  
Citigroup Centre  
Canada Square  
London E14 5LB  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**Standard Chartered Bank**  
P.O. Box 999  
Dubai  
United Arab Emirates

**SHARPA ADVISORS TO FIRST GULF BANK P.J.S.C.**

**Dar Al Sharia Legal & Financial Consultancy LLC**

P.O. Box 12988  
Dubai  
United Arab Emirates

**LEGAL ADVISERS**

*To the Arrangers and Dealers as to English and U.A.E. law*

**Clifford Chance LLP**

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P.O. Box 9380  
Dubai  
United Arab Emirates

*To FGB as to English and U.A.E. law*

**Allen & Overy LLP**

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P.O. Box 506678  
Dubai  
United Arab Emirates

*To the Trustee as to Cayman Islands law*

**Maples and Calder**

5th Floor, Exchange Building  
Dubai International Financial Centre  
P.O. Box 119980  
Dubai  
United Arab Emirates

*To the Delegate as to English law*

**Clifford Chance LLP**

10 Upper Bank Street  
London E14 5JJ  
England

**AUDITORS TO FIRST GULF BANK P.J.S.C.**

**Ernst & Young**

11th Floor  
Al Ghaith Tower  
Hamdan Street  
Abu Dhabi  
United Arab Emirates