

IMPORTANT NOTICE

THE ATTACHED PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT (AS DEFINED BELOW)) AND ARE OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus (the "document") whether received by e-mail, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the document. In accessing the document, 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 any of the Issuer and/or the Joint Lead Managers (each as defined below) as a result of such access. You acknowledge that this electronic transmission and the delivery of the document is confidential and intended only for you and you agree you will not reproduce or publish this electronic transmission or forward the document to any other person.

Restrictions: UNDER NO CIRCUMSTANCES SHALL THE DOCUMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (REGULATION S)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE AND LOCAL SECURITIES LAWS.

THE DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE JOINT LEAD MANAGERS AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE DOCUMENT 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.

WITHIN THE UNITED KINGDOM, THE DOCUMENT IS DIRECTED ONLY AT (A) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**FP ORDER**"), OR (B) WHO ARE PERSONS FALLING WITHIN ARTICLE 49(2)(a) TO (d) OF THE FP ORDER, OR (C) TO WHOM IT MAY OTHERWISE LAWFULLY BE DISTRIBUTED IN ACCORDANCE WITH THE FP ORDER (ALL SUCH PERSONS IN (A), (B) AND (C) ABOVE TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THE DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE "*SUBSCRIPTION AND SALE*".

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the document or make an investment decision with respect to the Capital Securities (as defined in the document), (1) each prospective investor in respect of the Capital Securities being offered outside of the United States in an offshore transaction pursuant to Regulation S must be a person other than a U.S. Person and (2) each prospective investor in respect of the Capital Securities being offered in the United Kingdom must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the document, you shall be deemed to have represented to Citigroup Global Markets Limited, First Abu Dhabi Bank PJSC, HSBC Bank plc and Standard Chartered Bank (together, the "**Joint Lead Managers**") and First Abu Dhabi Bank PJSC (the "**Issuer**") that (1) you have understood and agree to the terms set out herein, (2) you are (or the person you represent is) a person other than a U.S. Person, and that the electronic mail (or e-mail) address to which, pursuant to your request, the document has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) in respect of the Capital Securities being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person, (4) if you are a Hong Kong purchaser, your business involves the acquisition and disposal, or the holding, of securities (whether as principal or as agent) and you fall within the category of persons described as "professional investors" under the Securities and Futures Ordinance (Cap. 571) of Hong Kong and its relevant rules, (5) you consent to delivery by electronic transmission, (6) you will not transmit the document (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 consent of the Joint Lead Managers, (7) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Capital Securities and (8) you acknowledge that the document does not constitute an offer of or an invitation to subscribe for or purchase any of the Capital Securities.

Neither the Joint Lead Managers nor any of their respective affiliates, directors, officers, advisers or agents accepts any responsibility whatsoever for the contents of the document or for any statement made therein, in connection with the Issuer or the issue and offering of the Capital Securities. The Joint Lead Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Lead Managers or their respective affiliates, directors, officers, advisers or agents as to the accuracy, completeness, verification or sufficiency of the information set out in the document. Neither the Joint Lead Managers nor any of their respective affiliates, directors, officers, advisers or agents accepts any responsibility for any acts or omissions of the Issuer or any other person in connection with the document and the issue and offering of the Capital Securities.

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 a Joint Lead Manager or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the document constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of Capital Securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The document has been made available 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 Issuer, the Joint Lead Managers nor any person who controls or is a director, officer, employee or agent of the Issuer, the Joint Lead Managers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the document, you consent to receiving it in electronic form. A hard copy of the document will be made available to you only upon request to the Joint Lead Managers.

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

If you received the document by e-mail, you should not reply by e-mail to this communication. Any reply e-mail communications, including those you generate by using the "Reply" function on the e-mail software, will be ignored or rejected. Your receipt of the electronic transmission 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.

Prohibition of Sales to EEA and UK Retail Investors – The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

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

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to Section 309B(1)(a) and Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A) of the SFA), that the Capital Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).



FIRST ABU DHABI BANK PJSC
(incorporated with limited liability in the United Arab Emirates)

U.S.\$750,000,000 Perpetual Additional Tier 1 Capital Securities

The U.S.\$750,000,000 Perpetual Additional Tier 1 Capital Securities (the "**Capital Securities**") shall be issued by First Abu Dhabi Bank PJSC (the "**Issuer**" or "**FAB**") on 5 October 2020 (the "**Issue Date**"). Interest Payment Amounts (as defined in the Conditions) shall be payable subject to and in accordance with terms and conditions set out in the "*Terms and Conditions of the Capital Securities*" (the "**Conditions**") on the Prevailing Principal Amount (as defined in the Conditions) of the Capital Securities from (and including) the Issue Date to (but excluding) 5 October 2026 (the "**First Reset Date**") at a rate of 4.500 per cent. per annum. If the Capital Securities are not redeemed in accordance with the Conditions on or prior to the First Reset Date, Interest Payment Amounts shall continue to be payable from (and including) the First Reset Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Reset Date and every six years thereafter, equal to the Relevant Six-Year Reset Rate (as defined in the Conditions) plus a margin of 4.138 per cent. per annum. Interest Payment Amounts will (subject to the occurrence of a Non-Payment Event (as defined in, and as more particularly provided in, Condition 6.1 (*Interest Cancellation – Non-Payment Event*))) be payable semi-annually in arrear on 5 April and 5 October in each year, commencing on 5 April 2021 (each, an "**Interest Payment Date**"). Payments on the Capital Securities will be made free and clear of, without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed, levied, collected, withheld or assessed by or within the Tax Jurisdiction (as defined in the Conditions) (the "**Taxes**") to the extent described under Condition 12 (*Taxation*). All payments by the Issuer in respect of the Capital Securities shall be conditional upon satisfaction of the Solvency Conditions (as defined in the Conditions) and no bankruptcy order in respect of the Issuer having been issued by a court in the United Arab Emirates, as more particularly described in Condition 4 (*Status and Subordination*) (see, in particular, "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer*").

If a Non-Viability Event (as defined in the Conditions) occurs, a Write-down (as defined in the Conditions) shall occur on the relevant Non-Viability Event Write-down Date (as defined in the Conditions), as more particularly described in Condition 10 (*Write-down at the Point of Non-Viability*). In such circumstances, the Capital Securities shall automatically be deemed to be irrevocably and unconditionally written-down by the relevant Write-down Amount (as defined in the Conditions) and, in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled (see "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The right to receive repayment of the principal amount of the Capital Securities and the right for any further interest will be permanently written-down upon the occurrence of a Non-Viability Event*").

The Issuer may elect, in its sole discretion, and in certain circumstances shall be required, not to pay interest falling due on the Capital Securities. Any Interest Payment Amounts not paid as aforesaid will not accumulate and the holder of a Capital Security shall not have any claim in respect thereof.

The Capital Securities are undated and have no final maturity. Unless the Capital Securities have previously been redeemed or purchased and cancelled as provided in the Conditions, the Capital Securities may, at the option of the Issuer, subject to the prior approval of the Regulator (as defined in the Conditions), be redeemed (in whole but not in part) at the Early Redemption Amount (as defined in the Conditions) on 5 April 2026 and on any date thereafter up to and including the First Reset Date or on any Interest Payment Date following the First Reset Date. In addition, the Capital Securities may, upon the occurrence of a Tax Event or Capital Event (each as defined in the Conditions), be redeemed (in whole but not in part) at the Tax Redemption Amount or the Capital Event Redemption Amount (each as defined in the Conditions), respectively, subject to the prior approval of the Regulator and subject to the Conditions.

The payment obligations of the Issuer under the Capital Securities (i) constitute direct, unsecured, conditional (as described in Conditions 4.2(b) (*Subordination of the Capital Securities*) and 4.3 (*Solvency Conditions*)) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (ii) rank subordinate and junior to all Senior Obligations (as defined in the Conditions) (but not further or otherwise); (iii) rank *pari passu* with all *Pari Passu* Obligations (as defined in the Conditions); and (iv) rank in priority only to all Junior Obligations (as defined in the Conditions). **Notwithstanding any other provisions in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.**

Upon the occurrence of an Enforcement Event (as defined in the Conditions), any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent (as defined in the Conditions), effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10 (*Write down at the point of Non-Viability*) and Condition 11.4 (*Enforcement Events – Restrictions*) become forthwith due and payable at its Early Redemption Amount (as defined in the Conditions), without presentation, demand, protest or other notice of any kind.

An investment in the Capital Securities involves certain risks. For a discussion of these risks, see "*Risk Factors*".

The Capital Securities may only be offered, sold or transferred in registered form in minimum principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Delivery of the Capital Securities in book-entry form will be made on the Issue Date. The Capital Securities will be represented by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Individual Certificates (as defined in the Conditions) evidencing holdings of interests in the Capital Securities will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**") as a prospectus for the purpose of giving information with regard to the issue of the Capital Securities. The FCA has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer and of the quality of the Capital Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Capital Securities.

Application has been made to the FCA for the Capital Securities to be admitted to listing on the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Capital Securities to be admitted to trading on the London Stock Exchange's regulated market (the "**Regulated Market**"). References in this Prospectus to Capital Securities being "**listed**" (and all related references) shall mean that such Capital Securities have been admitted to listing on the Official List and admitted to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**").

This Prospectus will be valid for a year from 1 October 2020. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid. For the purposes of this Prospectus, "**valid**" means valid for admissions to trading on a regulated market by or with the consent of the Issuer and the obligation to supplement this Prospectus is only required within its period of validity between the time when this Prospectus is approved and the closing of the offer period for the Capital Securities or the time when trading on a regulated market begins, whichever occurs later.

Amounts payable under the Capital Securities, following the First Reset Date, will be calculated by reference to rates for U.S. Treasury securities which are published by the U.S. Federal Reserve System. As at the date of this Prospectus, the U.S. Department of Treasury does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). As far as the Issuer is aware, the U.S. Department of Treasury does not fall within the scope of the Benchmarks Regulation by virtue of article 2 of the Benchmarks Regulation.

The Issuer has been assigned long term credit ratings of AA- (stable outlook) by Fitch Ratings Ltd. ("**Fitch**"), Aa3 (stable outlook) by Moody's Investors Service Ltd. ("**Moody's**") and AA- (negative outlook) by S&P Global Ratings Europe Limited ("**S&P**"). The Capital Securities are expected to be assigned a rating of Baa3 by Moody's. Each of Fitch, Moody's and S&P is established in the European Union or the United Kingdom (the "**UK**") and is registered under Regulation (EC) No. 1060/2009 (as amended, the "**CRA Regulation**"). As such, each of Fitch, Moody's and S&P is included in the list of credit rating agencies published by ESMA on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Capital Securities have not been, nor will be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Capital Securities may be offered or sold solely to persons who are not U.S. Persons outside the United States in reliance on Regulation S. Each purchaser of the Capital Securities is hereby notified that the offer and sale of Capital Securities to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Joint Structuring Agents

First Abu Dhabi Bank

Standard Chartered Bank

Joint Lead Managers and Joint Bookrunners

Citigroup

First Abu Dhabi Bank

HSBC

Standard Chartered Bank

The date of this Prospectus is 1 October 2020

IMPORTANT NOTICE

This Prospectus comprises a prospectus for the purposes of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Certain information contained in this Prospectus has been extracted from independent, third party sources. The Issuer confirms that all third party information contained in this Prospectus has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information contained in this Prospectus is stated where such information appears in the Prospectus.

The accuracy or completeness of the information contained or incorporated by reference in this Prospectus has not been independently verified by the Joint Lead Managers or any of their respective directors, officers, affiliates, advisers or agents. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers, their affiliates or any of their respective directors, officers, advisers or agents (i) as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the Capital Securities or their distribution or (ii) for any acts or omissions of the Issuer or any other person in connection with the Prospectus or the issue and offering of the Capital Securities. The Joint Lead Managers do not accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Capital Securities or their distribution.

No person is or has been authorised by the Issuer or the Joint Lead Managers to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the issuance of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers.

Neither this Prospectus nor any other information supplied in connection with the issuance of the Capital Securities: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the issuance of the Capital Securities should purchase any Capital Securities. Each investor contemplating purchasing any Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the issuance of the Capital Securities constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Capital Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Capital Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the issuance of the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the issuance or to advise any investor in the Capital Securities of any information coming to their attention.

Investors should review, *inter alia*, the information contained or incorporated by reference in this Prospectus when deciding whether or not to purchase any Capital Securities.

The Capital Securities have not been, nor will 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 or delivered within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Capital Securities may be offered or sold solely to persons who are not U.S. Persons outside the United States in reliance on Regulation S.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Capital Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Capital Securities may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Capital Securities 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. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of any Capital Securities or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Capital Securities may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Capital Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of any Capital Securities. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of any Capital Securities in the United States, the UK, the European Economic Area (the "EEA"), the Kingdom of Bahrain, the State of Qatar (including the Qatar International Financial Centre), the Kingdom of Saudi Arabia, the Dubai International Financial Centre, the UAE (excluding the Dubai International Financial Centre), Hong Kong, Japan, Malaysia and Singapore (see "*Subscription and Sale*").

The Capital Securities may not be a suitable investment for all investors. Each potential investor in the Capital Securities must determine the suitability of that investment in light of its own circumstances, and is advised to consult its own tax advisers, legal advisers and business advisers as to tax, legal, business and related matters (as applicable) concerning the purchase of any Capital Securities.

In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where the currency for payments of principal or interest is different from the potential investor's currency;
- understands thoroughly the terms of the Capital Securities and is familiar with the behaviour of any relevant indices and financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Capital Securities are complex financial instruments and are of high risk and are not a suitable or appropriate investment for all investors (see, in particular, "*MIFID II Product Governance / Professional Investors and ECPs only Target Market*" and "*PRIIPs Regulation / Prohibition of Sales to EEA and UK Retail Investors*" below). In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities similar to the Capital Securities. There are risks inherent in the holding of the Capital Securities, including the risks in relation to their subordination and the circumstances in which holders of the Capital Securities may suffer loss as a result of holding the Capital Securities. See "*Risk Factors*" for a discussion of certain considerations to be taken into account in connection with an investment in the Capital Securities. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Capital Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Capital

Securities will perform under changing conditions, the resulting effects on the value of the Capital Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Capital Securities are legal investments for it; (b) the Capital Securities can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any Capital Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Capital Securities under any applicable risk-based capital or similar rules.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus including, without limitation, any statements regarding the financial position of the Issuer, or the business strategy, management plans and objectives for future operations of the Issuer, may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue" or similar terminology. Although the Issuer believes that the expectations reflected in their forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's actual results, performance or achievements, or industry results, to be materially different from any expressed or implied by forward-looking statements. Forward-looking statements may be based on numerous assumptions regarding the Issuer's present, and future, business strategies and the environment in which the Issuer expects to operate in the future. Important factors that could cause the Issuer's actual results, performance or achievements to differ materially from any in the forward-looking statements are discussed in this Prospectus (see "*Risk Factors*"). Forward-looking statements speak only as at the date of this Prospectus and, subject as required by applicable law or regulation, the Issuer expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in the expectations of the Issuer or any change in events, conditions or circumstances on which any forward-looking statements are based. Given the uncertainties of forward-looking statements, the Issuer cannot assure potential investors that any projected results or events will be achieved and the Issuer cautions potential investors not to place undue reliance on these statements.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

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

PRIPS REGULATION / PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION

Solely for the purposes of its obligations pursuant to Section 309B(1)(a) and Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A) of the SFA), that the Capital Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

STABILISATION

In connection with the issue of the Capital Securities, Standard Chartered Bank (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the Capital Securities and sixty (60) days after the date of the allotment of the Capital Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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

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

NOTICE TO THE RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

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

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Capital Securities will not be offered or sold at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus

has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar. The Capital Securities are not and will not be traded on the Qatar Stock Exchange. The Capital Securities and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

NOTICE TO RESIDENTS OF MALAYSIA

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

PRESENTATION OF INFORMATION

Presentation of Financial Information

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

- the unaudited reviewed condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2020 (the "**Interim Financial Statements**");
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 (the "**2019 Financial Statements**"); and
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 (the "**2018 Financial Statements**" and, together with the 2019 Financial Statements, the "**Annual Financial Statements**", and the Annual Financial Statements together with the Interim Financial Statements, the "**Financial Statements**").

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

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

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

The Group's financial year ends on 31 December and, unless the context otherwise requires, references in this Prospectus to 2019 and 2018 are to the 12-month period ending on 31 December in each year.

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

Certain numerical figures set out in this Prospectus, including financial and operating data, have been rounded. Therefore, the sums of amounts given in some columns or rows in the tables and other lists presented in this Prospectus may slightly differ from the totals specified for such columns or rows.

Similarly, some percentage values presented in the tables in this Prospectus have been rounded and the totals specified in such tables may not add up to 100 per cent.

Alternative Performance Measures

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

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

APM	Definition/method of calculation	Reconciliation with Financial Statements/accounting records
Return on tangible equity	Financial measure to express efficiency at generating profits from every unit of shareholders' tangible equity and is calculated as profit for the period attributable to shareholders of the Issuer after deduction of interest due (accrual basis) on Tier 1 capital notes divided by average total shareholder tangible equity, with average shareholder tangible equity calculated as the sum of shareholder tangible equity at the beginning and end of the period under calculation divided by two. For the six months ended 30 June 2020, the average balance is calculated based on the sum of balances at the beginning (31 December 2019) and end (30 June 2020) of the period divided by two. Shareholder tangible equity is calculated as the total equity less the sum of non-controlling interest, Tier 1 capital notes and intangibles (assets).	<p>Profit for the period attributable to shareholders of the Issuer is as set out in the consolidated statement of profit or loss in the Financial Statements.</p> <p>Interest due (accrual basis) on Tier 1 capital notes is derived from the Issuer's internal accounting records (and is a Bank management calculated number).</p> <p>Total equity is as set out in the consolidated statement of financial position in the Financial Statements.</p> <p>Non-controlling interest is as set out in the consolidated statement of financial position in the Financial Statements.</p> <p>Tier 1 capital notes are as set out in the consolidated statement of financial position in the Financial Statements.</p> <p>Intangibles are as set out in the consolidated statement of financial position in the Financial Statements.</p>

APM	Definition/method of calculation	Reconciliation with Financial Statements/accounting records
Cost to income ratio (excluding Merger integration costs)	Financial measure to express operating efficiency and is calculated as general, administrative and other operating expenses net of integration related costs divided by total operating income.	<p>General, administrative and other operating expenses are as set out in the consolidated statement of profit or loss in the Financial Statements.</p> <p>Integration related costs is derived from the Issuer's internal accounting records (and is a Bank management calculated number).</p> <p>Operating income is as set out in the consolidated statement of profit or loss in the Financial Statements.</p>
Loan to deposit ratio	Liquidity measure to express a bank's ability to fund its loan book through its deposit base and is calculated as net loans and advances divided by customer accounts and other deposits.	<p>Net loans and advances are as set out in the consolidated statement of financial position in the Financial Statements.</p> <p>Customer accounts and other deposits are as set out in the consolidated statement of financial position in the Financial Statements.</p>
Non-performing loans ("NPL") ratio	Financial measure to express loan asset quality and is calculated as NPLs net of interest suspended as a percentage of gross loans and advances net of interest suspended.	<p>NPLs are the stage 3 loans and advances and the portion of purchased or originally credit impaired loans and advances considered by the Group as par to NPLs, each as set out in Note 5 (<i>Financial risk management</i>) to the Interim Financial Statements.</p> <p>Interest suspended is as set out in Note 9 (<i>Loans and advances</i>) to the Interim Financial Statements.</p> <p>Gross loans and advances are as set out in Note 9 (<i>Loans and advances</i>) to the Interim Financial Statements.</p>
Provision coverage ratio	Financial measure to provide an indication of the level of provisioning vis-à-vis the NPLs net of interest suspended and is	Impairment allowances are total provisions in respect of loans and advances and total provisions in respect of

APM	Definition/method of calculation	Reconciliation with Financial Statements/accounting records
	calculated as impairment allowances as a percentage of NPLs.	<p>unfunded exposure, each as set out in Note 5 (<i>Financial risk management</i>) to the Interim Financial Statements, together with the specific and collective IFRS 9 reserve as set out in Note 18 (<i>Capital and reserves</i>) to the Interim Financial Statements.</p> <p>NPLs are the stage 3 loans and advances and the portion of purchased or originally credit impaired loans and advances considered by the Group as par to NPLs, each as set out in Note 5 (<i>Financial risk management</i>) to the Interim Financial Statements.</p> <p>Interest suspended is as set out in Note 9 (<i>Loans and advances</i>) to the Interim Financial Statements.</p>

Certain Defined Terms

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

- references to "**Abu Dhabi**" are to the Emirate of Abu Dhabi;
- references to the "**Effective Date**" are to 30 March 2017 (being the date on which the Merger became effective);
- references to "**FGB**" are to First Gulf Bank PJSC;
- references to "**GCC**" are to the Gulf Co-operation Council;
- references to the "**Government**" are to the government of Abu Dhabi;
- references to the "**Group**" are to the Issuer, together with its subsidiaries;
- references to a "**Member State**" are to a Member State of the European Economic Area;
- references to the "**Merger**" are to the merger of NBAD and FGB which was effected on the Effective Date;
- references to "**NBAD**" are to National Bank of Abu Dhabi P.J.S.C.;
- references to "**OPEC**" are to the Organization of Petroleum Exporting Countries;
- references to the "**TESS**" are to the UAE Central Bank's Targeted Economic Support Scheme, effective from 15 March 2020, as amended from time to time; and
- references to the "**UAE**" are to the United Arab Emirates.

Certain Conventions

Certain figures and percentages included in this 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 Prospectus to "**U.S. dollars**", "**U.S.\$**" and "**\$**" refer to United States dollars being the legal currency for the time being of the United States of America; and all references to "**dirham**" and "**AED**" refer to UAE dirham being the legal currency for the time being of the UAE.

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

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

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Capital Securities. Most of these factors are contingencies which may or may not occur. In addition, factors which are material for the purpose of assessing the market risks associated with the Capital Securities are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Capital Securities, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Capital Securities may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in "Terms and Conditions of the Capital Securities" shall have the same meanings in this section.

Factors that may affect the Issuer's ability to fulfil its obligations under the Capital Securities

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

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

In 2020 the macro-economic environment (both globally and within the UAE) has also been materially affected by the novel coronavirus which causes the disease known as COVID-19. On 11 March 2020, the World Health Organization ("**WHO**") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities have instigated a host of measures to contain or delay the spread of the virus. Since March 2020, countries globally, including the UAE, have imposed travel restrictions, as well as other restrictions, which aim to reduce in-person interactions. These measures, while aimed to slow the spread of the COVID-19 virus, have significantly reduced economic activity in many countries around the world (in particular, for those businesses connected to the travel and hospitality sectors). It is currently unclear how long these restrictions will be in place and what their ultimate impact will be on global and local economies, as well as the price of oil. The economic impact of the COVID-19 virus has already included significant volatility in financial markets and reduced global liquidity and investment, and it may lead to lower economic growth in the GCC and globally.

In response to the impact of the COVID-19 virus on their domestic economies, various governments around the world have announced fiscal stimulus packages (see further "*The United Arab Emirates Banking Sector and Regulations – COVID 19*") and numerous central banks have cut interest rates. Specifically, on 3 March 2020, the U.S. Federal Reserve cut its target range for the federal funds rate from 1.50 to 1.75 per cent. to 1.00 to 1.25 per cent. and, on 15 March 2020, it was cut further to 0 to 0.25 per cent. On 16 March 2020, the UAE Central Bank cut the interest rate applicable to one-week certificates of deposit by 75 basis points from 1.00 per cent. to 0.25 per cent. and reduced rates applicable to the interim margin lending facility and the collateralised murabaha facility by 50 basis points to 50 basis points above the repurchase rate for UAE Central Bank certificates of deposits. Further announcements from central banks across the world could be forthcoming and it is unclear what impact these measures will ultimately have on their respective economies.

Furthermore, the OPEC Reference Basket price has fallen to date during 2020. In early March 2020, OPEC officials proposed a plan to the members of OPEC and other non-OPEC member countries, including Russia, to cut global production by 1.5 per cent. No agreement was reached, ending a three-year partnership between OPEC and major non-OPEC oil exporters. This also resulted in 'OPEC plus' failing to extend the agreement of cutting 2.1 million barrels per day that was set to expire at the end of

March 2020. In March 2020, Saudi Arabia announced that it would raise oil output and discount its oil in April 2020. In early April 2020, 'OPEC plus' announced that it had reached an agreement to cut production by 9.7 million barrels a day, however this action failed to support sufficiently the oil market with prices falling in the days following that announcement. As a result of the above factors and the COVID-19 outbreak weakening the demand for oil, the OPEC Reference Basket price fell significantly. Furthermore, certain oil prices turned negative during April 2020 (with the West Texas Intermediate benchmark falling as low as minus U.S.\$37.63 a barrel), as weakened demand as a result of the COVID-19 outbreak led to buyers being paid to take oil due to storage capacity concerns. As at 17 September 2020, the OPEC Reference Basket price had risen to U.S.\$42.07.

Prior to the oil price volatility seen to date in 2020, oil prices had been in a recovery phase following the fall in prices that started in 2014. Between July 2014 and January 2016, international crude oil prices declined dramatically (falling by approximately 75 per cent. from a high monthly average OPEC Reference Basket price per barrel of U.S.\$107.89 in July 2014, to a monthly average price of U.S.\$26.50 in January 2016). There was a partial correction in global crude oil prices through 2016 to 2018 (according to the OPEC website, the average price of the OPEC Reference Basket was approximately U.S.\$40.76 per barrel for the year ended 31 December 2016, approximately U.S.\$52.43 per barrel for the year ended 31 December 2017, approximately U.S.\$69.78 per barrel for the year ended 31 December 2018 and approximately U.S.\$64.04 per barrel for the year ended 31 December 2019). The volatility in oil prices since 2014 has affected the economies of the oil-revenue dependent GCC states, with greater budget deficits, a decrease in fiscal revenues and consequent lower public spending seen between 2016 and 2018. Government fiscal deficits have resulted in weakened net asset positions, larger external financing needs and continued lower government spending. This has resulted in the downgrading, or placing on "creditwatch", of a number of GCC sovereigns including, particularly, the Kingdom of Bahrain and the Sultanate of Oman.

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

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

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

While the Issuer's direct exposure to the crude oil, gas, mining and quarrying sectors is not significant (with approximately 6.3 per cent. of its gross loans and advances being to customers in the energy industry as at 30 June 2020), a continued deterioration in global oil prices may further adversely impact

the UAE economy as a whole and may indirectly adversely impact the Issuer as a result of a deterioration in other sectors of the UAE economy.

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

These extremely volatile market conditions have resulted in reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets. The adverse market conditions have impacted investment markets both globally and in the UAE, with increased volatility in interest rates and exchange rates. Between December 2015 and December 2018, the U.S. Federal Reserve increased U.S. overnight interest rates by an aggregate 225 basis points (in nine separate increments of 25 basis points each). Throughout 2019, the U.S. Federal Reserve lowered the U.S. overnight interest rate by an aggregate 75 basis points (in three separate increments of 25 basis points each), and in response to the COVID-19 outbreak, the U.S. Federal Reserve rates were lowered further as discussed above. Any future movements in such rates could further exacerbate the reduced liquidity environment and, if the U.S. overnight interest rates are increased in the future, may adversely impact the Issuer's net interest margins and borrowing costs, if the Issuer is unable to pass these increased costs on to its customers.

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

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

Credit risks

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

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

In common with other banks in the GCC, as a result of adverse economic and political developments in recent years, including the recent outbreak of COVID-19, adverse changes in consumer confidence levels, consumer spending, liquidity levels, bankruptcy rates and commercial and residential real estate prices, among other factors, have impacted the Issuer's credit portfolio. See further "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations in respect of the Capital Securities – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Issuer's business, results of operations, financial condition and prospects*".

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

As at 30 June 2020, the Issuer had NPLs of AED 15.6 billion and, for the six months ended 30 June 2020, carried impairment allowances of AED 14.2 billion. In accordance with IFRS, the Issuer is required to reflect the impairment calculated (which is established based on its best estimates of recoveries and

judgments leading to calculation of probable losses) as an upfront charge to the income statement. This is written back to the income statement as and when interest or principal (as appropriate) on the debt is received. The Issuer's management believes that the levels of impairment allowances for impaired loans as at 30 June 2020 were sufficient to cover the Issuer's potential loan losses as at that date. However, there is no guarantee that impairment allowances recognised by the Issuer will be sufficient to cover its actual credit portfolio losses. As at 30 June 2020, the Issuer had a provision coverage ratio of 90.9 per cent.

The Issuer regularly reviews and monitors compliance with lending limits to individual financial institutions and country limits. See further "*Risk Management*". Further, the Issuer's credit group is responsible for the formulation of credit policies and processes in line with growth, risk management and strategic objectives and the Issuer's management believes that the systems in place to implement the Issuer's loan restructuring and loan loss impairment allowances are adequate as at each reporting date.

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

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

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

Together, the Issuer's loans and advances and investment securities portfolios (net of provisions) totalled AED 525.0 billion, or 60.6 per cent. of its total assets, as at 30 June 2020. Of the Issuer's total gross loans and advances to customers as at 30 June 2020, real estate accounted for 20.9 per cent., banks and other financial institutions accounted for 14.1 per cent. and personal loans and credit cards accounted for 13.0 per cent.

The Issuer's investment securities portfolio comprised AED 123.8 billion (or 88.1 per cent.) non-trading debt investments as at 30 June 2020. The Issuer's non-trading debt investments portfolio has significant exposure to the Middle East and North Africa ("**MENA**") region issuers which are principally government and public sector entities. As at 30 June 2020, the Issuer's investment securities portfolio had an exposure of AED 42.2 billion (or 30.0 per cent.) to the UAE while exposure to the GCC, excluding the UAE, was AED 21.0 billion (or 15.0 per cent.).

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

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

In connection with lending activities, the Issuer periodically establishes impairment allowances for loan losses, which are recorded in its income statement. The Issuer's overall level of impairment allowances is based upon its assessment of prior loss experience along with expected loan loss, which takes into account the volume and type of lending being conducted, collateral held, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although the Issuer endeavours to establish an appropriate level of impairment allowances based on its best estimate of the amount of incurred loss, it might be possible, for example, due to economic stress situations or

changes in the regulatory environment, that the Issuer has to significantly increase its impairment allowances for loan losses. Any significant increase in impairment allowances for loan losses or a significant change in the Issuer's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the impairment allowances allocated with respect thereto, would have an adverse effect on its business, results of operations, financial condition and prospects.

IFRS 9 was introduced for financial reporting periods commencing on 1 January 2018, replacing IAS 39 and introducing an 'expected credit loss' model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. See further "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking - Provisions for loan losses*" and "*The United Arab Emirates Banking Sector and Regulations – COVID-19*".

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

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

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

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

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

Liquidity risks

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

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

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

the Issuer is unable to secure short-term funding at commercially acceptable rates to bridge this funding gap.

The Issuer's Group Assets and Liability Committee sets and monitors liquidity ratios and regularly updates the Issuer's liquidity management policies and seeks to ensure that the Issuer is in a position to meet its obligations as they fall due. See further "*Risk Management*". Further, the Issuer conducts analysis of maturities of assets and liabilities on a periodic basis to determine its ongoing funding needs and to ensure adequate liquidity is maintained across the defined time horizon. The Issuer's Group Risk Committee receives regular updates on the Issuer's liquidity under both normal and stressed market conditions, as well as developing strategies to ensure liquidity is available for defined time horizons under stress scenarios. As at 30 June 2020, the Issuer had cash and balances with central banks of AED 199.0 billion.

The UAE Central Bank adopted a policy of a gradual, phased introduction of the capital and liquidity standards for credit institutions, approved by the Basel Committee on Banking Supervision (the "**Basel Committee**") in response to the 2008 global financial crisis (the "**Basel III Reforms**"). As part of this gradual introduction of Basel III in the UAE, the UAE Central Bank informed certain banks in the UAE that they are obliged to report the Basel III LCR and the Net Stable Funding Ratio ("**NSFR**") to the UAE Central Bank.

The LCR is a metric introduced by the Basel Committee on Banking Supervision as part of the Basel III Reforms to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. The ratio is calculated by taking a financial institution's stock of unencumbered high-quality liquid assets ("**HQLAs**") – which include low-risk, highly marketable asset classes, designed to provide significant sources of liquidity in such a stress scenario – and dividing it by its projected net cash outflows over the immediately following 30-day period. The LCR requires that banks have sufficient HQLAs in their liquidity buffer to cover the difference between expected cash outflows and expected capped cash inflows over a 30-day stressed period. The Basel III Reforms require that the minimum value of the ratio is 100 per cent. (i.e., an institution's stock of HQLAs should at least equal total net cash outflows) while the UAE Central Bank introduced LCR for the relevant UAE banks in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. as of 1 January 2019. As at 30 June 2020, the Issuer held a portfolio of HQLAs valued at AED 268.7 billion and had a LCR of 128.9 per cent. As part of the TESS banks that are subject to the LCR (such as the Issuer) are able to allow their LCR to fall below the regulatory LCR of 100 per cent. provided that the LCR of such banks is higher than or equal to 70 per cent. The changes to the minimum LCR described above are applicable until 31 December 2021, subject to such banks having fully utilised the limit available under the zero cost facility of the TESS (see further "*The United Arab Emirates Banking Sector and Regulations –COVID-19*").

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

The Issuer maintains short-term demand and time deposits as sources of funding for medium- and long-term assets, which results in a contractual asset-liability maturity gap

In common with other banks in the UAE, the Issuer's liabilities include short-term demand and time deposits. A portion of the Issuer's short-term demand and time deposits fund assets that are medium to long-term (such as loans and mortgages). Mismatches between the maturities of the Issuer's assets and liabilities could lead to liquidity risk if the Issuer is incapable of rolling over existing deposits, raising new deposits or obtaining alternative sources of funding for the existing or future loan portfolio or if the cost of obtaining these deposits or funding differs from market prices.

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

If a substantial portion of the Issuer's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, or the Issuer fails to refinance some of its large short- to medium-term borrowings, the Issuer may need to access more expensive sources to meet its funding requirements. No

assurance can be given that the Issuer will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Issuer's inability to refinance or replace such deposits with alternative funding could materially adversely affect the Issuer's liquidity, business, results of operations, financial condition and prospects.

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

As part of its normal banking business, the Issuer issues revocable and irrevocable commitments to extend credit, guarantees, letters of credit and other financial facilities and makes commitments to invest in securities before such commitments have been fully funded. All of these are accounted for off balance sheet until such time as they are actually funded or cancelled. Although these commitments are contingent and therefore off-balance sheet, they nonetheless subject the Issuer to related credit, liquidity and market risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as loans and advances to customers, and commitments to extend credit are contingent on customers maintaining required credit standards. Although the Issuer anticipates that not all of its obligations in respect of these commitments will be triggered, it may have to make payments in respect of a substantial portion of such commitments, which could have a material adverse effect on its financial position, and in particular its liquidity position. As at 30 June 2020, the Issuer had AED 234.0 billion in such contingent liabilities.

Market risks

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

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

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

Any shortage of liquidity in markets that are sources of funding for the Issuer could contribute to an increase in the Issuer's marginal borrowing costs. Similarly, any increase in interbank reference rates could also affect the value of certain assets that are sensitive to changes in applicable interest rates. As at 30 June 2020, a significant portion of the Issuer's borrowings were set at floating rates based on interbank reference rates, such as 3-month London Interbank Offered Rate and 3-month Emirates Interbank Offered Rate ("**EIBOR**"), plus a specified margin.

Interest rates are sensitive to many factors beyond the Issuer's control, including the policies of central banks, such as the UAE Central Bank and the U.S. Federal Reserve, political factors and domestic and international economic conditions. For example, the U.S. Federal Reserve raised interest rates in December 2015 for the first time since 2006. Between December 2015 and December 2018, the U.S. Federal Reserve increased U.S. overnight interest rates by an aggregate 225 basis points (in nine separate increments of 25 basis points each). Throughout 2019, the U.S. Federal Reserve lowered the U.S. overnight interest rate by an aggregate 75 basis points (in three separate increments of 25 basis points each), with rates lowered further in 2020 in response to the COVID-19 outbreak as discussed above. Future changes in U.S. overnight interest rates may adversely impact the Issuer's financial performance.

If interbank reference rates rise, the interest payable on the Issuer's floating rate borrowings increases. Additionally, in a rising interest rate environment, the Issuer's interest expense can increase significantly as a result of the higher interest rates payable on the Issuer's existing time deposits. The Issuer's marginal cost of funding may increase as a result of a variety of factors, including further deterioration of conditions in the financial markets or loss of confidence by and between financial institutions. If interbank reference rates remain at historically low levels the Issuer's ability to price its current and saving account deposits and time deposits at a rate lower than the interbank reference rate may be

adversely impacted. As a result the Issuer's marginal cost of funding compared to interbank reference rates may increase. If the Issuer fails to pass on such changes in funding cost to its customers in a timely manner or at all due to market, competitive or other conditions, such changes in funding cost could have a material adverse effect on its business, results of operations, financial condition and prospects.

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

The Issuer holds investment securities. Instability in the international debt and equity capital markets could have a material adverse impact on the Issuer's investment portfolios. As at each reporting period, the Issuer records: (a) realised gains or losses on the sale of any investment securities; (b) unrealised fair value gains or losses in respect of any investment securities as at the end of the period on a mark to market basis; and (c) impairment where there is a sustained decrease in fair value of any investment securities.

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

Any decrease in realised or unrealised investment gains, or increase in realised or unrealised investment losses, in the value of the Issuer's investment portfolios could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

Operational risks

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

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

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

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

There is a lack of publicly available information and financial data regarding debtors' credit and payment histories in the GCC (primarily due to borrowers' limited credit histories and inability (and, in certain cases, unwillingness) to provide the quality and quantity of information sought by lenders and the fact that credit bureaus in the UAE are in their infancy). Although the establishment of the Al Etihad Credit Bureau has improved the quality of credit information available to UAE banks, the credit bureau remains

in a nascent stage. See further "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Establishing a credit bureau in the UAE*". Accordingly, the Issuer, in common with other UAE banks, is frequently required to make risk management assessments in the absence of the quality and quantity of information available to lenders in other, more developed markets.

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

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

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

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

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

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

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

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

current processes in response to new threats could adversely affect the Issuer's reputation, business, results of operations, financial condition and prospects.

Regulatory risks

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

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

The Issuer is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic, social and other objectives and limit their exposure to risk. See further "*The United Arab Emirates Banking Sector and Regulation*". These regulations include UAE federal laws and regulations (particularly those of the UAE federal government and the UAE Central Bank), as well as the laws and regulations of the other countries in which the Issuer operates. In particular (but without limitation), the Issuer is subject to restrictions on credit limits in respect of real estate and construction financing, major shareholders or to a single customer (based on the Issuer's customer deposits and/or capital and reserves as prescribed by the UAE Central Bank).

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

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

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

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

Risks relating to the UAE and the Middle East

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

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

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

According to OPEC data, as at 31 December 2018, the UAE had approximately 6.5 per cent. of the world's proven crude oil reserves (giving it the sixth largest oil reserves in the world) (*source*: OPEC Annual Statistical Bulletin 2019) while, according to preliminary data produced by the Federal Competitiveness and Statistics Authority (the "**FCSA**"), the hydrocarbon sector (mining, quarrying, oil and gas) accounted for 25.9 per cent. of the UAE's GDP in 2018 and crude oil revenues accounted for 36.1 per cent. of total public revenues in 2018. According to the OPEC website, the price of the OPEC Reference Basket has fluctuated significantly in recent years. Since July 2014, when the monthly average OPEC Reference Basket price per barrel was U.S.\$107.9, crude oil prices fell sharply by approximately 75 per cent. to a monthly average price of U.S.\$26.5 in January 2016. Crude oil prices then recovered slightly, with the monthly average price being U.S.\$66.48 per barrel in December 2019. However, the OPEC Reference Basket price has fallen throughout 2020 (see further "*Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Issuer's business, results of operations, financial condition and prospects*") and as at 17 September 2020, the OPEC Reference Basket price was U.S.\$42.07.

Oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which the Issuer has no control. Factors that may affect the price of oil include, but are not limited to:

- the impact on global economic activity and energy demand as a result of the outbreak of COVID-19;
- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming countries;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels; and
- global weather and environmental conditions.

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

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

The majority of the Issuer's current operations and interests are located in the UAE. The Issuer's results of operations are, and will continue to be, generally affected by financial, economic and political

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

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

While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not and there is a risk that regional geopolitical instability could impact the UAE. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Libya, the Republic of Yemen, the Republic of Iraq (Kurdistan), Syria and Palestine.

This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with Islamic State (also known as Daesh, ISIS or ISIL)) and has given rise to increased political uncertainty across the region. Further, the UAE, along with other Arab states, is currently participating in the Saudi Arabian led intervention in Yemen which began in 2015 in response to requests for assistance from the Yemeni government against the Al Houthi militia. The UAE is also a member of another Saudi Arabian led coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. Additionally, in June 2017, a number of MENA countries including the UAE, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the Arab Republic of Egypt severed diplomatic relations with the State of Qatar, citing the State of Qatar's alleged support for terrorism and accusing the State of Qatar of creating instability in the region. The termination of diplomatic relations included the withdrawal of ambassadors and imposing trade and travel bans. Furthermore, in September 2019, an attack on two Saudi Aramco oil facilities forced the Saudi government to shut down a significant amount of oil production temporarily and led to a temporary increase in oil prices. In addition, in January 2020, the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike, Iran launched missiles at a U.S. base in Iraq.

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

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

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

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

The Issuer's principal shareholder is the Government, which indirectly holds approximately 37 per cent. of the issued and outstanding shares of the Issuer through the wholly-owned Mubadala Investment Company ("MIC").

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

The interests of the Issuer's largest shareholder may conflict with the commercial interests of the Issuer, which may also conflict with the interests of the holders of the Capital Securities

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

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

The Issuer faces competition within the UAE for all of its products and services. The Issuer competes primarily with a large number of other domestic banks in the UAE, some of which are also owned, directly or indirectly, by the governments of the relevant Emirates, government-related entities or members of the ruling families of the relevant Emirates. As at 31 May 2020, there were a total of 48 commercial banks registered in the UAE (*source*: UAE Central Bank). The Issuer's main domestic competitors in terms of size of banking franchise and product and customer segments are Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, HSBC Bank plc, Mashreqbank psc and Standard Chartered Bank. In the UAE market, as at 30 June 2020, and according to the Interim Financial Statements and the publicly available financial statements of the Issuer's main domestic competitors for the six months ended 30 June 2020, the Issuer is the largest bank in the UAE by total assets. There can be no assurance that the Issuer will be able to maintain its current market share in the future.

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

Further, the UAE could be viewed as an over-banked market, even by regional standards, with 48 different commercial banks (comprising 21 locally incorporated commercial banks and 27 foreign commercial banks) licensed to operate inside the UAE as at 31 May 2020 (excluding the Dubai International Financial Centre (the "DIFC")) (*source*: UAE Central Bank), serving a population estimated to be in the region of approximately 9.8 million people at the end of 2018 (*source*: Statistical Yearbook 2019 edition, United Nations Department of Economic and Social Affairs, Statistics Division).

There has traditionally been little impetus for consolidation. However, the Merger has stimulated further movement towards greater consolidation amongst UAE banks. This has already been observed in the three-way merger between Abu Dhabi Commercial Bank PJSC, Al Hilal Bank P.J.S.C. and Union National Bank P.J.S.C. which was completed on 1 May 2019. In addition, in January 2020, Dubai Islamic Bank PJSC completed the acquisition of Noor Bank PJSC. While such continued consolidation would increase the level of concentration in the domestic banking sector, they would also likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development. See further *"The United Arab Emirates Banking Sector and Regulation – Characteristics of the Banking System – Historic lack of consolidation"*.

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

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

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

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

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

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

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

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

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

There is a risk that additional countries may choose to unwind their existing currency peg to the U.S. dollar, both in the GCC and the wider region. While the long-term impacts of such actions are uncertain, it is likely that any such de-pegged currency would face a de-valuation against the U.S. dollar immediately post-removal of the peg. Given the levels of exposure amongst regional financial institutions

to other pegged currencies, it is also likely that such currency de-valuation(s) would pose a systemic risk to the regional banking systems in the UAE and across the wider GCC, thereby impacting the open cross-currency positions held by regional banks, including the Issuer.

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

Tax changes in the GCC may have an adverse effect on the Issuer

As at the date of this Prospectus, the Issuer is not currently subject to corporation tax on its earnings within the UAE. However, investors should be aware that with effect from 1 January 2018, certain of the GCC states (including the UAE) have implemented a VAT regime at a rate of 5 per cent, with the remaining GCC states expected to implement VAT in 2021.

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

On 11 May 2020, the government of the Kingdom of Saudi Arabia announced that the VAT rate in the Kingdom of Saudi Arabia would increase from 5 per cent. to 15 per cent. as of 1 July 2020. Also on 11 May 2020, the UAE Ministry of Finance stated that there were no immediate plans to increase the rate of VAT in the UAE.

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

Factors which are material for the purpose of assessing the risks associated with the Capital Securities

The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer

Prospective investors should note that the payment obligations of the Issuer under the Conditions rank (i) subordinate and junior to all Senior Obligations, (ii) *pari passu* with all *Pari Passu* Obligations and (iii) in priority only to all Junior Obligations. Accordingly, the payment obligations of the Issuer under the Conditions rank junior to all unsubordinated payment obligations of the Issuer (including payment obligations to depositors of the Issuer in respect of their due claims) and all subordinated payment obligations of the Issuer to which the payment obligations under the Conditions rank or are expressed to rank junior, and *pari passu* with all subordinated payment obligations of the Issuer which rank or are expressed to rank *pari passu* with the payment obligations under the Conditions.

Prospective investors should also note that the payment obligations of the Issuer under the Conditions are conditional upon the following conditions (together, the "**Solvency Conditions**"):

- (a) the Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations;
- (b) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
- (c) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

Further, the payment obligations of the Issuer under the Capital Securities are unsecured and no collateral is or will be given by the Issuer in relation thereto.

Notwithstanding any other provisions in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities. As a result, holders of the Capital Securities would lose the entire amount of their investment in the Capital Securities.

The terms of the Issuer's Existing Tier 1 Securities do not provide that if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, all claims of the holders of the Existing Tier 1 Securities under the Existing Tier 1 Securities will be extinguished. As a result, in the event that a bankruptcy order in respect of the Issuer is issued by a court in the UAE, the holders of the Existing Tier 1 Securities may continue to be entitled to receive payments under the Existing Tier 1 Securities (subject to their terms, including the solvency conditions contained therein).

In addition, a holder of the Capital Securities may exercise its enforcement rights in relation to the Capital Securities only in the manner provided in Condition 11 (*Enforcement Events*). If an Enforcement Event occurs and the Issuer fails to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, the claims of the holders of the Capital Securities under the Capital Securities will be extinguished without any further payment to be made by the Issuer under the Capital Securities.

Furthermore, any indication or perceived indication that any of the Solvency Conditions may not be satisfied or that a bankruptcy order may be issued may have a material adverse effect on the market price of the Capital Securities.

No limitation on issuing senior securities

Other than the limitations in relation to the issue of further Additional Tier 1 Capital by the Issuer as set out in Condition 4.4 (*Status and Subordination – Other Issues*) which limits the circumstances in which Additional Tier 1 Capital of the Issuer can be issued that ranks senior to the Capital Securities, there is no restriction on the Issuer incurring additional indebtedness or issuing securities or creating any guarantee or contractual support arrangement which would rank senior to the Capital Securities, and which may reduce the likelihood of the Solvency Conditions being met and/or the amount recoverable by holders of the Capital Securities on a winding-up of the Issuer.

Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative

No Interest Payment Amounts are payable on the relevant Interest Payment Date if a Non-Payment Event (as more particularly provided in, Condition 6.1 (*Interest Cancellation – Non-Payment Event*)) occurs (subject to Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*)). Each of the following events is a Non-Payment Event for the purposes of the Conditions with respect to each Interest Payment Date:

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Issuer on any *Pari Passu* Obligations having the same date in respect of payment of such distributions or amounts as, or otherwise due and payable on, the date for payment of the relevant Interest Payment Amount, exceeds, on the relevant date for payment of such Interest Payment Amount, the Distributable Items;
- (b) the Issuer is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to breach of capital buffers imposed on the Issuer by the Regulator, as appropriate) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (c) the Regulator having notified the Issuer that the Interest Payment Amount due on that Interest Payment Date should not be paid for any reason the Regulator may deem necessary;

- (d) the Solvency Conditions are not satisfied (or would no longer be satisfied if the relevant Interest Payment Amount was paid); or
- (e) the Issuer, in its sole discretion, has elected that Interest Payment Amounts shall not be paid to holders of the Capital Securities on such Interest Payment Date (other than in respect of any amounts due on any date on which the Capital Securities are to be redeemed in full, in respect of which this sub-paragraph (e) does not apply), including, without limitation, if the Issuer incurs a net loss during the relevant Interest Period.

In relation to sub-paragraph (a) above, as at the Issue Date, "Distributable Items" is defined in the Conditions as "the amount of the Issuer's consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable reserves, all as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Issuer or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital instruments that do not constitute Common Equity Tier 1 Capital". As at 30 June 2020, the Issuer's Distributable Items amounted to AED 14.0 billion.

However, current guidance issued by the Regulator has indicated that the definition of "Distributable Items" may in the future be calculated by reference to the latest audited or (as the case may be) auditor reviewed non-consolidated financial statements. To the extent that this change comes into effect in the future, the level of Distributable Items as so calculated might be lower than otherwise would be the case if the change does not take effect.

In relation to sub-paragraph (b) above, payment restrictions will also apply in circumstances where the Issuer does not meet certain capital buffer requirements, namely, payment restrictions in an amount equal to the Maximum Distributable Amount (as defined below) if the combined capital buffer requirement is not satisfied pursuant to the Capital Regulations. In the event of a breach of the combined buffer requirement, under the Capital Regulations, the restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the Issuer's profits for the most recent relevant period. Such calculation will result in a maximum distributable amount (the "**Maximum Distributable Amount**") in each relevant period. As an example, the scaling is such that in the lowest quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce payments that would, but for the breach of the combined buffer requirement, be discretionary, including Interest Payment Amounts in respect of the Capital Securities. In such circumstances, the aggregate amount of distributions which the Issuer can make on account of dividends, Interest Payment Amounts and redemption amounts on its Additional Tier 1 instruments (including the Capital Securities) and certain variable remuneration (such as bonuses) or discretionary pension benefits will be limited. Furthermore, there can be no assurance that the combined buffer requirement applicable to the Issuer will not be increased in the future, which may exacerbate the risk that discretionary distributions, including payments of Interest Payment Amounts in respect of the Capital Securities, are cancelled.

In the event of a Non-Payment Event, certain restrictions on declaration of dividends or distributions and redemption of certain securities by the Issuer will apply in accordance with Condition 6.3 (*Interest Cancellation – Dividend and Redemption Restrictions*). However, the holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of a Non-Payment Event and the non-payment of any Interest Payment Amount in such a circumstance shall not constitute an Enforcement Event. The Issuer shall not make or have any obligation to make any subsequent payment in respect of any such unpaid amount. Any failure to provide notice of a Non-Payment Event in accordance with the Conditions will not invalidate the cancellation of the relevant payment of the Interest Payment Amount. In the absence of notice of a Non-Payment Event having been given in accordance with Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), the fact of non-payment of an Interest Payment Amount on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Event.

In such case, the holders of the Capital Securities will not receive Interest Payment Amounts on their investment in the Capital Securities and shall not have any claim in respect thereof. Any non-payment of Interest Payment Amounts or perceived risk of such non-payment may have a material adverse effect on the market value of the Capital Securities.

Perpetual securities

The Capital Securities are perpetual securities which have no scheduled repayment date. Holders of the Capital Securities have no ability to require the Issuer to redeem their Capital Securities unless, and subject to the restrictions described in Condition 11 (*Enforcement Events*), an Enforcement Event occurs. The Issuer has the option to redeem the Capital Securities in certain circumstances as more particularly described in Condition 9 (*Redemption and Variation*), although there is no assurance that it will do so.

This means that the holders of the Capital Securities should be aware that they may be required to bear the financial risks of an investment in the Capital Securities and have no ability to cash-in their investment, except:

- (a) if the Issuer exercises its rights to redeem the Capital Securities in accordance with Condition 9 (*Redemption and Variation*);
- (b) upon the occurrence of an Enforcement Event, to the extent possible under the limited remedies set out in Condition 11 (*Enforcement Events*); or
- (c) by selling their Capital Securities.

The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Capital Securities may limit their market value, which is unlikely to rise substantially above the price at which the Capital Securities can be redeemed.

There can be no assurance that holders of the Capital Securities will be able to reinvest the amount received upon redemption or sale at a rate that will provide the same rate of return as their investment in the Capital Securities.

The right to receive repayment of the principal amount of the Capital Securities and the right for any further interest will be permanently written-down upon the occurrence of a Non-Viability Event

If a Non-Viability Event occurs, the Prevailing Principal Amount of the Capital Securities then outstanding will be written-down in whole or, in exceptional cases, in part on a *pro rata* basis, in each case as solely determined by the Regulator. Pursuant to a Write-down, the rights of any holder of Capital Securities for payment of any amounts under or in respect of the Capital Securities (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event), in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Interest Payment Amounts), shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto. In the case of a Write-down in whole, the Capital Securities shall be cancelled. As a result, upon the occurrence of a Non-Viability Event, the holders of the Capital Securities may lose the entire amount of their investment in the Capital Securities.

In the exceptional cases in which a Write-down in part is required by the Regulator, a Write-down may occur on one or more occasions as solely determined by the Regulator provided, however, that the principal amount of a Capital Security shall never be reduced to below nil.

Furthermore, upon the occurrence of any Write-down in part pursuant to Condition 10 (*Write-down at the Point of Non-Viability*), Interest Payment Amounts will accrue on the reduced principal amount of the Capital Securities (subject to the Conditions). Also, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event or any redemption of the Capital Securities will be by reference to such reduced principal amount of the Capital Securities.

A "**Non-Viability Event**" means that the Regulator has notified the Issuer in writing that it has determined that the Issuer has, or will become, Non-Viable without: (a) a Write-down; or (b) a public injection of capital (or equivalent support).

The Issuer shall be "**Non-Viable**" if (a) it is insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business, or (b) any other event or circumstance occurs, which is specified as constituting non-viability by the Regulator, or in the Capital Regulations.

The terms of the Issuer's Existing Tier 1 Securities do not include write-down provisions exercisable at the point of non-viability. As a result, in the event that the Capital Securities are subject to any such write-down, the Existing Tier 1 Securities will not be subject to such a write-down and the holders thereof shall continue to be entitled to receive payments in accordance with their respective terms.

The circumstances triggering a Write-down are unpredictable

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer's control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Regulator. As a result, the Regulator may require a Write-down in circumstances that are beyond the control of the Issuer and with which the Issuer or the holder of the Capital Securities may not agree. Furthermore, although the Conditions provide that the Regulator may require a Write-down in whole or in part upon the occurrence of a Non-Viability Event, the current stated position of the Regulator is that a Write-down in whole will apply in all such cases save only in exceptional cases as determined by the Regulator in its sole discretion.

Investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 10 (*Write-down at the Point of Non-Viability*) has not been tested in the UAE and therefore some degree of uncertainty exists in its application. The exercise (or perceived likelihood of exercise) of any such power by the Regulator or any suggestion of such exercise could materially adversely affect the value of the Capital Securities and could lead to holders losing some or all of their investment in the Capital Securities. As a result of a Write-down, a holder may suffer a loss in respect of its holding of the Capital Securities ahead of, or without, any loss being required to be borne by a shareholder of the Issuer in respect of its shareholding.

The financial viability of the Issuer will also depend in part on decisions made by the Issuer in relation to its business and operations, including the management of its capital position. In making such decisions, the Issuer may not have regard to the interests of the holders of the Capital Securities and, in particular, the consequences for the holders of the Capital Securities of any such decisions and there can be no assurance in any such circumstances that the interests of the Issuer, its shareholders and the Regulator will be aligned with those of the holders of the Capital Securities.

The Conditions contain limited Enforcement Events and remedies

The Enforcement Events in the Conditions are limited to: (i) a payment default by the Issuer for a period of seven days in the case of any principal and 14 days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event); (ii) a final determination is made by a court or other official body that the Issuer is insolvent or bankrupt or unable to pay its debts; (iii) an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; or (b) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or (iv) any event occurs which under the laws of the UAE has an analogous effect to those described in (ii) and (iii) above.

Moreover, pursuant to Condition 11 (*Enforcement Events*), upon the occurrence of an Enforcement Event, limited remedies are available to a holder of the Capital Securities. A holder of the Capital Securities may give notice to the Issuer (at the specified office of the Fiscal Agent) that the Capital Securities are due and payable at the Early Redemption Amount and thereafter: (i) institute any steps, actions or proceedings for the winding-up of the Issuer and/or (ii) prove in the winding-up of the Issuer and/or (iii) claim in the liquidation of the Issuer for such payment and/or (iv) take such other steps, actions or proceedings to enforce, prove or claim for such payment which, under the laws of the United Arab Emirates, have an analogous effect to the actions referred to in (i) to (iii) above (in each case, without prejudice to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*), which provides (amongst other things) that if the Solvency Conditions are not satisfied or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished). In addition, any holder of the

Capital Securities may at its discretion institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Conditions other than any payment obligation of the Issuer (including, without limitation, payment of any principal or satisfaction of any payments in respect of the Conditions, including any damages awarded for breach of any obligations).

Furthermore, pursuant to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*), claims in respect of Senior Obligations of the Issuer would first have to be satisfied in any winding-up or liquidation before holders of the Capital Securities may expect to obtain any amounts in respect of the Capital Securities and, prior thereto, holders of the Capital Securities may only have limited (if any) ability to influence the conduct of such winding-up or liquidation. If an Enforcement Event occurs and the Issuer has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished, and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.

Resettable fixed rate instruments have a market risk

A holder of an instrument with a fixed interest rate that will be reset during the term of the instrument (as will be the case for the Capital Securities with effect from each Reset Date if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating interest rate levels and uncertain interest income. While the expected interest rate on the Capital Securities is fixed until the First Reset Date (with a reset of the Interest Rate on the First Reset Date as set out in the Conditions and every sixth anniversary thereafter), the current investment return rate in the capital markets (the "**market return rate**") typically changes on a daily basis. As the market return rate changes, the market value of the Capital Securities may also change, but in the opposite direction. If the market return rate increases, the market value of the Capital Securities would typically decrease. If the market return rate falls, the market value of the Capital Securities would typically increase. The holders of Capital Securities should be aware that movements in these market return rates can adversely affect the market value of the Capital Securities and can lead to losses for the holders of Capital Securities if they sell the Capital Securities.

Variation upon the occurrence of a Capital Event or a Tax Event

Upon the occurrence of a Capital Event or a Tax Event, the Issuer may, subject as provided in Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or 9.1(d) (*Redemption or Variation for Capital Event*) (as the case may be) and without the need for any consent of the holders of the Capital Securities, vary the terms of the Capital Securities such that they become or remain (as appropriate) Qualifying Tier 1 Instruments and, in the case of a variation upon the occurrence of a Tax Event, so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required.

A Capital Event will arise if the Issuer is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities is held by the Issuer or whose purchase is funded by the Issuer) of the Capital Securities would cease to be eligible to qualify, in whole or in part, for inclusion in the consolidated Additional Tier 1 Capital of the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that the Issuer satisfies the Regulator that such non-qualification was not reasonably foreseeable at the time of issuance of the Capital Securities.

A Tax Event will arise if, on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay Additional Amounts (whether or not a Non-Payment Event has occurred), as a result of a Tax Law Change that becomes effective on or after the Issue Date (and such requirement cannot be avoided by the Issuer taking reasonable measures available to it), and provided that the Issuer satisfies the Regulator that such Tax Law Change was not reasonably foreseeable at the time of issuance of the Capital Securities.

The tax and stamp duty consequences of holding the Capital Securities following variation as contemplated in Condition 9 (*Redemption and Variation*) could be different for certain holders of the Capital Securities from the tax and stamp duty consequences for them of holding the Capital Securities prior to such variation and the Issuer shall not be responsible to any holder of the Capital Securities for any such consequences in connection therewith. No assurance can be given as to whether any of these

changes will negatively affect any particular holder of the Capital Securities or the market value of the Capital Securities.

The Capital Securities may be redeemed early or purchased subject to certain requirements

Upon the occurrence of a Tax Event or a Capital Event, or at its option on the First Call Date or on any date thereafter up to and including the First Reset Date or on any Interest Payment Date following the First Reset Date, the Issuer may, having given not less than 10 nor more than 15 days' prior notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*), redeem in accordance with the Conditions all (but not some only) of the Capital Securities at the Tax Redemption Amount, Capital Event Redemption Amount or Early Redemption Amount (as applicable) (as more particularly described in Condition 9.1(b) (*Redemption and Variation – Issuer's Call Option*), Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*)).

Any redemption of the Capital Securities is subject to the requirements in Condition 9.1(a) (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*), including (to the extent then required) obtaining the prior consent of the Regulator. There can be no guarantee that the consent of the Regulator will be received on time or at all.

There is no assurance that the holders of the Capital Securities will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities. Potential investors should consider re-investment risk in light of other investments available at that time.

The exercise of (or perceived likelihood of exercise of) the redemption features of the Capital Securities may limit their market value, which is unlikely to rise substantially above the price at which the Capital Securities can be redeemed.

Any purchase of the Capital Securities by the Issuer or any of its subsidiaries is subject to the requirements in Condition 9.2 (*Purchase*), including (to the extent then required by the Regulator or the Capital Regulations) obtaining the prior written consent of the Regulator. There can be no guarantee that the written consent of the Regulator will be received on time or at all, particularly as the Issuer has been notified by the Regulator that it will provide such written consent in exceptional cases only.

Modification

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

The Conditions also provide that the Fiscal Agent and the Issuer may agree, without the consent of holders of the Capital Securities, to any modification of any Capital Securities, in the circumstances specified in Condition 16 (*Meetings of Holders of the Capital Securities and Modification*).

The Conditions also provide that the Issuer may, without the consent or approval of the holders of the Capital Securities, vary the Conditions so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments and, in the case of a variation upon the occurrence of a Tax Event, so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required, as provided in Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*).

Change of law

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

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Capital Securities will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (together, the "ICSDs"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Individual Certificates. The ICSDs and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Capital Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the ICSDs and their respective participants. While Capital Securities are represented by the Global Certificate, the Issuer will discharge its payment obligation under such Capital Security by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Capital Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

Credit ratings may not reflect all risks

The Capital Securities are expected to be assigned a rating of Baa3 by Moody's. In addition, one or more other independent credit rating agencies may assign a credit rating to the Capital Securities. Any rating may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above, or any other factors that may affect the value of the Capital Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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

Taxation risks on payments

Payments made by the Issuer in respect of the Capital Securities could become subject to taxation. Condition 12 (*Taxation*) requires the Issuer to pay additional amounts in certain circumstances in the event that any withholding or deduction is imposed by the UAE or the Emirate of Abu Dhabi in respect of any interest payments under the Capital Securities (but not in respect of principal), such that net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Capital Securities in the absence of such withholding or deduction.

Trading in the clearing systems

As the Capital Securities have a denomination consisting of U.S.\$200,000, plus higher integral multiples of U.S.\$1,000, it is possible that such Capital Securities may be traded in amounts that are not integral multiples of U.S.\$200,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than U.S.\$200,000 in his account with the relevant clearing system at the relevant

time may not receive an Individual Certificate in respect of such holding (should Individual Certificates be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to at least U.S.\$200,000 in order to be eligible to receive an Individual Certificate.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

Risk factors relating to enforcement

Claims for specific enforcement

Without prejudice to the limited nature of the remedies set out in Condition 11 (*Enforcement Events*), in the event that the Issuer fails to perform its obligations under the Capital Securities, the potential remedies available to the holders of the Capital Securities may include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. An order for specific enforcement is at the discretion of the court and there is no assurance that a court will provide such an order. The amount of damages which a court may award in respect of a breach may depend upon a number of factors including Condition 11 (*Enforcement Events*) and an obligation on the holders of the Capital Securities to mitigate any loss arising as a result of the breach. No assurance is provided as to the extent to which a court may award damages in the event of a failure by the Issuer to perform its obligations as set out in the Capital Securities.

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

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

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

The Issuer has irrevocably agreed to the Capital Securities, the Agency Agreement and the Deed of Covenant being governed by English law and that any dispute arising from the Capital Securities, the Agency Agreement and the Deed of Covenant will, unless the option to litigate is exercised, be referred to arbitration under the Rules with an arbitral tribunal with its seat in London.

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

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

awards issued in a foreign state may be enforced in the UAE and that the conditions for enforcement of foreign arbitral awards set out in the New York Convention take precedence over the Resolution. There remains a risk that notwithstanding the Resolution or the terms of an applicable multilateral or bilateral enforcement convention, the UAE courts may in practice still consider and apply the grounds set out in Federal Law No. 6 of 2018 (the "**UAE Arbitration Law**") related to the enforcement of non-UAE seated arbitral awards (as provided in Articles 52 to 57 of the UAE Arbitration Law) to the enforcement of any non-UAE arbitral award. The UAE Arbitration Law and the Resolution are both new and it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

Under the Capital Securities, the Agency Agreement and the Deed of Covenant, any dispute may, at the option of the relevant holder of the Capital securities or (in the case of the Agency Agreement) the relevant Agent, also be referred to the courts of England, (or such other court of competent jurisdiction as such party may elect).

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

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

Risks related to the market generally

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

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Capital Securities will develop or, if it does develop, that it will provide the holders of the Capital Securities with liquidity of investment or that it will continue for the life of the Capital Securities. The Capital Securities generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – Perpetual securities*"), are subordinated (see "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer*") and payments of Interest Payment Amounts may be restricted in certain circumstances (see "*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative*").

Application has been made for the Capital Securities to be admitted to listing on the Official List and admitted to trading on the Regulated Market. However, there can be no assurance that any such listing will occur or will enhance the liquidity of the Capital Securities.

Illiquidity may have an adverse effect on the market value of the Capital Securities. Accordingly, a holder of the Capital Securities may not be able to find a buyer to buy its Capital Securities readily or at prices that will enable the holder of the Capital Securities to realise a desired yield. The market value of the Capital Securities may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Capital Securities. Accordingly, the purchase of Capital Securities is suitable only for investors who can bear the risks associated with a lack of liquidity in the Capital Securities and the financial and other risks associated with an investment in the Capital Securities.

Exchange rate risks and exchange controls

The Issuer will pay any principal and interest payable on the Capital Securities in U.S. dollars. 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 U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars 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 U.S. dollars would decrease: (a) the Investor's Currency-equivalent yield on the Capital Securities; (b) the Investor's Currency-equivalent value of the principal payable on the Capital Securities; and (c) the Investor's Currency- equivalent market value of the Capital Securities.

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

OVERVIEW OF THE ISSUANCE

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision to invest in the Capital Securities should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in "Terms and Conditions of the Capital Securities" shall have the same meanings in the following description.

Issuer:	First Abu Dhabi Bank PJSC.
Description:	U.S.\$750,000,000 Perpetual Additional Tier 1 Capital Securities.
Joint Structuring Agents:	First Abu Dhabi Bank PJSC and Standard Chartered Bank.
Joint Lead Managers and Joint Bookrunners:	Citigroup Global Markets Limited, First Abu Dhabi Bank PJSC, HSBC Bank plc and Standard Chartered Bank.
Fiscal Agent, Calculation Agent and Transfer Agent:	Citibank N.A., London Branch.
Registrar:	Citigroup Global Markets Europe AG.
Issue Date:	5 October 2020.
Issue Price:	100 per cent.
Interest Payment Dates:	Subject to Condition 6 (<i>Interest Cancellation</i>), 5 April and 5 October in every year, commencing on 5 April 2021.
Interest Payment Amounts:	<p>Subject to Condition 6 (<i>Interest Cancellation</i>), the Capital Securities shall, during the Initial Period, bear interest at a rate of 4.500 per cent. per annum (the "Initial Interest Rate") on the Prevailing Principal Amount of the Capital Securities (being the aggregate of a margin of 4.138 per cent. per annum (the "Margin") and the Relevant Six-Year Reset Rate). The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$22.50 per U.S.\$1,000 in principal amount of the Capital Securities. For the purpose of calculating payments of interest following the Initial Period, the Interest Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Six-Year Reset Rate on the relevant U.S. Securities Determination Date, as determined by the Calculation Agent (see Condition 5 (<i>Interest</i>)).</p> <p>If a Non-Payment Event occurs, the Issuer shall not pay the corresponding Interest Payment Amount and the Issuer shall not make or have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6 (<i>Interest Cancellation</i>). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.</p>
Form of Capital Securities:	The Capital Securities will be issued in registered form. The Capital Securities will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained

by each relevant clearing system and its participants. Individual Certificates evidencing a holding of Capital Securities will be issued in exchange for interests in the Global Certificate only in limited circumstances.

Clearance and Settlement:

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

Denomination:

The Capital Securities will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Status of the Capital Securities:

Each Capital Security will rank *pari passu* without preference or priority, with all other Capital Securities.

Subordination of the Capital Securities:

The payment obligations of the Issuer under the Capital Securities (the "**Obligations**") will: (a) constitute Additional Tier 1 Capital of the Issuer; (b) constitute direct, unsecured, conditional (as described below) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (c) rank junior to all Senior Obligations; (d) rank *pari passu* with all *Pari Passu* Obligations; and (e) rank in priority only to all Junior Obligations.

Notwithstanding any other provision in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.

Solvency Conditions:

Payments in respect of the Obligations by the Issuer are conditional upon the following conditions (together, the "**Solvency Conditions**"):

- (i) the Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations;
- (ii) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
- (iii) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

Redemption and Variation:

The Capital Securities are perpetual securities in respect of which there is no fixed or final redemption date. The Capital Securities may be redeemed in whole but not in part, or the terms thereof may be varied by the Issuer only in accordance with the provisions of Condition 9 (*Redemption and Variation*).

Pursuant to Condition 9.1(b) (*Redemption and Variation – Issuer's Call Option*), the Issuer may, only on a Call Date, redeem all, but not some only, of the Capital Securities at the Early Redemption Amount.

In addition (on any date on or after the Issue Date, whether or not an Interest Payment Date), upon the occurrence of a Tax Event or a Capital Event, all but not some only, of the Capital Securities may be redeemed or the terms of the Capital Securities may be varied, in each case in accordance with Conditions 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*).

Any redemption of the Capital Securities is subject to the conditions described in Condition 9.1 (*Redemption and Variation - No Fixed Redemption Date and Conditions for Redemption and Variation*).

Write-down at the point of Non-Viability:

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 10.2 (*Write-down at the Point of Non-Viability – Non-Viability Notice*).

"Write-down" means:

- (i) the holders' rights under the Capital Securities shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount;
- (ii) in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled; and
- (iii) all rights of any holder for payment or any amounts under or in respect of the Capital Securities, in a proportion corresponding to the relevant Write-down Amount (and any corresponding Interest Payment Amounts), shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date.

Purchase:

Subject to the Issuer (to the extent then required by the Regulator or the Capital Regulations) (A) having obtained the prior written consent of the Regulator; (B) being in compliance with the Applicable Regulatory Capital Requirements immediately following such purchase; and (C) being Solvent at the time of purchase, the Issuer or any of its subsidiaries may purchase the Capital Securities in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between the Issuer or the relevant subsidiary (as the case may be) and the relevant holders of Capital Securities. Upon any such purchase, the Issuer may deliver such Capital Securities for cancellation.

Enforcement Events:

Upon the occurrence of an Enforcement Event, any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 11.4 (*Restrictions*), become forthwith due and payable at its Early Redemption Amount, without presentation, demand, protest or other notice of any kind.

Withholding Tax:

All payments in respect of the Capital Securities will be made free and clear of, without withholding or deduction for, or on account of, withholding taxes imposed by the relevant Tax Jurisdiction, subject as

provided in Condition 12 (*Taxation*). In the event that any such deduction is made, the Issuer will, in respect of interest (but not in respect of principal), save in certain limited circumstances provided in Condition 12 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

Ratings: The Capital Securities are expected to be assigned a rating of Baa3 by Moody's.

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.

Listing and Admission to Trading: Application has been made to the FCA for the Capital Securities to be admitted to listing on the Official List and to the London Stock Exchange for such Capital Securities to be admitted to trading on the Regulated Market.

Governing Law and Dispute Resolution: The Capital Securities and any non-contractual obligations arising out of or in connection with the Capital Securities will be governed by, and shall be construed in accordance with, English law.

The Agency Agreement, the Deed of Covenant and any non-contractual obligations arising out of, relating to or having any connection with the Agency Agreement and the Deed of Covenant will be governed by, and shall be construed in accordance with, English law. In respect of any dispute, claim, difference or controversy under the Capital Securities, the Agency Agreement or the Deed of Covenant, the Issuer has consented to arbitration in accordance with the LCIA Arbitration Rules unless any holder of Capital Securities (in the case of the Capital Securities or the Deed of Covenant) or Agent (in the case of the Agency Agreement) elects to have the dispute, claim, difference or controversy resolved by a court, in which case the English courts will have exclusive jurisdiction to settle such dispute (or such other court of competent jurisdiction as such party may elect).

Selling Restrictions: There are restrictions on the offer, sale and transfer of the Capital Securities in the United States (Regulation S Category 2), the UK, the EEA, the Kingdom of Bahrain, the State of Qatar (including the Qatar International Financial Centre), the Kingdom of Saudi Arabia, the Dubai International Financial Centre, the UAE (excluding the Dubai International Financial Centre), Hong Kong, Japan, Malaysia and Singapore and such other restrictions as may be required in connection with the offering and sale of the Capital Securities (see "*Subscription and Sale*").

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the unaudited condensed consolidated interim financial statements of the Issuer as at and for the financial year ended 30 June 2020 and the review report thereon (<https://www.bankfab.com/-/media/fabgroup/home/about-fab/investor-relations/pdfs/investor-relations/2020/fab-fs-q2-2020-en.pdf?view=1>);
- (b) the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2019 and the auditors' report thereon (<https://www.bankfab.com/-/media/fabgroup/home/about-fab/investor-relations/pdfs/investor-relations/2019/fab-fs-q4-2019-en.pdf?view=1>); and
- (c) the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2018 and the auditors' report thereon (<https://www.bankfab.com/-/media/fabgroup/home/about-fab/investor-relations/pdfs/investor-relations/2018/q4/fab-q4-2018-fs-en.pdf?view=1>).

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

Copies of documents incorporated by reference in this Prospectus can be obtained upon request, free of charge, from the registered office of the Issuer and from the specified office of the Fiscal Agent.

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

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following are the Terms and Conditions of the Capital Securities which will be incorporated by reference into the Global Certificate (as defined below) and endorsed on each Individual Certificate (if issued) in respect of the Capital Securities:

Each of the U.S.\$750,000,000 Perpetual Additional Tier 1 Capital Securities (the "**Capital Securities**") is issued by First Abu Dhabi Bank PJSC in its capacity as issuer (the "**Issuer**") pursuant to the Deed of Covenant and the Agency Agreement (each as defined below).

Payments relating to the Capital Securities will be made pursuant to an agency agreement dated the Issue Date (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, Citibank N.A., London Branch as fiscal agent (in such capacity, the "**Fiscal Agent**" and together with any further or other paying agents appointed from time to time in respect of the Capital Securities, the "**Paying Agents**"), Citibank N.A., London Branch as transfer agent (in such capacity, the "**Transfer Agent**" and, together with any further or other transfer agents appointed from time to time in respect of the Capital Securities, the "**Transfer Agents**"), Citigroup Global Markets Europe AG as registrar (in such capacity, the "**Registrar**") and Citibank N.A., London Branch as calculation agent (the "**Calculation Agent**", which expression includes any other calculation agent appointed from time to time in respect of the Capital Securities). The Paying Agents, the Calculation Agent and the Transfer Agents are together referred to in these terms and conditions (the "**Conditions**") as the "**Agents**". References to the Agents or any of them shall include their successors. The Capital Securities are constituted by a deed of covenant dated the Issue Date (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer.

Any reference to "**holders**" in relation to any Capital Securities shall mean the persons in whose name the Capital Securities are registered and shall, in relation to any Capital Securities represented by a Global Certificate, be construed as provided below.

Copies of the Agency Agreement and the Deed of Covenant are obtainable during normal business hours at the specified office of the Agents. The holders of the Capital Securities are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the Deed of Covenant. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement and the Deed of Covenant.

1. INTERPRETATION

Words and expressions defined in the Agency Agreement 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 these Conditions, these Conditions will prevail. In addition, in these Conditions, the following expressions have the following meanings:

"**Additional Amounts**" has the meaning given to it in Condition 12 (*Taxation*);

"**Additional Tier 1 Capital**" means capital qualifying as, and approved by the Regulator as, additional tier 1 capital in accordance with the Capital Regulations;

"**Applicable Regulatory Capital Requirements**" means any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Issuer, including transitional rules and waivers granted in respect of the foregoing;

"**Assets**" means the consolidated gross assets of the Issuer as shown in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of the Issuer, but adjusted for subsequent events in such manner as the Directors, the auditors of the Issuer or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of the Issuer) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

"Authorised Denomination" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"Authorised Signatory" means any person who is duly authorised by the Issuer to sign documents on its behalf and whose specimen signature has been provided to the Fiscal Agent;

"Basel III Documents" means the Basel Committee on Banking Supervision document "A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on Banking Supervision on 16 December 2010 and revised in June 2011 and the Annex contained in its document "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" on 13 January 2011;

"Business Day" means a day, other than a Friday, Saturday, Sunday or public holiday, on which registered banks settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Abu Dhabi, London and New York City;

"Call Date" means the First Call Date and any date thereafter up to and including the First Reset Date and any Interest Payment Date following the First Reset Date;

"Capital Event" is deemed to have occurred if the Issuer is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities is held by the Issuer or whose purchase is funded by the Issuer) of the Capital Securities would cease to be eligible to qualify, in whole or in part, for inclusion in the consolidated Additional Tier 1 Capital of the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that the Issuer satisfies the Regulator that such non-qualification was not reasonably foreseeable at the time of issuance of the Capital Securities;

"Capital Event Redemption Amount" in relation to a Capital Security means (i) in the case of a redemption date which occurs prior to the First Call Date, 101 per cent. of its Prevailing Principal Amount together with any Outstanding Payments, and (ii) in the case of a redemption date which occurs on or after the First Call Date, 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

"Capital Regulations" means, at any time, the regulations, requirements, standards, guidelines and policies relating to the maintenance of capital and/or capital adequacy then in effect in the United Arab Emirates, including those of the Regulator;

"Central Bank" means the Central Bank of the United Arab Emirates or any successor thereto;

"Certificate" means the Global Certificate or an Individual Certificate, as the case may be;

"Clearstream, Luxembourg" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"Code" has the meaning given to it in Condition 7.3 (*Payments – Payments Subject to Laws*);

"Common Equity Tier 1 Capital" means capital qualifying as, and approved by the Regulator as common equity tier 1 capital in accordance with the Capital Regulations;

"Day-count Fraction" means the actual number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Interest Period in which the relevant period falls (including the first such day but excluding the last));

"Designated Account" has the meaning given to it in Condition 7.1 (*Payments – Payments in respect of Individual Certificates*);

"Designated Bank" has the meaning given to it in Condition 7.1 (*Payments – Payments in respect of Individual Certificates*);

"Directors" means the executive and non-executive directors of the Issuer who make up its board of directors;

"Dispute" has the meaning given to it in Condition 18.2 (*Governing Law and Dispute Resolution – Arbitration*);

"Distributable Items" means the amount of the Issuer's consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable reserves, all as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Issuer or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital instruments that do not constitute Common Equity Tier 1 Capital;

"Dividend Stopper Date" has the meaning given to it in Condition 6.3 (*Interest Cancellation - Dividend and Redemption Restrictions*);

"Early Redemption Amount" in relation to a Capital Security, means 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

"Enforcement Event" means:

- (a) **Non-payment:** the Issuer fails to pay an amount in the nature of principal or interest due and payable by it pursuant to the Conditions and the failure continues for a period of seven days in the case of principal and 14 days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event); or
- (b) **Insolvency:** a final determination is made by a court or other official body that the Issuer is insolvent or bankrupt or unable to pay its debts as they fall due; or
- (c) **Winding-up:** an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; or (ii) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or
- (d) **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 paragraph (b) or (c) above;

"Euroclear" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"Exchange Event" has the meaning given to it in Condition 3.4 (*Transfers of Capital Securities and Exchange for Individual Certificates – Exchange for Individual Certificates*);

"Existing Tier 1 Securities" means the AED 4,000,000,000 Tier One Capital Notes issued by the Issuer (formerly National Bank of Abu Dhabi P.J.S.C.) on 17 March 2009 and the AED 4,000,000,000 Tier One Capital Notes issued by the Issuer (formerly First Gulf Bank PJSC) on 26 February 2009;

"Extraordinary Resolution" has the meaning given to it in the Agency Agreement;

"First Call Date" means 5 April 2026;

"First Interest Payment Date" means 5 April 2021;

"First Reset Date" means 5 October 2026;

"Global Certificate" means the global registered certificate;

"Individual Certificate" means a registered certificate in definitive form;

"Initial Interest Rate" has the meaning given to it in Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*);

"Initial Period" means the period (from and including) the Issue Date to (but excluding) the First Reset Date;

"Interest Payment Amount" means, subject to Condition 6 (*Interest Cancellation*) and Condition 7 (*Payments*), the interest payable on each Interest Payment Date;

"Interest Payment Date" means each of 5 April and 5 October in every year, commencing on the First Interest Payment Date;

"Interest Period" means, in the case of the first Interest Period, the period from (and including) the Issue Date to (but excluding) the First Interest Payment Date and, subsequently, the period from (and including) an Interest Payment Date to (but excluding) the succeeding Interest Payment Date;

"Interest Rate" means, in respect of the Initial Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 5.2 (*Interest – Interest Rate following the Initial Period*);

"Issue Date" means 5 October 2020;

"Junior Obligations" means all claims of the holders of Ordinary Shares, all payment obligations of the Issuer in respect of its Other Common Equity Tier 1 Instruments and any other payment obligations that rank or are expressed to rank junior to the Capital Securities;

"H.15 (519)" means the weekly statistical release designated as such, or any successor or replacement publication, published by the Board of Governors of the United States Federal Reserve System and **"most recent H.15 (519)"** means the H.15 (519) published closest in time but prior to the applicable Interest Rate determination date. The H.15 (519) may be currently obtained at the following website: <https://www.federalreserve.gov/releases/h15/>;

"LCIA" means the London Court of International Arbitration;

"Liabilities" means the consolidated gross liabilities of the Issuer as shown in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors, the auditors of the Issuer or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of the Issuer) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

"Margin" has the meaning given to it in Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*);

"Non-Payment Event" has the meaning given to it in Condition 6.1 (*Interest Cancellation – Non-Payment Event*);

"Non-Viability Event" means that the Regulator has notified the Issuer in writing that it has determined that the Issuer has, or will, become Non-Viable without:

- (a) a Write-down; or
- (b) a public injection of capital (or equivalent support);

"Non-Viability Event Write-down Date" shall be the date on which a Write-down will take place as specified in a relevant Non-Viability Notice, which date shall be as determined by the Regulator;

"Non-Viability Notice" has the meaning given to it in Condition 10.1 (*Write-down at the Point of Non-Viability – Non-Viability Notice*);

"Non-Viable" means (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business or (b) any other event or circumstance occurs, which is specified as constituting non-viability by the Regulator or in the Capital Regulations;

"Obligations" has the meaning given to it in Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*);

"Ordinary Shares" means ordinary shares of the Issuer;

"Other Common Equity Tier 1 Instruments" means securities issued by the Issuer that qualify as Common Equity Tier 1 Capital of the Issuer other than Ordinary Shares;

"Outstanding Payments" means, in relation to any amounts payable on redemption of the Capital Securities, an amount representing any accrued and unpaid interest for the Interest Period during which redemption occurs to the date of redemption;

"Pari Passu Obligations" means the Issuer's payment obligations under the Existing Tier 1 Securities and all other subordinated payment obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Obligations;

"Payment Day" has the meaning given to it in Condition 7.4 (*Payments – Payment Day*);

"Prevailing Principal Amount" means, in respect of a Capital Security, the initial principal amount of such Capital Security as reduced by any Write-down of such Capital Security (on one or more occasions) pursuant to Condition 10 (*Write-down at the Point of Non-Viability*);

"Proceedings" has the meaning given to it in Condition 18.4 (*Governing Law and Dispute Resolution – Effect of Exercise of Option to Litigate*);

"Qualifying Tier 1 Instruments" means instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) other than Ordinary Shares or Other Common Equity Tier 1 Instruments, issued directly or indirectly by the Issuer that:

- (a) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Additional Tier 1 Capital;
- (b) have terms and conditions not materially less favourable to a holder of the Capital Securities than the terms and conditions of the Capital Securities (as reasonably determined by the Issuer (**provided that** in making this determination the Issuer is not required to take into account the tax treatment of the varied instrument in the hands of all or any holders of the Capital Securities, or any transfer or similar taxes that may apply on the acquisition of the new instrument) **provided that** a certification to such effect of two Authorised Signatories shall have been delivered to the Fiscal Agent prior to the variation of the terms of the Capital Securities);
- (c) continue to be direct or indirect obligations of the Issuer;
- (d) rank on a winding up at least *pari passu* with the Obligations;
- (e) have the same outstanding principal amount and interest payment dates as the Capital Securities and at least equal interest or distribution rate or rate of return as the Capital Securities;
- (f) (where the instruments are varied prior to the First Call Date) have a first call date no earlier than the First Call Date and otherwise have the same optional redemption dates as the Capital Securities (as originally issued); and
- (g) if, immediately prior to the variation of the terms of the Capital Securities in accordance with Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to*

Taxation) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) (as applicable), (A) the Capital Securities were listed or admitted to trading on a Regulated Market, have been listed or admitted to trading on a Regulated Market; or (B) the Capital Securities were listed or admitted to trading on a recognised stock exchange other than a Regulated Market, have been listed or admitted to trading on any internationally recognised stock exchange (including, without limitation, a Regulated Market), in each case as selected by the Issuer and notified to the holders of the Capital Securities in accordance with Condition 15 (*Notices*),

and which may include such technical changes as necessary to reflect the requirements of Additional Tier 1 Capital under the Capital Regulations then applicable to the Issuer (including, without limitation, such technical changes as may be required in the adoption and implementation of the Basel III Documents);

"Record Date" means, in the case of any Interest Payment Amount, the date falling on the 15th day before the relevant Interest Payment Date and, in the case of the payment of a Redemption Amount, the date falling two Payment Days before the date for payment of the relevant Redemption Amount (as the case may be);

"Redemption Amount" means the Early Redemption Amount, the Tax Redemption Amount or the Capital Event Redemption Amount (as the case may be);

"Register" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"Regulated Market" means a regulated market for the purposes of Directive 2014/65/EU (as amended);

"Regulator" means the Central Bank or any successor entity having primary bank supervisory authority with respect to the Issuer in the United Arab Emirates;

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

"Relevant Period" has the meaning given to it in Condition 5.1 (*Interest - Initial Interest Rate and Interest Payment Dates*);

"Relevant Six-Year Reset Rate" means: (i) the per annum rate (expressed as a decimal) equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of six years and trading in the public securities markets; or (ii) in respect of any Reset Period, if there is no such published U.S. Treasury security with a maturity of six years and trading in the public securities markets, then the rate will be determined on the relevant U.S. Securities Determination Date by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market: (A) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (B) the other maturing as close as possible to, but later than, the immediately following Reset Date, in each case as published in the most recent H.15 (519). In respect of any Reset Period, if the Issuer cannot procure the determination of the Relevant Six-Year Reset Rate on the relevant U.S. Securities Determination Date pursuant to the methods described in (i) and (ii) above, then the Relevant Six-Year Reset Rate will be: (a) equal to the rate applicable to the immediately preceding Reset Period; or (b) in the case of the Reset Period commencing on the First Reset Date, 0.362 per cent.;

"Replacement Agent" means the Registrar and the Transfer Agents;

"Reset Date" means the First Reset Date and every sixth anniversary thereafter;

"Reset Period" means the period from and including the First Reset Date to but excluding the following Reset Date, and each successive period thereafter from and including such Reset Date to but excluding the next succeeding Reset Date;

"Rules" has the meaning given to it in Condition 18.2 (*Governing Law and Dispute Resolution – Arbitration*);

"Senior Obligations" means all unsubordinated payment obligations of the Issuer (including payment obligations to the Issuer's depositors in respect of their due claims) and all subordinated payment obligations (if any) of the Issuer except Junior Obligations or *Pari Passu* Obligations;

"Solvency Conditions" has the meaning given to it in Condition 4.3 (*Status and Subordination – Solvency Conditions*);

"Solvent" means that: (i) the Issuer is able to pay its debts as they fall due; and (ii) the Issuer's Assets exceed its Liabilities;

"Tax Event" means on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay Additional Amounts (whether or not a Non-Payment Event has occurred), as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of a Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations (each, a **"Tax Law Change"**), which Tax Law Change becomes effective on or after the Issue Date (and such requirement cannot be avoided by the Issuer taking reasonable measures available to it), and provided that the Issuer satisfies the Regulator that such Tax Law Change was not reasonably foreseeable at the time of issuance of the Capital Securities;

"Tax Jurisdiction" has the meaning given to it in Condition 12 (*Taxation*);

"Tax Law Change" has the meaning given to it in the definition of "Tax Event";

"Tax Redemption Amount" in relation to a Capital Security, means 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

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

"Tier 1 Capital" means capital qualifying as, and approved by the Regulator as, tier 1 capital in accordance with the Capital Regulations;

"U.S. Government Securities Business Day" means any day except for a Saturday, Sunday or a day on which the U.S. Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

"U.S. Securities Determination Date" means the second U.S. Government Securities Business Day before the commencement of the Reset Period for which the rate will apply;

"Write-down" means:

- (a) the holders' rights under the Capital Securities shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount;
- (b) in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled; and
- (c) all rights of any holder for payment of any amounts under or in respect of the Capital Securities (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event), in a proportion corresponding to the relevant Write-down Amount (and any corresponding Interest Payment Amounts), shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date,

and all references to **"Written-down"** shall be construed accordingly; and

"Write-down Amount" means, in relation to any Non-Viability Event Write-down Date, the amount as determined by the Regulator by which the aggregate Prevailing Principal Amount of the

Capital Securities then outstanding is to be Written-down on a *pro rata* basis and shall be calculated per Capital Security by reference to the Prevailing Principal Amount of each Capital Security then outstanding which is to be Written-down.

All references in these Conditions to "U.S. dollars", "U.S.\$" and "\$" are to the lawful currency of the United States of America.

2. **FORM, DENOMINATION AND TITLE**

2.1 **Form and Denomination**

The Capital Securities are issued in registered form in nominal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an "**Authorised Denomination**"). An Individual Certificate will be issued to each holder of the Capital Securities in respect of its registered holding of Capital Securities. Each Individual Certificate will be numbered serially with an identifying number which will be recorded on the relevant Individual Certificate and in the register of holders of the Capital Securities (the "**Register**").

Upon issue, the Capital Securities will be represented by the Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Ownership interests in 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. The Conditions are supplemented by certain provisions contained in the Global Certificate.

2.2 **Title**

The holder of any Capital Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the certificate issued in respect of it) and no person will be liable for so treating the holder.

For so long as any of the Capital Securities is represented by the 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 nominal amount of such Capital Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Capital Securities 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 by each of the Issuer and the Agents as the holder of such nominal amount of such Capital Securities for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Capital Securities, for which purpose the registered holder of the Global Certificate shall be treated by each of the Issuer and any Agent as the holder of such nominal amount of such Capital Securities in accordance with and subject to the terms of the Global Certificate.

3. **TRANSFERS OF CAPITAL SECURITIES AND EXCHANGE FOR INDIVIDUAL CERTIFICATES**

3.1 **Transfers of interests in the Global Certificate**

Capital Securities which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg (as the case may be).

3.2 **Transfer of Individual Certificates**

Subject to the conditions set forth in the Agency Agreement, Capital Securities represented by Individual Certificates may be transferred in whole or in part (in Authorised Denominations). In order to effect any such transfer: (a) the holder or holders must (i) surrender the relevant Individual Certificate(s) for registration of the transfer of the Capital Security (or the relevant part of the Capital Security) at the specified office of any Transfer Agent, with the form of transfer thereon

duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which commercial banks are open for business (including dealings in foreign currencies) in the cities where the specified office of the Registrar and (if applicable) the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Individual Certificate of a like aggregate nominal amount to the Capital Security (or the relevant part of the Capital Security) transferred. In the case of the transfer of part only of a Capital Security represented by an Individual Certificate, a new Individual Certificate in respect of the balance of the Capital Security not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

3.3 **Costs of registration**

Holders of the Capital Securities will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3.4 **Exchange for Individual Certificates**

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of an Exchange Event (as defined below). The Issuer will give notice to holders of the Capital Securities in accordance with Condition 15 (*Notices*) if an Exchange Event occurs as soon as practicable thereafter. For these purposes, an "**Exchange Event**" shall occur if: (a) an Enforcement Event has occurred; or (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of legal holiday) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Issuer is available.

In such circumstances, the Global Certificate shall be exchanged in full for Individual Certificates and the Issuer will, at the cost of the Issuer, cause sufficient Individual Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the holders of the Capital Securities.

3.5 **Closed Periods**

No holder of Capital Securities may require the transfer of a Capital Security to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Capital Security.

3.6 **Other**

References 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 as shall have been approved by the Issuer and the Fiscal Agent.

4. **STATUS AND SUBORDINATION**

4.1 **Status of the Capital Securities**

Each Capital Security will rank *pari passu*, without preference or priority, with all other Capital Securities.

4.2 Subordination of the Capital Securities

- (a) The payment obligations of the Issuer under the Capital Securities (the "**Obligations**") will: (i) constitute Additional Tier 1 Capital of the Issuer; (ii) constitute direct, unsecured, conditional (as described in Conditions 4.2(b) (*Subordination of the Capital Securities*) and 4.3 (*Solvency Conditions*)) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (iii) rank subordinate and junior to all Senior Obligations (but not further or otherwise); (iv) rank *pari passu* with all *Pari Passu* Obligations; and (v) rank in priority only to all Junior Obligations.
- (b) Notwithstanding any other provisions in these Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.
- (c) Subject to applicable law, each holder of the Capital Securities unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the Obligations. No collateral is or will be given for the Obligations and any collateral that may have been or may in the future be given in connection with other obligations of the Issuer shall not secure the Obligations.

4.3 Solvency Conditions

Payments in respect of the Obligations by the Issuer are conditional upon the following conditions (together, the "**Solvency Conditions**"):

- (a) the Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations;
- (b) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
- (c) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

4.4 Other Issues

So long as any of the Capital Securities remain outstanding, the Issuer will not issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (whether on a solo, or a solo consolidated or a consolidated basis) Additional Tier 1 Capital of the Issuer if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding-up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Obligations. This prohibition will not apply if at the same time or prior thereto: (a) these Conditions are amended to ensure that the holders obtain and/or (b) the Obligations have the benefit of such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Obligations rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

5. **INTEREST**

5.1 **Initial Interest Rate and Interest Payment Dates**

Subject to Condition 6 (*Interest Cancellation*), the Capital Securities shall, during the Initial Period, bear interest at a rate of 4.500 per cent. per annum (the "**Initial Interest Rate**") on the Prevailing Principal Amount of the Capital Securities (being the aggregate of a margin of 4.138 per cent. per annum (the "**Margin**") and the Relevant Six-Year Reset Rate) in accordance with the provisions of this Condition 5 (*Interest*). The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$22.50 per U.S.\$1,000 in principal amount of the Capital Securities.

Subject to Condition 6 (*Interest Cancellation*), interest shall be payable on the Capital Securities semi-annually in arrear on each Interest Payment Date, in each case as provided in this Condition 5 (*Interest*). Interest is discretionary, will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.

If interest is required to be calculated in respect of a period of less than a full Interest Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of: (a) the applicable Interest Rate; (b) the Prevailing Principal Amount of the relevant Capital Security then outstanding; and (c) the applicable Day-count Fraction for the Relevant Period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

5.2 **Interest Rate following the Initial Period**

For the purpose of calculating payments of interest following the Initial Period, the Interest Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Six-Year Reset Rate on the relevant U.S. Securities Determination Date, as determined by the Calculation Agent.

The Calculation Agent will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Interest Rate and the corresponding Interest Payment Amount to be notified to each of the Paying Agents and the holders of the Capital Securities in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the second Business Day thereafter.

5.3 **Determinations of Calculation Agent Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions by the Calculation Agent given, expressed, made or obtained for the purposes of this Condition 5 (*Interest*), shall (in the absence of manifest error) be binding on the other Agents and the holders of the Capital Securities and (in the absence of manifest error) no liability to the holders of the Capital Securities shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

6. **INTEREST CANCELLATION**

6.1 **Non-Payment Event**

Notwithstanding Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*), subject to Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), if any of the following events occurs (each, a "**Non-Payment Event**"), Interest Payment Amounts shall not be paid on the corresponding Interest Payment Date:

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Issuer on any *Pari Passu* Obligations having the same date in respect of payment of such distributions or amounts as, or otherwise due and payable on, the date for payment of Interest Payment Amounts, exceeds, on the relevant date for payment of such Interest Payment Amount, the Distributable Items;

- (b) the Issuer is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to breach of capital buffers imposed on the Issuer by the Regulator, as appropriate) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (c) the Regulator having notified the Issuer that the Interest Payment Amount due on that Interest Payment Date should not be paid for any reason the Regulator may deem necessary;
- (d) the Solvency Conditions are not satisfied (or would no longer be satisfied if the relevant Interest Payment Amount was paid); or
- (e) the Issuer, in its sole discretion, has elected that Interest Payment Amounts shall not be paid to holders of the Capital Securities on such Interest Payment Date (other than in respect of any amounts due on any date on which the Capital Securities are to be redeemed in full, in respect of which this Condition 6.1(e) does not apply), including, without limitation, if the Issuer incurs a net loss during the relevant Interest Period.

6.2 **Effect of Non-Payment Event**

If a Non-Payment Event occurs, then the Issuer shall give notice to the Fiscal Agent and the holders of the Capital Securities (in accordance with Condition 15 (*Notices*)) (which notice shall be revocable) providing details of the Non-Payment Event as soon as practicable (or, in the case of a Non-Payment Event pursuant to Condition 6.1(e), no later than five Business Days prior to such event). However, any failure to provide such notice will not invalidate the cancellation of the relevant payment of the Interest Payment Amount. In the absence of notice of a Non-Payment Event having been given in accordance with this Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), the fact of non-payment of an Interest Payment Amount on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Event.

Holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of a Non-Payment Event (whether or not notice of such Non-Payment Event has been given in accordance with this Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*)) and any non-payment of an Interest Payment Amount in such circumstances shall not constitute an Enforcement Event. The Issuer shall not make or shall not have any obligation to make any subsequent payment in respect of any such unpaid Interest Payment Amount.

6.3 **Dividend and Redemption Restrictions**

If any Interest Payment Amount is not paid as a consequence of a Non-Payment Event pursuant to Condition 6.1 (*Interest Cancellation - Non-Payment Event*), then, from the date of such Non-Payment Event (the "**Dividend Stopper Date**"), the Issuer will not, so long as any of the Capital Securities are outstanding:

- (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- (b) declare or pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, *pari passu* with or junior to the Obligations (excluding securities the terms of which do not at the relevant time enable the Issuer to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the Capital Regulations for Tier 1 Capital applicable from time to time; or
- (c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Ordinary Shares; or
- (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Issuer ranking, as to

the right of repayment of capital, *pari passu* with or junior to the Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the Capital Regulations for Tier 1 Capital applicable from time to time,

in each case unless or until one Interest Payment Amount following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the holders of the Capital Securities).

7. PAYMENTS

7.1 Payments in respect of Individual Certificates

Subject as provided below, payments will be made by credit or transfer to an account maintained by the payee with, or, at the option of the payee, by a cheque drawn on, a bank in New York City.

Payments of principal in respect of each Capital Security will be made against presentation and surrender of the Individual Certificate at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Capital Security appearing in the Register at the close of business in the place of the Registrar's specified office on the Record Date. Notwithstanding the previous sentence, if: (a) a holder does not have a Designated Account; or (b) the principal amount of the Capital Securities held by a holder is less than U.S.\$200,000, payment will instead be made by a cheque in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank in New York City.

Payments of interest in respect of each Capital Security will be made by a cheque in U.S. dollars drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Capital Security appearing in the Register at the close of business in the place of the Registrar's specified office on the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Capital Security, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Capital Securities which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payments of interest due in respect of each Capital Security on redemption will be made in the same manner as payment of the principal amount of such Capital Security.

Holders of Capital Securities will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Capital Security as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Capital Securities.

7.2 Payments in respect of the Global Certificate

The holder of the Global Certificate shall be the only person entitled to receive payments in respect of Capital Securities represented by the Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Certificate in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Capital Securities represented by such Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be), for his share of each payment so made by the Issuer, or to the order of, the holder of such Global Certificate. Each payment made in respect of the Global Certificate will be made to the person

shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business.

7.3 **Payments Subject to Laws**

All payments are subject in all cases to: (a) any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*); and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law in any jurisdiction implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the holders of the Capital Securities in respect of such payments.

7.4 **Payment Day**

If the date for payment of any amount in respect of the Capital Securities is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 13 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and London.

7.5 **Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Capital Securities shall be deemed to include, as applicable:

- (a) the Early Redemption Amount of the Capital Securities;
- (b) the Capital Event Redemption Amount of the Capital Securities; and
- (c) the Tax Redemption Amount of the Capital Securities.

Any reference in the Conditions to interest or Interest Payment Amounts in respect of the Capital Securities shall be deemed to include, as applicable, any Additional Amounts which may be payable with respect to interest under Condition 12 (*Taxation*).

8. **AGENTS**

The names of the initial Agents are set out above and their initial specified offices are set out in the Agency Agreement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that:**

- (a) there will at all times be a Fiscal Agent and a Registrar; and
- (b) with effect from the U.S. Securities Determination Date prior to the First Reset Date, and so long as any Capital Securities remain outstanding thereafter, there will be a Calculation Agent; and
- (c) so long as the Capital Securities are listed on any stock exchange or admitted to listing, trading and/or quotation by any other relevant authority, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

- (d) there will at all times be a Paying Agent and a Transfer Agent with a specified office in Europe.

Subject to the Agency Agreement, any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the holders of the Capital Securities in accordance with Condition 15 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any holders of the Capital Securities. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

9. REDEMPTION AND VARIATION

9.1 Redemption and Variation

(a) *No Fixed Redemption Date and Conditions for Redemption and Variation*

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 4 (*Status and Subordination*), Condition 10 (*Write-down at the Point of Non-Viability*) and Condition 11 (*Enforcement Events*) and without prejudice to the provisions of Condition 13 (*Prescription*)) only have the right to redeem the Capital Securities or vary the terms thereof upon satisfaction of and in accordance with the following provisions of this Condition 9 (*Redemption and Variation*).

The redemption of the Capital Securities or variation of the Conditions, in each case pursuant to this Condition 9 (*Redemption and Variation*), is subject to the following conditions (to the extent then required by the Regulator or the Capital Regulations):

- (i) the prior consent of the Regulator;
- (ii) the requirement that both at the time when the relevant notice of redemption or variation is given and immediately following such redemption or variation (as applicable), the Issuer is or will be (as the case may be) in compliance with the Applicable Regulatory Capital Requirements; and
- (iii) the Solvency Conditions being satisfied.

(b) *Issuer's Call Option*

Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (which notice shall specify the date fixed for redemption), redeem all, but not some only, of the Capital Securities at the Early Redemption Amount (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

Redemption of the Capital Securities pursuant to this Condition 9.1(b) (*Issuer's Call Option*) may only occur on a Call Date.

(c) *Redemption or Variation due to Taxation*

- (i) Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Tax Event, the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the

Capital Securities in accordance with Condition 15 (*Notices*): (A) redeem all, but not some only, of the Capital Securities at the Tax Redemption Amount; or (B) vary the terms of the Capital Securities provided that they become or, as appropriate, remain, Qualifying Tier 1 Instruments and so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required, in each case without any requirement for consent or approval of the holders of the Capital Securities.

- (ii) Redemption of the Capital Securities, or variation of the Conditions, in each case pursuant to this Condition 9.1(c) (*Redemption or Variation due to Taxation*) may occur on any date after the Issue Date (whether or not such date is an Interest Payment Date).
- (iii) At the same time as the publication of any notice of redemption or variation (as the case may be) pursuant to this Condition 9.1(c) (*Redemption or Variation due to Taxation*), the Issuer shall give to the Fiscal Agent: (A) a certificate signed by two Authorised Signatories of the Issuer stating that: (I) the relevant conditions set out in Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (II) a Tax Event has occurred; and (III) in the case of a variation only, the varied Capital Securities will be Qualifying Tier 1 Instruments and that the Regulator has confirmed that the varied Capital Securities will satisfy limb (a) of the definition of Qualifying Tier 1 Instruments; and (B) an opinion of independent legal advisors of recognised standing to the effect that the Issuer has or will become obliged to pay Additional Amounts as a result of the Tax Event. Such certificate delivered in accordance with this Condition shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out in (A)(I) to (III) above. Upon expiry of such notice, the Issuer shall redeem or vary the terms of the Capital Securities (as the case may be) (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

(d) ***Redemption or Variation for Capital Event***

- (i) Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Capital Event, the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*): (A) redeem all, but not some only, of the Capital Securities at the Capital Event Redemption Amount; or (B) solely for the purpose of ensuring compliance with Applicable Regulatory Capital Requirements vary the terms of the Capital Securities so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the holders of the Capital Securities.
- (ii) Redemption of the Capital Securities, or variation of the Conditions, pursuant to this Condition 9.1(d) (*Redemption or Variation for Capital Event*) may occur on any date after the Issue Date (whether or not an Interest Payment Date).
- (iii) At the same time as the delivery of any notice of redemption or variation (as the case may be) pursuant to this Condition 9.1(d) (*Redemption or Variation for Capital Event*), the Issuer shall give to the Fiscal Agent a certificate signed by two Authorised Signatories stating that: (A) the relevant conditions set out in Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (B) a Capital Event has occurred; and (C) in the case of a variation only, the varied Capital Securities will be Qualifying Tier 1 Instruments and that the Regulator has confirmed that the varied Capital Securities will satisfy limb (a) of the definition of Qualifying Tier 1 Instruments. Such certificate shall be conclusive and binding evidence of the satisfaction of the

conditions precedent set out above. Upon expiry of such notice, the Issuer shall redeem or vary the terms of the Capital Securities (as the case may be) (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

(e) ***Taxes upon Variation***

In the event of a variation in accordance with Conditions 9.1(c) (*Redemption or Variation due to Taxation*) or 9.1(d) (*Redemption or Variation for Capital Event*), the Issuer will not be obliged to pay and will not pay any liability of any holder of the Capital Securities to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of the terms of the Capital Securities **provided that** (in the case of a Tax Event) or so that (in the case of a Capital Event) they become or, as appropriate, remain, Qualifying Tier 1 Instruments, including in respect of any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such holder of the Capital Securities.

(f) ***No redemption in the case of a Non-Viability Notice being delivered***

The Issuer may not give a notice of redemption under this Condition 9 (*Redemption and Variation*) if a Non-Viability Notice has been given in respect of the Capital Securities. If a Non-Viability Notice is given after a notice of redemption has been given by the Issuer under this Condition 9 (*Redemption and Variation*) but before the relevant date fixed for redemption, such notice of redemption shall be deemed not to have been given and the Capital Securities shall not be redeemed.

9.2 **Purchase**

Subject to the Issuer (to the extent then required by the Regulator or the Capital Regulations): (a) obtaining the prior written consent of the Regulator; (b) being in compliance with the Applicable Regulatory Capital Requirements immediately following such purchase; and (c) being Solvent at the time of purchase, the Issuer or any of its subsidiaries may purchase the Capital Securities in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between the Issuer or the relevant subsidiary (as the case may be) and the relevant holders of Capital Securities. Upon any such purchase, the Issuer may (but shall not be obliged to) deliver such Capital Securities for cancellation.

9.3 **Cancellation**

All Capital Securities which are redeemed will forthwith be cancelled. All Capital Securities so cancelled and any Capital Securities purchased and cancelled pursuant to Condition 9.2 (*Purchase*) cannot be reissued or resold.

10. **WRITE-DOWN AT THE POINT OF NON-VIABILITY**

10.1 **Non-Viability Event**

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 10.2 (*Non-Viability Notice*).

10.2 **Non-Viability Notice**

On the third Business Day following the date on which a Non-Viability Event occurs (or on such earlier date as determined by the Regulator), the Issuer will notify the Fiscal Agent, the Registrar and the holders of the Capital Securities thereof (in accordance with Condition 15 (*Notices*)) (such notice, a "**Non-Viability Notice**"). A Write-down will occur on the Non-Viability Event Write-down Date. In the case of a Write-down resulting in the reduction of the Prevailing Principal Amount of each Capital Security then outstanding to nil, with effect from the Non-Viability Event Write-down Date, the Capital Securities will be automatically cancelled and the holders shall not be entitled to any claim for any amount in connection with the Capital Securities.

11. ENFORCEMENT EVENTS

11.1 Enforcement Event

Upon the occurrence of an Enforcement Event, any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10 (*Write down at the point of Non-Viability*) and Condition 11.4 (*Enforcement Events – Restrictions*) become forthwith due and payable at its Early Redemption Amount, without presentation, demand, protest or other notice of any kind.

11.2 Dissolution Remedies

To the extent permitted by applicable law and by these Conditions, any holder of the Capital Securities may at its discretion (i) institute any steps, actions or proceedings for the winding-up of the Issuer and/or (ii) prove in the winding-up of the Issuer and/or (iii) claim in the liquidation of the Issuer and/or (iv) take such other steps, actions or proceedings which, under the laws of the United Arab Emirates, have an analogous effect to the actions referred to in (i) to (iii) above (in each case, without prejudice to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*)), for such payment referred to in Condition 11.1 (*Enforcement Events – Enforcement Event*), but the institution of any such steps, actions or proceedings shall not have the effect that the Issuer shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it. Subject to Condition 11.3 (*Enforcement Events – Performance Obligations*), no remedy against the Issuer, other than the steps, actions or proceedings to enforce, prove or claim referred to in this Condition 11 (*Enforcement Events*), and the proving or claiming in any dissolution/winding-up or liquidation of the Issuer, shall be available to the holders of the Capital Securities, whether for the recovering of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Capital Securities.

11.3 Performance Obligations

Without prejudice to the other provisions of this Condition 11 (*Enforcement Events*), any holder of the Capital Securities may at its discretion institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under these Conditions, in each case, other than any payment obligation of the Issuer (including, without limitation, payment of any principal or satisfaction of any payments in respect of the Conditions, including any damages awarded for breach of any obligations). However, in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

11.4 Restrictions

All claims by any holder of the Capital Securities against the Issuer (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer under the Capital Securities) shall be subject to, and shall be superseded by: (i) the provisions of Condition 10 (*Write-down at the Point of Non-Viability*), irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim and (ii) the provisions of Condition 4 (*Status and Subordination*), irrespective of whether the breach of a Solvency Condition at the relevant time or the issue of a bankruptcy order in respect of the Issuer occurs prior to or after the event which is the subject matter of the claim.

12. TAXATION

All payments of principal and interest in respect of the Capital Securities by the Issuer will be made free and clear of, without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Tax Jurisdiction ("**Taxes**") unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts in respect of Interest Payment Amounts (but not in respect of principal) as shall be necessary in order that the net amounts received by the holders of the Capital Securities after such withholding or deduction

shall equal the respective Interest Payment Amount(s) which would otherwise have been receivable in respect of the Capital Securities (as the case may be), in the absence of such withholding or deduction ("**Additional Amounts**"); except that no such Additional Amounts shall be payable with respect to any Capital Security:

- (a) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Capital Security by reason of his having some connection with the Tax Jurisdiction other than the mere holding of such Capital Security; or
- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day; or
- (c) presented for payment in a Tax Jurisdiction.

As used in these Conditions:

- (i) "**Tax Jurisdiction**" means the United Arab Emirates or the Emirate of Abu Dhabi or, in each case, any political sub division or any authority thereof or therein having power to tax; and
- (ii) the "**Relevant Date**" means the date on which such payment first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) that, upon further presentation of the Capital Security in accordance with the Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation.

Notwithstanding any other provision in these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Capital Securities for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

13. **PRESCRIPTION**

Subject to applicable law, claims for payment in respect of the Capital Securities will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

14. **REPLACEMENT OF INDIVIDUAL CERTIFICATES**

Should any Individual Certificate be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Replacement Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Individual Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Individual Certificate) and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Individual Certificates must be surrendered before replacements will be issued.

15. **NOTICES**

All notices to the holders of the Capital Securities will be valid if mailed to them at their respective addresses in the register of the holders of the Capital Securities maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with

the rules and regulations of any stock exchange or other relevant authority on which the Capital Securities are for the time being admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

For so long as all the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to the holders rather than by mailing as provided for in the paragraph above except that, so long as the Capital Securities are listed on any stock exchange and/or admitted to listing, trading and/or quotation by any other relevant authority, notices shall also be published in accordance with the rules of such stock exchange or other relevant authority on which the Capital Securities are admitted to listing, trading and/or quotation. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Notices to be given by any holder of the Capital Securities shall be in writing and given by lodging the same, together (in the case of any Individual Certificate) with the relevant Individual Certificate(s), with the Registrar. Whilst any of the Capital Securities are represented by a Global Certificate, such notice may be given by any holder of a Capital Security to the Registrar through Euroclear and/or Clearstream, Luxembourg (as the case may be), in such manner as the Registrar, and Euroclear and/or Clearstream, Luxembourg (as the case may be) may approve for this purpose.

16. MEETINGS OF HOLDERS OF THE CAPITAL SECURITIES AND MODIFICATION

The Agency Agreement contains provisions for convening meetings of the holders of the Capital Securities to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities or any of the provisions of the Agency Agreement or the Deed of Covenant. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by holders of the Capital Securities holding not less than 10 per cent. in nominal amount of the Capital Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in aggregate not less than 50 per cent. in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing holders of the Capital Securities whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities (as specified in the Agency Agreement, and including (without limitation) modifying any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Capital Securities, altering the currency of payment of the Capital Securities or modifying the provisions concerning the quorum required at any meeting of holders of the Capital Securities or the majority required to pass the Extraordinary Resolution), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the holders of the Capital Securities shall be binding on all the holders of the Capital Securities, whether or not they are present at the meeting, and whether or not they voted on the resolution.

The Agency Agreement provides that a written resolution signed by or on behalf of all the holders of Capital Securities shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holders of the Capital Securities duly convened and held. Such a written resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more of the holders of the Capital Securities. Such a written resolution will be binding on all holders of the Capital Securities whether or not they participated in such written resolution.

The Fiscal Agent and the Issuer may agree, without the consent of the holders of the Capital Securities, to:

- (a) any modification (except as mentioned above) of the Capital Securities, the Agency Agreement or the Deed of Covenant which is not prejudicial to the interests of the holders of the Capital Securities (as determined by the Issuer in its sole opinion); or
- (b) any modification of the Capital Securities, the Agency Agreement or the Deed of Covenant which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

In addition, the Fiscal Agent shall be obliged to agree to such modifications of the Capital Securities, the Agency Agreement or the Deed of Covenant as may be required in order to give effect to Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) in connection with any variation of the Capital Securities upon the occurrence of a Tax Event or a Capital Event (as applicable).

Any such modification shall be binding on the holders of the Capital Securities and any such modification shall be notified to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

17. **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.

18. **GOVERNING LAW AND DISPUTE RESOLUTION**

18.1 **Governing law**

The Agency Agreement, the Deed of Covenant and the Capital Securities, and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant and the Capital Securities, are governed by, and shall be construed in accordance with, English law.

18.2 **Arbitration**

Subject to Condition 18.3 (*Option to Litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Capital Securities (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute, claim, difference or controversy relating to any non-contractual obligations arising out of or in connection with the Capital Securities) (a "**Dispute**") shall be referred to and finally resolved by arbitration in accordance with the LCIA Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 18.2 (*Arbitration*). For these purposes:

- (a) the seat, or legal place of arbitration will be London, England;
- (b) the language of the arbitration shall be English; and
- (c) there shall be three arbitrators, each of whom shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party-nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA.

18.3 **Option to Litigate**

Notwithstanding Condition 18.2 (*Arbitration*) above, any holder of the Capital Securities may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (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 any holder of the Capital Securities gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 18.4 (*Effect of Exercise of Option to Litigate*) and any arbitration commenced under Condition 18.2 (*Arbitration*) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to such terminated arbitration.

18.4 **Effect of Exercise of Option to Litigate**

If a notice pursuant to Condition 18.3 (*Option to Litigate*) is issued, the following provisions shall apply:

- (a) subject to Condition 18.4(c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer irrevocably submits to the exclusive jurisdiction of such courts;
- (b) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 18.4 (*Effect of Exercise of Option to Litigate*) is for the benefit of the holders of the Capital Securities only. As a result, and notwithstanding paragraph (a) above, any holder of the Capital Securities may take proceedings relating to a Dispute ("**Proceedings**") in any other court with jurisdiction. To the extent allowed by law, any holder of the Capital Securities may take concurrent Proceedings in any number of jurisdictions.

18.5 **Service of Process**

The Issuer appoints the London branch of the Issuer at First Abu Dhabi Bank PJSC, London Branch, 3rd Floor, 45 Cannon Street, London, EC4M 5SB, United Kingdom as its agent for service of process in any Proceedings before the courts of England and agrees that, in the event of First Abu Dhabi Bank PJSC, London Branch ceasing so to act or ceasing to be registered in England, it will immediately (and in any event within 30 days of the event taking place) appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes. Failure by a process agent to notify the person that appointed it of any process will not invalidate the relevant proceedings. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.6 **Waiver of Immunity**

The Issuer hereby irrevocably and unconditionally waives, with respect to the Capital Securities, any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings or Disputes.

USE OF PROCEEDS

The proceeds from the issue of the Capital Securities will be U.S.\$750,000,000, the estimated commissions will be U.S.\$1,350,000 and the proceeds will be applied by the Issuer for its general corporate purposes and to further strengthen its capital base.

DESCRIPTION OF THE ISSUER

Overview

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

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

The Issuer's principal shareholder is the Government, which indirectly holds approximately 37 per cent. of the issued and outstanding shares of the Issuer through the wholly-owned MIC.

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

As at the date of this Prospectus, the Issuer has been assigned long-term credit ratings of AA- with stable outlook by Fitch, AA- with negative outlook by S&P and Aa3 with stable outlook by Moody's.

As at 30 June 2020, and according to the Interim Financial Statements and the publicly available financial statements of the Issuer's main domestic and regional competitors for the six months ended 30 June 2020, the Issuer is the largest bank in the UAE, in addition to being the second largest bank in the GCC, in each case by total assets. As at 30 June 2020, the Issuer had total assets of AED 866.0 billion, total net loans and advances of AED 384.6 billion and total customer accounts and other deposits of AED 518.7 billion. For the six months ended 30 June 2020, the Issuer's net profit attributable to shareholders was AED 4.8 billion.

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

- **Corporate and Investment Banking ("CIB")**: the CIB segment serves its clients via dedicated client sub-segments for institutional banking clients, corporate banking and small medium enterprise clients and financial institutions. The CIB segment offers a broad range of products and services to corporate and investment banking clients within the UAE and internationally including credit facilities, global transaction services, corporate finance, global markets and Islamic products. For the six months ended 30 June 2020, AED 5,740.7 million, or 61.3 per cent., of the Group's operating income for the period and AED 3,528.2 million, or 73.2 per cent., of the Group's net profit before the deduction of minority interests for the period was attributable to the CIB segment;
- **Personal Banking Group ("PBG")**: the PBG segment targets retail, affluent, ultra and high-net-worth individuals and Islamic banking customers through a wide range of diverse distribution and sales channels, including mobile and internet banking, branches and direct sales agents and through its banking subsidiaries. Product offerings range from day-to-day banking products such as current accounts, deposits, credit cards and loans, and Islamic variants of the same, to more sophisticated investment solutions and payments services. The PBG segment is structured to maximise expertise and focus on key areas, with dedicated teams for major customer segments, products and channels. For the six months ended 30 June 2020, AED 3,129.4 million, or 33.4 per cent., of the Group's operating income for the period and AED 935.1 million, or 19.4 per cent., of the Group's net profit before the deduction of minority interests for the period was attributable to the PBG segment;
- **Subsidiaries**: the subsidiaries segment represents the financial results of the Issuer's principal operating subsidiary entities across real estate management, brokerage and fund management. The

segment includes the financial results of the following subsidiaries: FAB Properties Sole Proprietorship LLC, Mismak Properties Sole Proprietorship LLC, First Abu Dhabi Bank Securities LLC and First Gulf Libyan Bank. For the six months ended 30 June 2020, AED 19.6 million, or 0.2 per cent. of the Group's operating income for the period and AED -6.1 million, or -0.1 per cent. of the Group's net profit before the deduction of minority interests for the period was attributable to the subsidiaries segment; and

- **Head office:** the head office segment provides centralised human resources, information technology ("IT"), operations, finance, strategy, investor relations, risk management, credit management, corporate communications, legal and compliance, internal audit, procurement, treasury operations, integration management office and administrative support to all of the Group's distinct businesses units. For the six months ended 30 June 2020, AED 471.6 million, or 5.0 per cent., of the Group's operating income for the period and AED 360.0 million, or 7.5 per cent., of the Group's net profit before the deduction of minority interests for the period was attributable to the head office segment.

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

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

The Issuer operates branches and pay offices and a network of automated teller machines in the UAE, with the majority located in Abu Dhabi and Dubai. Additionally, as at 30 June 2020, the Issuer had a strong international presence across five continents through its subsidiaries or affiliate entities and its branches and representative offices. The Issuer also offers services to individuals and corporate customers through a diverse range of alternate distribution channels including its internet banking, phone and SMS banking systems and through the Group's mobile apps.

Strengths

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

The Merger created a leading local and regional financial institution with total assets of AED 866.0 billion, total net loans and advances of AED 384.6 billion and total customer accounts and other deposits of AED 518.7 billion, representing the largest financial institution in the UAE and the second largest in the GCC, as at 30 June 2020. The combination of two, best-in-class and complementary consumer and wholesale banking businesses (comprising NBAD, one of the leading wholesale banks in the UAE with a significant international footprint, and FGB, a market-leading consumer banking franchise) significantly enhances the value proposition that the Issuer is able to offer its customers.

In the UAE, the Issuer is the leading financial institution with a broad portfolio of conventional and Islamic consumer and wholesale products, an extensive distribution network and well-established relationships with its broad client base. The Issuer has one of the largest customer bases in the UAE and maintains one of the largest domestic distribution networks. This distribution network offers significant opportunities to attract additional clients and further expand the Issuer's range of products and services to existing clients.

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

The significant scale of the Issuer post-Merger has enabled the Issuer to derive tangible synergistic benefits, including greater economies of scale and cost efficiencies as a result of the consolidation of common businesses, the integration of IT platforms and banking systems and the reduction (and, in some cases, closure) of overlapping branch locations. As at 31 December 2019, the Issuer had achieved operating cost synergies attributable to the Merger of approximately AED 1.5 billion. The Issuer has also derived revenue synergies as a result of its increased financial strength, with a greater ability to achieve revenue growth by virtue of its broader product and customer diversification, giving the Issuer a strong platform for sustained profitability in its core banking markets in addition to making the Issuer uniquely placed to capture new growth opportunities.

Broad regional and international network

The Issuer has a strong international presence across five continents through its subsidiaries or affiliate entities and its branches and representative offices.

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

Strong capital base and liquidity

As at 30 June 2020, the Issuer had a total capital adequacy ratio of 16.4 per cent., a Tier 1 capital adequacy ratio of 15.2 per cent. and a Tier 2 capital adequacy ratio of 1.2 per cent., calculated in each case in accordance with UAE Central Bank guidelines. As part of the gradual introduction of Basel III in the UAE, and pursuant to the "Regulations re Capital Adequacy" published by the UAE Central Bank in the UAE official gazette (the "**Official Gazette**") issue 612, which were effective from 1 February 2017, (the "**February 2017 Regulations**") and the accompanying standards (the "**Accompanying Standards**") which were published by the UAE Central Bank on 17 January 2018 in its Circular No. 28/2018 entitled "Standard re Capital Supply" and are expressed to be effective from 31 December 2017, effective from 1 January 2019, the Issuer is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 14.5 per cent. Included within this UAE Central Bank prescribed minimum total capital adequacy ratio, the Issuer, as a domestically systemic important bank ("**D-SIB**"), is required, effective from 1 January 2019 to maintain a D-SIB buffer of 1.50 per cent of Common Equity Tier 1. A capital conservation buffer of 2.5 per cent. of Common Equity Tier 1 is also included within this minimum total capital adequacy ratio of 14.5 per cent. In addition to this minimum capital adequacy ratio, a counter-cyclical buffer is applicable to the Issuer, which is determined based on the basis of the geographical distribution of assets and the counter-cyclical capital buffer applicable in such jurisdictions. As part of the TESS implemented by the UAE Central Bank in response to COVID-19, the Issuer is able to use fully utilise its 1.50 per cent. D-SIB buffer and 60 per cent. of its capital conservation buffer without supervisory consequences until 31 December 2021. See further "*The United Arab Emirates Banking Sector and Regulations – COVID 19*". The Issuer's capital adequacy ratio has been bolstered by the issuance by each of NBAD and FGB of AED 4.0 billion of Tier 1 capital notes in February 2009 which are accounted for as equity in accordance with IAS 32 Financial Instruments – Presentation. The Issuer also maintains a strong liquidity position with a LCR of 128.9 per cent. and loan to deposit ratio of 74.1 per cent. as at 30 June 2020. As at 30 June 2020, the Issuer had cash and balances with central banks of AED 199.0 billion.

The LCR requires that banks have sufficient HQLAs in their liquidity buffer to cover the difference between expected cash outflows and expected capped cash inflows over a 30-day stressed period. The Basel III Reforms require that the minimum value of the ratio is 100 per cent. (i.e., an institution's stock of HQLAs should at least equal total net cash outflows) while the UAE Central Bank introduced LCR for the relevant UAE banks in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. as of 1 January 2019. As at 30 June 2020, the Issuer held a portfolio of net HQLAs valued at AED 268.7 billion and had a LCR of 128.9 per cent. The Issuer believes that its adherence to the LCR criteria will ensure that it is well equipped to absorb any unanticipated systemic shocks to the UAE or MENA economies or banking sectors. As part of the TESS implemented by the UAE Central Bank in response to COVID-19, the Issuer's LCR is able to fall below the regulatory LCR of 100 per cent., provided that its LCR is higher than or equal to 70 per cent., until 31 December 2021. See also "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations in respect of the Capital Securities – Liquidity risks – The Issuer's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations*" and "*The United Arab Emirates Banking Sector and Regulations – COVID-19*".

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

Supportive principal shareholder

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

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

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

Full service offering of conventional and Islamic products

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

Experienced Board and Executive Management team with proven track record in the banking industry

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

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

Prudent risk management culture

The Issuer has a well-diversified loan portfolio and limited foreign exchange risk. It has invested, and continues to invest, significantly in improving its risk management procedures. Post-Merger, and as a function of the size and financial strength of the Issuer, the Issuer's management plans to commit even greater resources and investment to the internal risk management, compliance and control functions. As at 30 June 2020, the Issuer had NPLs of AED 15.6 billion and, for the six months ended 30 June 2020, carried impairment allowances of AED 14.2 billion. As at 30 June 2020, the Issuer's NPL ratio was 3.9 per cent.

The Issuer's management believes that the levels of impairment allowances for impaired loans as at 30 June 2020 were sufficient to cover the Issuer's potential loan losses as at that date. As at 30 June 2020, the Issuer's provision coverage ratio was 90.9 per cent.

Strategy

As the largest full-service bank in the UAE, the Issuer has developed individual strategies for each of its core business segments of CIB, PBG and subsidiaries. As its overarching strategic goal, the Issuer aims to defend and grow its dominant position in the domestic market across consumer and wholesale markets. The Issuer also aims to stay relevant internationally by capturing trade and investment flows, expanding its product offering, focussing on flow of business, promoting cross-selling, and improving customer convenience through digitisation.

CIB

The Issuer's CIB segment is sub-divided into dedicated, targeted customer segments, as follows: (a) the institutional banking group, which focuses on large institutional clients with an annual turnover in excess of AED 1 billion in addition to Government and Government-related entities; (b) the corporate banking group, which targets corporate clients with an annual turnover between AED 350 million and AED 1 billion; (c) the commercial and small and medium enterprises banking segment which includes all companies with an annual turnover of less than AED 350 million; and (d) the financial institutions group, which offers product and services to banks and global financial institutions, including non-banking financial institutions.

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

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

The key strategic priorities for CIB are to strengthen its leadership position in the UAE, "to be a regionally dominant corporate bank" by dominating trade and investment flows to and from the MENA region, to expand its product offering and to focus on flow of business and cross-sell.

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

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

PBG

The Issuer's PBG segment maintains its dominance in UAE retail banking through a strategic focus on customers, digital and its people. The segment is structured on the basis of the diverse needs of the targeted broad customer base with dedicated teams covering the retail, affluent, and private banking segments.

PBG benefits from a large customer base and comprehensive product offerings that meet the needs of all types of customers, from low income earners to ultra-high-net-worth individuals. The Issuer is focused on improving the experiences of its customers and plans to deliver these improvements through a digitally enabled service delivery model and a strong service culture.

PBG is in the process of digitising its business. In recent years it has built out broad mobile self-serve capabilities and mobile sales capabilities. It has also proactively migrated customers to use digital channels, particularly for simple transactions and servicing. As at 30 June 2020, over a third of PBG's customers were active users of FAB mobile (FAB's mobile banking application). Digital remains a key area of focus for PBG.

The Issuer has put in place a strong customer focused culture within PBG. This has driven high-levels of productivity and high customer satisfaction levels across all of its channels.

PBG is also growing its businesses in select international markets. The Issuer continues to invest in Saudi Arabia by opening two additional branches in the cities of Khobar and Jeddah.

Islamic banking business

As at the date of this Prospectus, the Group's Islamic banking offering primarily comprises the Group's Islamic banking window which operates under the FAB Islamic brand. Additionally, the Group offers Islamic finance products and services through its Islamic finance house subsidiary, First Abu Dhabi Islamic Finance PJSC.

The Group will continue to operate the FAB Islamic brand and offer Islamic banking products and services across the Group's client base with a particular focus on CIB customers. As at 30 June 2020, FAB Islamic was one of the largest Islamic banking window in the UAE in terms of asset size.

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

Subsidiaries

The Issuer's principal subsidiary entities operate across real estate management, brokerage and fund management. The segment includes the following subsidiaries: FAB Properties Sole Proprietorship LLC ("**FAB Properties**"), Mismak Properties Sole Proprietorship LLC ("**Mismak**"), First Abu Dhabi Bank Securities LLC ("**FAB Securities**") and First Gulf Libyan Bank ("**FGLB**").

- *FAB Properties*

The Group's real estate business is predominantly managed by its wholly-owned subsidiary, FAB Properties. FAB Properties commenced operations in 2011 under the legacy FGB business (First Gulf Properties LLC) and also includes the legacy NBAD property management subsidiary, Abu Dhabi National Properties PJSC, which was consolidated into FAB Properties during 2017. In March 2018, First Gulf Properties LLC changed its legal name to FAB Properties Sole Proprietorship LLC. Through FAB Properties, the Group offers property management and facility management services. FAB Properties manages a mixed and varied property portfolio in the UAE with total rent collection of approximately AED 840.8 million for the six months ended 30 June 2020. The property management business of FAB Properties is an ancillary service provided to selected CIB and high net-worth individual clients of the Issuer which the Group expects to continue to grow opportunistically.

- *Mismak*

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

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

- *FAB Securities*

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

- *FGLB*

FGLB is a fully fledged commercial bank in Tripoli, Libya which has been established following the signing of a memorandum of understanding between FAB and the Economic & Social Development Fund ("ESDF") Libya, on 4 September 2007. It is owned equally by FAB and Alenmaa for Financial Investment Holding Company ("AFIHC") Libya, with each holding 50 per cent. of FGLB's shares. The authorised capital of FGLB is 520 million Libyan Dinar and the paid up capital is 260 million Libyan Dinar. The FGLB board consists of a total of seven members with a majority (four members) from FAB, and FGLB is fully managed by FAB as per the agreement signed between FAB and AFIHC. Therefore FAB classifies FGLB as a subsidiary of FAB.

International operations

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

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

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

Capital Structure and Shareholders

The Issuer's share capital is listed on the ADX and, as at 30 June 2020, had a market capitalisation of U.S.\$ 33.4 billion. As at 30 June 2020, the Issuer's authorised, issued and paid up share capital comprised 10,920,000,000 shares with a nominal value of AED 1 each.

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

Financial Performance

Income statement

The Issuer reported net profit attributable to shareholders of AED 4,819.7 million for the six months ended 30 June 2020, while net interest income was AED 6,323.4 million for the same period. Net fee and commission income was AED 1,474.9 million for the six months ended 30 June 2020, with operating income of AED 9,361.3 million and general, administration and other operating expenses of AED 2,589.1 million for the same period. Annualised return on tangible equity for the six months ended 30 June 2020 was 12.5 per cent. and the cost to income ratio for the six months ended 30 June 2020 was 27.3 per cent.

The following table shows the breakdown, by the division indicated, of the Issuer's net profit for the six months ended 30 June 2020:

	Net profit attributable to shareholders for the six months ended 30 June 2020
	<i>(AED millions)</i>
Corporate and Investment Banking	3,528.2
Personal Banking Group	935.1
Subsidiaries	(6.1)
Head office	360.0
Minority Interest	2.4
Total	4,819.7

Statement of financial position

The Issuer's total net loans and advances portfolio was AED 384.6 billion as at 30 June 2020. The distribution of the corporate loan portfolio across economic sectors is oriented towards real estate, banks, energy, other financial institutions and transport and communication, which is in line with the domestic economy.

The following table provides a breakdown of the Issuer's total loans and advances portfolio by counterparty as at 30 June 2020:

	As at 30 June 2020
	<i>(AED millions)</i>
Government sector	37,082.8
Public sector	86,439.5
Banking sector	19,175.2
Corporate/private sector	184,832.5
Personal/retail sector	73,084.3
Gross loans and advances	400,614.2
<i>Less: interest suspended</i>	<i>(3,521.1)</i>
<i>Less: expected credit losses</i>	<i>(12,515.4)</i>
Net loans and advances	384,577.7

The Issuer's loan portfolio contains a high proportion of loans to the government and public sector entities. As at 30 June 2020, 30.8 per cent. of gross loans and advances were to government and public sector entities. This concentration of lending reflects the historically close relationship between each of NBAD and FGB and government and public sector entities.

Approximately 11.8 per cent. of the Issuer's loan portfolio was denominated in foreign currency (excluding U.S. dollars) as at 30 June 2020. The Issuer has implemented risk management methods to mitigate and control these foreign currency risks along with other market risks to which the Issuer is exposed. See further "Risk Management".

The Issuer maintains a securities portfolio (both trading and investment) of high credit quality. The Issuer has a Board approved comprehensive risk appetite for these portfolios and they are managed and limited by value-at-risk ("VaR"), notional exposure, credit spread and interest rate sensitivities, geographic and single name exposure concentrations. See further "Risk Management".

The Issuer has no direct exposure to collateralised debt obligations, structured investment vehicles and other sub-prime related issues. The securities portfolios are concentrated in the European and MENA

markets. The trading portfolio mainly comprises debt instruments and a managed portfolio of funds and equities. The held-to-maturity portfolio comprises of debt issuances by sovereigns, corporates and financial institutions.

The following table provides a breakdown of the Issuer's securities portfolio as at 30 June 2020:

	As at 30 June 2020
	<i>(AED millions)</i>
Fair value through profit or loss	16,089.2
Fair value through other comprehensive income	123,213.6
Investments in associates and joint venture	60.3
Amortised cost	1,065.0
Expected credit loss	(0.6)
	124,338.4

Capital adequacy

See "Description of the Issuer – Strengths – Strong capital base and liquidity" for a description of the capital requirements applicable to the Issuer and the Issuer's capital ratios.

The Issuer's capital management is aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always meeting minimum regulatory capital adequacy ratio requirements. The principal difference between the UAE Central Bank's guidelines and Bank of International Settlements requirements is that, under the UAE Central Bank's guidelines, GCC government exposure is risk weighted at zero per cent. whereas, under the Bank of International Settlements guidelines, GCC government exposure is risk weighted according to the relevant country's credit rating. Details of the Issuer's risk weighted assets as at 30 June 2020, calculated in accordance with UAE Central Bank guidelines, are set out in the table below.

	As at 30 June 2020 (unaudited) (AED millions, other than percentage figures)
Tier 1 capital:	
CET 1 capital	
Share capital	10,920.0
Share premium	53,504.0
Eligible reserves	8,861.0
Retained earnings	15,479.4
Non-controlling interest	284.2
Total CET 1 capital prior to deduction A)	89,048.6
Goodwill and intangible assets	20,914.3
Other deductions from CET 1 capital	369.5
Total CET 1 capital after deductions	67,764.8
Additional Tier 1 capital:	
Eligible AT1 capital (after grandfathering)	8,000.0
Total Tier 1 capital (B)	75,764.8
Tier 2 capital:	
Undisclosed reserves/general provisions	5,463.7
Subordinated term loans	298.4
Total Tier 2 capital (C)	5,762.1
Total capital base (B + C)	81,526.9
Risk weighted assets:	
Credit risk	437,098.7
Market risk	25,559.4
Operational risk	35,913.1
Total risk weighted assets	498,571.2
CET 1 ratio	13.6%
Tier 1 capital adequacy ratio	15.2%
Total capital adequacy ratio	16.4%

Equity

The Issuer's total equity (which comprises, amongst other things, its issued share capital of AED 10.9 billion as at 30 June 2020 and its eligible reserves and retained earnings (of AED 24.9 billion in aggregate as at 30 June 2020)) amounted to AED 98.0 billion as at 30 June 2020.

Of the Issuer's reserves, the most significant are the statutory reserve and the special reserve into which, under the CCL and the Issuer's articles of association, 10.0 per cent. of net profit each year must be contributed until each reserve reaches 50.0 per cent. of the nominal value of the Issuer's paid up share capital. Eligible reserves also include accumulated other comprehensive income and other disclosed reserves. These reserves on a combined basis amounted to AED 10.9 billion as at 30 June 2020.

As at 30 June 2020, shareholders' equity includes AED 4.0 billion Tier 1 capital notes issued by FGB in February 2009 to the Government and AED 4.0 billion Tier 1 capital notes issued by NBAD in March 2009 to the Government, which are accounted for as equity in accordance with IAS 32 (*Financial Instruments – Presentation*). On 17 June 2020, the Issuer called its U.S.\$750 million perpetual Tier 1 capital securities.

Funding

As at 30 June 2020, the Issuer had customer accounts and other deposits which totalled AED 518.7 billion. The Issuer's customer accounts and other deposits contain a high proportion of deposits from government and public sector entities, again reflecting the linkage between NBAD, FGB and these governmental and government-related entities. As at 30 June 2020, 22.9 per cent. of the Issuer's customer accounts and other deposits were from government entities and a further 23.2 per cent. were from public sector entities. The Issuer's funding needs are also met by equity reserves and retained earnings, interbank lines of credit and repurchase agreements. Additionally, and prior to the Merger, the legacy NBAD and FGB entities accessed wholesale funding markets (through bilateral or syndicated loans and international bond markets) in order to diversify and increase the maturity of their funding sources. The Issuer intends to continue to utilise the following debt capital markets funding platforms as a key source of funding:

- the U.S.\$3,500,000,000 trust certificate issuance programme;
- the U.S.\$15,000,000,000 euro medium term note programme;
- the U.S.\$3,500,000,000 euro commercial paper programme;
- the A\$2,000,000,000 Australian domestic debt issuance programme;
- the U.S.\$10,000,000,000 U.S. commercial paper programme;
- the EUR3,000,000,000 French certificates de depot programme;
- the First Abu Dhabi Bank USA N.V., Curacao, acting through its Washington, D.C. branch U.S.\$3,000,000,000 U.S. certificate of deposit programme;
- the HKD5,000,000,000 certificate of deposit programme;
- the GBP10,000,000,000 certificate of deposit programme;
- the NBAD Americas N.V. certificate of deposit programme;
- the MYR3,000,000,000 medium term note and trust certificate issuance programme;
- the U.S.\$2,000,000,000 structured note programme; and
- the U.S.\$1,000,000,000 certificate of deposit programme.

As at the date of this Prospectus, the Issuer also has outstanding the following standalone debt capital markets instruments:

- the (NBAD issued) AED 4,000,000,000 6 month EIBOR plus 2.3 per cent. per annum Tier 1 capital notes;
- the (FGB issued) AED 4,000,000,000 6 month EIBOR plus 2.3 per cent. per annum Tier 1 capital notes; and
- the JPY10,000,000,000 2.60 per cent. "Samurai" bond due 2026.

The following table shows the sources of the Issuer's funding as at 30 June 2020:

	As at 30 June 2020 (unaudited)
	<i>(AED millions)</i>
Due to banks and financial institutions.....	54,100.6
Repurchase agreements.....	53,073.7
Commercial paper.....	20,279.1
Derivative financial instruments.....	41,410.4
Customer accounts and other deposits.....	518,654.5
Term borrowings.....	59,372.8
Subordinated notes.....	426.2
Other liabilities.....	20,649.2
Total equity.....	98,023.8
	<u>865,990.3</u>

Competition

The UAE banking sector as at 31 May 2020 comprised 48 commercial banks, including 10 Islamic banks, and branches or subsidiaries of 27 foreign commercial banks. The licensed foreign bank branches and subsidiaries focus mainly on consumer banking, trade finance, foreign currency operations and government-related business. Foreign bank participation in public sector financing has had a significant downward effect on margins in this area. The UAE banking market is becoming increasingly competitive and challenging, with the consummation of the Merger stimulating further movement towards greater consolidation amongst UAE banks.

UAE local banks enjoy tax advantages with zero corporate, income and sales tax while international banks operating in the UAE are subject to 20 per cent. corporate tax on their profits. With effect from 1 January 2018, certain of the GCC states (including the UAE) have implemented a VAT regime at a rate of 5 per cent, with the remaining GCC states expected to implement VAT in 2021. See also "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations – Risks relating to the UAE and the Middle East – Tax changes in the GCC may have an adverse effect on the Issuer*" and "*Taxation – United Arab Emirates*".

Employees

As at 30 June 2020, the Issuer employed 5,186 staff. These staff members do not include the 3,101 members of the Issuer's outsourced workforce (who principally work within the consumer areas of sales, collections, call centre operations and credit card processing).

The Issuer's human resources policy is aligned to its strategic vision and ambitious growth plans and is designed to attract, retain and motivate high-calibre, professional, skilled and knowledgeable employees. The Issuer strives to foster a transparent working environment and invests significant resource in the provision of employee training and development schemes, in addition to providing a competitive remuneration and compensation structure.

Emiratization

In 1999, as part of a policy of "Emiratization", UAE banks were instructed by the UAE federal government to increase the number of UAE nationals on their payroll by at least 4 per cent. per annum. This policy has now been replaced by the Emiratization Circular which has introduced a scoring system based on target points in order to ensure the employment as well as progression of Emirati employees in the organisation.

The target points or minimum threshold for Emirati employees for an organisation is set by the UAE Central Bank on the basis of a number of factors (with the primary factor being the operating income).

The Emiratisation Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties to be computed in accordance with a specific formula set out in the Emiratisation Circular.

As at 30 June 2020, the Issuer's Emiratisation percentage stood at 34.7 per cent. of its workforce in the UAE, equating to 1,278 UAE nationals employed in positions at different levels across the Issuer.

In line with the Emiratisation Circular, the Issuer has made a commitment to employing and training UAE nationals. The Issuer's Emiratisation strategy supports the Issuer's position as a nationalisation leader across the UAE. The Issuer's Emiratisation strategy, implemented through recruitment and employee selection as well as training programmes, enjoys the support and commitment of business heads and management across all business areas of the Issuer.

Property

The Issuer's principal fixed assets include its head office building in Abu Dhabi and its other branch buildings and offices. Such property and equipment had a net book value of AED 4.7 billion as at 30 June 2020.

As at 30 June 2020, the value of the Issuer's investment properties, stated at fair value and representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, was AED 8.4 billion.

The fair value of the Issuer's investment properties is based on valuations performed by third party valuers. The valuers are accredited with recognised and relevant professional qualification and with recent experience in the location and category of investment properties being valued. The fair values have been determined based on varying valuation models depending on the intended use of the investment properties in accordance with the Royal Institution of Chartered Surveyors Valuation Standards. The property rental income earned by the Issuer from its investment properties that are leased out under operating leases, amounted to AED 56.6 million for the six months ended 30 June 2020.

Information Technology

The Issuer's IT department delivers an effective, efficient and sustainable management of information assets and technology and is focused on utilising advanced IT systems to serve the Issuer's customers and ensure that customers' data is well protected and secured.

Following the Merger, the Issuer has integrated the IT systems of NBAD and FGB. The IT business systems allow the Issuer to offer enhanced digital services to its customers across all geographies in which the Issuer operates. As part of the Issuer's investment in its technology systems, it has invested in the public cloud, big data and also built a new, enhanced data centre, with the aim of providing a robust physical and technical platform for the Issuer's business application systems. See "*Description of the Issuer – Strategy – Subsidiaries – First Gulf Information Technology LLC*" for further information.

Litigation

In March 2018, the Qatar Financial Centre Regulatory Authority (the "**QFCRA**") began an investigation into the alleged manipulation of the Qatari riyal, Qatari government backed securities and associated derivatives by the Issuer (the "**QFCRA Investigation**"), and in April 2019 the State of Qatar commenced a lawsuit that is currently pending in New York state court based on a similar allegation (the "**NY Litigation**"). The Issuer considers the QFCRA Investigation and the NY Litigation to be baseless and it has made good faith efforts to resolve the matter with the QFCRA. However, in August 2019, the QFCRA announced that it had fined the Issuer QAR200 million (approximately U.S.\$55 million) for allegedly obstructing the QFCRA Investigation and, in February 2020, the Qatar Financial Centre Court ordered this fine payable by the Issuer as a judgment debt. The Issuer intends to vigorously defend any attempts to enforce this fine. See further "*Risk Factors – Risks relating to the UAE and the Middle East - The Issuer is subject to political and economic conditions in Abu Dhabi, the UAE and the Middle East*".

As at the date of this Prospectus, the Issuer is not involved in any pending or, to the best of the Issuer's knowledge, threatened litigation or arbitration proceedings which would have a material adverse effect on the Issuer's financial position. Therefore, no material provision has been made as at 30 June 2020 regarding any outstanding legal proceedings. Pending legal proceedings are reviewed on an ongoing basis and, where required, provisions are made at the end of each fiscal quarter subject to appropriate internal approvals.

Insurance

The Issuer has various insurance policies in place, including a banker's blanket bond insurance policy. The Issuer's blanket bond insurance policy covers, among other risks, loss of its property whilst on the Issuer's premises and whilst in transit; forgery of cheques, securities and other documents; and employee frauds, errors and negligence. The Issuer believes that these insurance policies provide it with comprehensive insurance coverage against the various risks to which the Issuer is exposed.

Sustainability Policy

The Issuer is committed to taking a strategic approach to managing sustainability through its organisational culture and conducting business in a responsible way. In this context, the term "sustainability" refers to ensuring long-term business success while creating economic, environmental and social value for generations to come through the identification of new opportunities and the active management of current and future risks. Sustainability is a central factor in the Issuer's long-term profitability and growth and is integral to its success and ability to meet the needs and expectations of its stakeholders.

Undertaking business in a responsible way is an important focus for the Issuer. Its sustainability policy and environmental policy set out broad principles to assist the Issuer in managing its business and operations in a responsible manner which is essential for the long-term growth and resilience of the organisation.

The Issuer supports the country's sustainability objectives to which the government of the UAE is committed, including:

- UAE Vision 2021;
- UAE Green Agenda 2015-2030;
- Abu Dhabi Economic Vision 2030; and
- United Nations Sustainable Development Goals 2030.

The Issuer focuses its sustainability efforts on the issues that it considers most material and follows international best practice and recognised standards to ensure proper sustainable management and impact reduction across its sustainability priorities. The Issuer references the UN Sustainable Development Goals ("SDGs") and aligns its business practices and sustainability performance to the relevant SDGs. The Issuer is a member of the UAE Private Sector Advisory Council, which is focused on the implementation of the SDGs in the UAE.

In alignment with international best practice and the UAE government's commitment to mitigate climate change, the Issuer has committed to implement the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), and is the first financial institution in the MENA region to make this commitment to managing climate change risks.

In its lending, the Issuer is a signatory to the Equator Principles, a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risks in projects intended to support responsible risk decision-making. The Issuer is the only UAE bank that is a signatory to the Equator Principles.

In the management of its own environmental impact, the Issuer applies the ISO 14064-3 standard for greenhouse gas emissions verification, and reports to CDP (formerly Carbon Disclosure Project). The Issuer was awarded a B-score by CDP in 2019, the highest score for financial institutions within the MENA region. In its sustainability reporting, the Issuer aligns itself with the Global Reporting Initiative (GRI) Standards, the Equator Principles and the ICMA Green Bond Principles, while referencing the UNGC and SDGs.

The Issuer is an active participant and contributor to a number of national sustainability committees and taskforces, such as:

- the UAE Climate Change and Environment Council;
- the Private Sector Advisory Council to the UAE National Committee on the SDGs;
- the Abu Dhabi Sustainable Finance Declaration;
- the ADGM (Abu Dhabi Global Market) Consultative Working Group on Sustainable Finance;
- the ADGM Sustainable Finance Forum Advisory Group;
- the World Future Energy Summit Technical Advisory Committee;
- the EAD (Environment Agency Abu Dhabi) Declaration on Cleaning the Marine Environment; and
- the Dubai Declaration on Sustainable Finance.

The Issuer's corporate community investment programme reflects what the Issuer does to voluntarily contribute to the communities in which it operates. It is designed to inspire its staff while building rewarding relationships with its communities beyond its core business activities. In 2019, the Issuer has worked in partnership with non-profit organisations including Emirates Nature-WWF, Emirates Foundation, SEDRA Foundation and Special Olympics Abu Dhabi to:

- make a positive change in people's attitude or behaviour;
- help people with skills and personal development; and
- make a direct impact on people's quality of life.

The Issuer also launched its "#PeoplewithPurpose" volunteering programme in 2018, which builds on the Issuer's community partnerships and supports community investments.

The Issuer is included in the MSCI Emerging Markets ESG Leaders Index, reinforcing the Issuer's position as a regional leader in sustainability, highlighting the link between the Issuer's sustainability performance, and the growing importance of its environmental, social and corporate governance ("ESG") performance to investors. The Issuer is also represented on the FTSE4Good Emerging Markets Index.

Green Bond Framework

From time to time and pursuant to its U.S.\$15,000,000,000 euro medium term note programme, the Issuer intends to issue securities ("**green bonds**") whose net proceeds would be used to fund or refinance, in whole or in part, eligible projects within eligible categories set out in the Issuer's Green Bond Framework. For the avoidance of doubt, finance provided to any business or project that is not eligible under the criteria set out in the Green Bond Framework will not be considered as the use of proceeds of a green bond issued under this Framework.

The Issuer has broadly defined the eligible categories in accordance with the "Green Bond Principles" publicised by the International Capital Market Association. Eligible categories include:

- renewable energy;
- energy efficiency;
- pollution prevention and control;
- sustainable management of living natural resources;
- terrestrial and aquatic biodiversity conservation;

- clean transportation;
- sustainable water and wastewater management;
- climate change adaptation;
- eco-efficient product technologies; and
- green buildings.

Up to 100 per cent. of the proceeds of any green bond issue may be applied to refinance existing eligible projects within the eligible categories. Proceeds used for refinancing eligible projects will be substituted out of any green bond in favour of funding new eligible projects within eligible sectors as and when these become funded by the Issuer. The Issuer expects that the proceeds of each green bond will be allocated to eligible projects within the Middle East region. However, given the global nature of the Issuer's business and the international operations of many of the Issuer's clients, the proceeds of any green bond issue may be applied globally without geographical restriction. Where any portion of the proceeds of a green bond issue has not been applied to finance eligible projects within eligible sectors, proceeds may be invested according to local liquidity management guidelines.

Prior to completion of the Merger, legacy NBAD became the first financial institution in the UAE to issue a green bond in March 2017. In August 2019, the Issuer was the first financial institution in the region to print a green private placement bond. Additionally, the Issuer was also the joint bookrunner and joint lead manager on the first socially responsible sukuk issued by International Finance Facility Immunisation Company ("**IFFIm**") and the first ever green sukuk issued by a MENA corporate in 2014 and 2019, respectively. In 2019, in alignment with the Issuer's commitment to finance and support social projects, the Issuer led the structuring of the first SDG loan transaction within the MENA region and for global aviation. In 2019 the Issuer reached and exceeded its target to finance U.S.\$10 billion worth of sustainable projects over 10 years, 6 years ahead of schedule.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements. See also "Presentation of Information – Presentation of Financial Information".

The following tables set out certain consolidated statement of financial position and consolidated statement of profit or loss financial information of the Group as at and for the six months ended 30 June 2020 (as extracted from the Interim Financial Statements) and the financial years ended 31 December 2019 and 31 December 2018 (as extracted from the 2019 Financial Statements).

Consolidated statement of financial position

	As at 30 June 2020	As at 31 December 2019	As at 31 December 2018
	(AED millions)		
Assets			
Cash and balances with central banks	198,993.6	169,702.0	182,908.7
Investments at fair value through profit or loss	16,089.2	20,099.2	14,620.9
Due from banks and financial institutions	31,187.8	17,026.5	19,176.1
Reverse repurchase agreements	27,923.2	24,678.4	19,033.5
Derivative financial instruments	34,930.1	15,917.3	13,084.2
Loans and advances	384,577.7	407,903.0	352,966.4
Non-trading investments	124,338.4	114,644.4	90,433.6
Investment properties	8,355.1	7,956.9	7,388.5
Property and equipment	4,699.2	4,619.0	3,991.2
Intangibles	19,398.0	19,498.1	19,699.7
Other assets	15,497.8	19,923.3	20,583.6
Total assets	865,990.3	821,968.0	743,886.4
Liabilities			
Due to banks and financial institutions	54,100.6	36,007.9	40,266.5
Repurchase agreements	53,073.7	38,821.8	34,769.7
Commercial paper	20,279.1	21,237.0	18,144.1
Derivative financial instruments	41,410.4	19,228.5	15,219.5
Customer accounts and other deposits	518,654.5	519,161.9	465,237.1
Term borrowings	59,372.8	55,751.8	42,268.2
Subordinated notes	426.2	381.3	402.0
Other liabilities	20,649.2	23,340.8	25,606.4
Total liabilities	767,966.5	713,931.0	641,913.4
Equity			
Share capital	10,920.0	10,920.0	10,897.5
Share premium	53,504.0	53,434.5	53,188.0
Treasury shares	(12.1)	(18.9)	(25.5)
Statutory and special reserves	10,920.0	10,920.0	9,483.2
Other reserves	(639.2)	2,474.0	(37.5)
Tier 1 capital notes	8,000.0	10,754.8	10,754.8
Share option scheme	249.8	249.8	266.8
Retained earnings	14,654.2	18,872.4	17,083.9
Total equity attributable to shareholders of the Group	97,596.7	107,606.6	101,611.3
Non-controlling interest	427.1	430.5	361.7
Total equity	98,023.8	108,037.0	101,973.0
Total liabilities and equity	865,990.3	821,968.0	743,886.4

Consolidated statement of profit or loss

	Six months ended 30 June 2020	Year ended 31 December 2019	Year ended 31 December 2018
	(AED millions)		
Interest income	10,648.2	24,368.9	21,840.6
Interest expense	(4,324.7)	(11,594.1)	(8,810.4)
Net interest income	6,323.4	12,774.8	13,030.2

	Six months ended 30 June 2020	Year ended 31 December 2019	Year ended 31 December 2018
		<i>(AED millions)</i>	
Fee and commission income	2,140.7	4,730.7	4,880.0
Fee and commission expense	(665.8)	(1,561.3)	(1,487.6)
Net fee and commission income	1,474.9	3,169.4	3,392.4
	754.6		
Net foreign exchange gain.....		2,601.0	2,042.5
Net gain on investment and derivatives	219.8	1,506.3	826.2
Other operating income	588.6	197.6	154.5
Operating income	9,361.3	20,249.1	19,445.7
General, administration and other operating expenses.....	(2,589.1)	(5,499.0)	(5,328.6)
Profit before net impairment charge and taxation	6,772.2	14,750.1	14,117.2
Net impairment charge	(1,798.7)	(1,843.0)	(1,725.8)
Profit before taxation	4,973.5	12,907.1	12,391.4
Overseas income tax expense	(156.2)	(314.5)	(325.0)
Profit for the period	4,817.3	12,592.6	12,066.4

Related Party Transactions

Certain related parties (principally the major shareholders, associated companies, directors and executive management of the Issuer and companies of which they are principal owners) are customers of the Group in the ordinary course of business. The transactions with these parties were made on substantially the same terms, including interest and commission rates and the requirements for collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve an amount of risk which was more than the amount of risk relating to such comparable transactions. All loans and advances to related parties are performing advances and are free of any provision for impaired loans and advances.

As at 30 June 2020, the Group had financial liabilities to related parties totalling AED 66.6 billion and financial assets to related parties totalling AED 60.1 billion. The Group also had contingent liabilities with related parties in the amount of AED 26.2 billion as at 30 June 2020. See Note 30 (*Related parties*) to the Interim Financial Statements.

RISK MANAGEMENT

Overview

In common with other financial institutions, the Group faces a range of risks in its business and operations including: (a) credit risk; (b) market risk (including interest rate risk in the trading book, currency risk, equity risk in the trading book); (c) liquidity risk; (d) interest rate risk in the banking book; (e) operational risk (including risk of fraud); and (f) legal and compliance risk.

Efficient and timely management of the risks involved in the Group's activities is critical to its financial soundness and profitability. Risk management involves identifying, measuring, monitoring, controlling and reporting these risks on a regular basis. The objective of risk management is to protect the Group's capital and achieve a return on capital that is commensurate with the risks assumed.

Risk Management Structure

The overall responsibility for risk management lies with the Board. The principal role of the Board is to oversee implementation of the Group's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory guidelines. Several Board level committees and management level committees form part of the overall risk management structure within the Group. The Board level committees include: (a) the Board Management Committee (the "**BMC**"), which is responsible for overseeing of the Group's overall business strategy and ensuring that the business policies and practices are in line with the overall strategy and in alignment with sound corporate governance and related regulatory requirements and guidelines; (b) the Board Risk and Compliance Committee (the "**BRCC**"), which is responsible for maintaining oversight over current and potential risk exposures across the Group and direction on risk strategy, frameworks, risk appetite, tolerance and culture; (c) the Board Audit Committee (the "**BAC**"), which has overall responsibility for assessing the internal audit findings, directing the implementation of audit recommendations and overseeing the internal audit activities being undertaken; and (d) the Board Remuneration and Nomination Committee (the "**REMCO**"), which is responsible for overseeing the appointment of the Board and executive management and ensuring that they discharge their responsibilities in the interests of the shareholders and the Group as well as overseeing the overall compensation and reward mechanism of the Group.

The Group Executive Committee (the "**EXCO**") is the Group's most senior management level committee and it operates under the delegated authority from the Board. The EXCO has established management committees to help execute the agreed objectives and to assist in running, controlling and monitoring the business of the Group efficiently and effectively. Management committees include: (i) the Group Risk Committee for overseeing the Group-wide risk strategy and exposures to enable integrated and effective risk management; (ii) the Group Compliance Committee for assisting the BRCC in fulfilling its objective of overseeing the Group's regulatory responsibilities and compliance with applicable laws and regulations issued by the various regulatory authorities; (iii) the Group Asset and Liability Committee, which has principal responsibility for the Group's asset and liability management process; (iv) the Group Corporate and Investment Banking Credit Committee, which assists in the development and implementation of the Group's corporate and investment banking business credit and investments strategy and related policies and procedures; (v) the Group Personal Banking Credit Committee to ensure a holistic overview of business strategies across the personal banking business of the Group; (vi) the Human Resources ("**HR**") Steering Committee for assisting the EXCO and the REMCO to implement the strategic and operational HR initiatives; (vii) the Group Operational Risk Committee for assisting the EXCO in fulfilling its objective of overseeing the Group's operational and fraud risk management related business continuity responsibilities; (viii) the Information Security Committee to assist the EXCO in overseeing, reviewing and taking decisions on the implementation of the Group's security controls to ensure that information assets of the Group are adequately protected; and (ix) the Group Technology Steering Committee to assist in fulfilling EXCO's corporate governance and oversight responsibilities of all technology and information systems across the Group and to support the work of the BRCC in its oversight of the Group IT governance framework. The Group's Chief Risk Officer ("**GCRO**") is responsible for risk management for the Group's centralised risk management function.

The Group has also established an independent risk management unit, responsible for continuous monitoring identification, measurement, control, mitigation and reporting of risks arising out of the Group's activities. The risk management unit also monitors compliance with regulatory policies and procedures (including the Group's anti-money laundering procedures). The GCRO is responsible for day-to-day risk

management for the Group. The risk management unit has separate sub-units responsible for management of enterprise risk, credit risk, market and liquidity risk, operational and fraud risk, legal risk and information security. Each of these sub-units reports to the GCRO.

The Group's treasury, under the strategic direction of the Group Asset and Liability Committee, is responsible for managing the Group's assets and liabilities and its overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Group. Risk management processes throughout the Group are audited on an annual basis by internal auditors who examine both the adequacy of the processes and compliance with regulatory requirements. The results of each internal audit are reported directly to the BAC.

Risk Monitoring, Measurement, Control and Reporting

The Group has established an enterprise risk management policy ("**ERMP**") framework to support the Group's risk management objectives.

The aim of the Group's ERMP framework is to support the Group in being a world-class organisation maximising its risk adjusted returns for all stakeholders by establishing a risk management framework across the Group. The core objective of ERMP framework is to provide a reasonable degree of assurance to the Board that the risks threatening the Group's achievement of its core values and purpose are being identified, measured, monitored and controlled through an effective integrated risk management system. The ERMP framework consists of specific policy documents covering all material risks across the Group that include enterprise risk management policy, risk appetite policy, corporate governance framework, corporate and investment banking credit policy, personal banking credit policy, IFRS 9 impairment policy, market and liquidity risk related policies, operational risk policy, fraud risk policy, outsourcing risk policy, compliance risk related policies, information security risk related policies, business continuity management policy, internal capital adequacy assessment process policy, new products approval policy and model risk management policy. In addition to these risk management policies, the Group has also put in place detailed operational policies, procedures and programs wherever needed. Other relevant risks such as reputation risk and strategy risk are covered under the enterprise risk management policy.

As a part of the ERMP framework, the Group has established a formal risk appetite structure in the form of a top-down approach that incorporates requirements of various stakeholders, including shareholders, holders of its debt securities and regulators through a dialogue process between risk taking functions after a careful consideration of the risk-return trade-off.

Risk monitoring and control is primarily based on limits established by the Group's executive management. These limits reflect the Group's business strategy and the market environment in which it operates as well as the risk appetite of the Group. Information from all parts of the Group is collected, examined and processed in order to identify, analyse and control risks. This information is presented to the BRCC and the Group Risk Committee on a quarterly basis. The information covers credit, market, liquidity, operational, fraud, information security and compliance risks and is designed to enable the Board and executive management to receive all necessary information so as to independently assess the possible impact of these risks on the Group's businesses. The Group uses a range of measures to mitigate and control risks including the use of credit risk mitigation techniques (collaterals, guarantees, netting, etc.) to reduce exposure to credit risk and the use of derivative instruments to hedge exposure to certain interest and currency exchange rate risks. The Group is working on diversifying its lending activities in order to minimise risk concentrations across specific customer groups, industries or businesses and is considering securitisation and other structured solutions as a way of mitigating credit risk. The risk profile of all major transactions is assessed and authorised by appropriate management representatives before the transactions are concluded and the effectiveness of all risk mitigation measures is closely monitored by the risk management unit.

Credit Risk

Credit risk is the risk of a customer or counterparty to a financial asset failing to meet its obligations in accordance with the agreed terms and, as a result, causing the Group to incur a financial loss. The Group is exposed to credit risk through its lending, trading, hedging and investing activities as well as through activities in which it acts as an intermediary on behalf of customers/other third parties or issues guarantees. The Group is also exposed to credit concentration risk. Various forms of credit risk concentrations can be distinguished in this context including large exposures to individual clients or groups of connected clients, large exposures to clients of poor credit quality, large exposures to clients in certain countries and large

exposures to clients belonging to specific industries, amongst others. Indirect credit risk concentrations can also arise as a result of certain credit risk mitigation techniques.

The Group's primary exposure to credit risk arises through its loans and advances to customers, as well as through its interbank lending operations. The amount of credit exposure in this regard is a function of assets being carried on the consolidated balance sheet. In addition, the Group is exposed to off balance sheet credit risk through the contingent liabilities it assumes. The Group is also exposed to credit risk on various other financial assets, including derivative instruments and debt investments.

The Group has established an independent credit risk team within the risk management unit to track the magnitude of credit risk. The middle office reports this risk to executive management on a regular basis.

The table below sets out the Group's maximum exposure to credit risk for the different components of the balance sheet, including derivatives as at 30 June 2020. This exposure does not take into account netting and collateral agreements that serve as credit risk mitigants. Where financial instruments are recorded at fair value, the amounts shown in the table represent the then current credit risk exposure but not the maximum credit risk exposure that could arise in the future as a result of changes in values.

	As at 30 June 2020
	<i>(AED millions)</i>
Balances with central banks	197,354.3
Due from banks and financial institutions	31,237.1
Reverse repurchase agreements	27,926.7
Loans and advances (gross)	400,614.2
Non-trading investments ⁽¹⁾	123,783.2
Other assets	9,800.7
Investments at fair value through profit or loss	14,165.6
	804,881.9

⁽¹⁾ Comprises amortised cost and FVOCI debt.

The Group controls credit risk by monitoring credit limits and exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties, diversification of lending activities, compliance with internal lending limits to avoid undue concentrations of risks and by obtaining security as appropriate.

The Group's credit policy is reviewed and approved by the Board on an ongoing basis. The Group's credit policy allows for a certain degree of flexibility if circumstances warrant deviations from standard practice. All such exceptions are clearly documented and ratified by the Board.

The Group's credit risk limits are set in line with its credit criteria and reviewed at least on an annual basis. Credit exposure to individual customers or groups of customers is controlled through a tiered hierarchy of delegated approval authorities and is based on several factors including, but not limited to, country risk rating, industry risk rating, counterparty risk rating and assessment of facility risk.

Significant counterparty credit exposures, industry exposures and sector exposures are reviewed by executive management on a regular basis.

The table below sets out the Group's concentration of its gross loans and advances portfolio by counterparty and industry sector, in each case as at 30 June 2020.

	As at 30 June 2020
	<i>(AED millions)</i>
Counterparty	
Government sector	37,082.8
Public sector	86,439.5
Banking sector	19,175.2
Corporate/private sector	184,832.5
Personal/retail sector	73,084.3
Gross loans and advances	400,614.2

	As at 30 June 2020
	<i>(AED millions)</i>
Industry	
Agriculture	301.7
Energy	36,721.8
Manufacturing	22,531.3
Construction	10,643.7
Real estate	83,881.8
Trading	24,286.6
Transport and communication	35,079.0
Banks	19,175.2
Other financial institutions	37,120.9
Services	20,705.2
Government	37,082.8
Personal – Loans and Credit Cards	52,230.5
Personal – Retail Mortgage	20,853.7
Gross loans and advances	<u>400,614.2</u>

The table below sets out the Group's credit concentration in respect of its non-trading investments by counterparty and by external credit ratings, in each case as at 30 June 2020.

	As at 30 June 2020
	<i>(AED millions)</i>
Counterparty type	
Government sector	59,207.9
Supranational	968.4
Public sector	24,839.0
Banking sector	31,392.6
Corporate/private sector	7,931.2
Less: allowance for impairment (expected credit loss) on amortised cost securities	(0.6)
Total non-trading investments	<u>124,338.4</u>

	As at 30 June 2020
	<i>(AED millions)</i>
External credit rating	
AAA	16,502.7
AA to A	76,851.1
BBB and below	26,202.4
Unrated	4,782.8
Less: allowance for impairment (expected credit loss) on amortised cost securities	(0.6)
Total non-trading investments	<u>124,338.4</u>

The Group operates a system of approval limits for its corporate lending, which is reviewed on a regular basis.

In line with the Group's credit policy, various types of credit risk mitigants – such as collaterals, guarantees, netting agreements and credit derivatives – are being used to mitigate risks. The mitigants are usually in the form of cash collateral or securities, legal charges over customer's assets, third party guarantees or assignments over receivables. As per the Group's internal policies, all of the mitigants are valued and monitored at regular intervals. Responsibility for day-to-day management of existing credit exposure is delegated to credit officers who comply with the regular credit review requirements set out in the Group's credit manual. Credits are assessed using an internal credit risk evaluation system based on detailed qualitative and quantitative criteria.

In assessing its credit exposure, the Group's corporate customers are classified into 11 rating categories ranging from 1 (highest rating) to 11 (default rating). For regulatory reporting purposes, the Group reports its loans to the UAE Central Bank as per five grade scale where 1 is performing, 2 is watch list, 3 is sub-standard, 4 is doubtful and 5 is loss. In accordance with Circular 28/2010 issued by the UAE Central Bank on 11 November 2010, Grades 1 and 2 are considered as performing whereas Grades 3, 4 and 5 are considered as non-performing.

The tables below set out the Group's categorisation by credit quality of its exposure to the following asset classes as at 30 June 2020.

	As at 30 June 2020				
	Stage 1	Stage 2	Stage 3	Purchased or originally credit impaired ⁽¹⁾	Total
			(AED millions)		
Balances with central banks	193,880.0	3,474.3	-	-	197,354.3
Due from banks and financial institutions	30,582.3	654.9	-	-	31,237.1
Reverse repurchase agreements	27,926.7	-	-	-	27,926.7
Loans and advances (gross)	361,068.0	20,233.5	14,446.1	4,866.7	400,614.2
Non-trading investments ⁽²⁾	123,761.6	21.6	-	-	123,783.2
Other assets	9,769.6	29.0	2.1	-	9,800.7
Unfunded exposure	226,455.2	5,523.5	1,299.5	-	233,278.1
	<u>973,443.3</u>	<u>29,936.8</u>	<u>15,747.6</u>	<u>4,866.7</u>	<u>1,023,994.4</u>

⁽¹⁾ The Group, from an internal credit quality point of view, considers AED 4,667 million as par to non-performing loans.

⁽²⁾ Comprises amortised cost and FVOCI debt.

Impairment

The Group recognises loss allowances for expected credit loss ("ECL") on the following financial instruments that are not measured at fair value through profit or loss:

- balances with central banks;
- due from banks and financial institutions;
- reverse repurchase agreements;
- financial assets that are debt instruments;
- loans and advances;
- loan commitments issued; and
- bank guarantee contracts, acceptances, letter of credits issued.

No impairment loss is recognised on equity investments. The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

Measurement of ECL

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – where there has not been a significant increase in credit risk ("SICR") since initial recognition of a financial instrument, an amount equal to 12-month expected credit loss is recorded. The expected credit loss is computed using a probability of default events occurring over the next 12 months. For instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used;
- Stage 2 – when a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default events over the remaining estimated life of the financial instrument; and

- Stage 3 – financial instruments that are considered to be impaired are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default;
- loss given default; and
- exposure at default.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

The Group ceases to accrue income on any loan wherein a reasonable doubt, with respect to collection of unpaid interest or fees, exists or where a loan is classified as a non-performing asset. As at 30 June 2020, interest suspended amounted to AED 3.5 billion (equal to 0.9 per cent. of total gross loans as at 30 June 2020).

As at 30 June 2020, total provisions amounted to AED 14.2 billion representing 90.9 per cent. of all NPLs. The NPL ratio was 3.9 per cent. as at 30 June 2020.

It is the Group's policy to write-off impaired assets only after all reasonable restructuring and collection efforts have been undertaken and where the possibility of any further recovery is considered remote. For the six months ended 30 June 2020, the Group's write-off of impaired financial assets amounted to AED 39.9 million.

On 27 March 2020, the IASB issued a guidance note, advising that both the assessment of SICR and the measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken.

Under the TESS, the IFRS 9 staging and classification of loans of customers that are Stage 1 and are receiving relief is expected to remain unchanged during the period of the scheme and not downgraded. In addition, as part of the UAE Central Bank's stimulus package in response to COVID-19, banks are able to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024. See further "*The United Arab Emirates Banking Sector and Regulations – COVID-19*".

Counterparty credit risk for derivative transactions

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group. The positive market value is also referred to as the "replacement cost" since it is an estimate of what it would cost to replace transactions at prevailing market rates if a counterparty defaults. Derivatives are used by the Group to help manage its balance sheet risks in an efficient manner and are also offered to the Group's clients with back-to-back transactions executed with other financial institutions. The majority of the Group's derivative contracts are entered into with other financial institutions with investment grade credit ratings from the main credit rating agencies.

Market Risk

Market risk is defined as the risk of losses in the Group's on or off-balance sheet positions arising from movements in interest rates, credit spreads, foreign exchange rates and the prices of its debt, equity and commodity investments.

The Group has established an independent market risk management team which, in addition to its oversight role, tracks the magnitude of market risk on a daily basis, models and validates market data and develops quantitative risk management techniques. The Group has established policies and guidelines for managing trading activities and investments that are subject to market risk. These policies and guidelines are reviewed and approved by the Group Risk Committee and further ratified by Board level committees on an annual

basis. These guidelines stipulate inter-alia the risk appetite for market risk through a comprehensive limit structure covering exposure, sensitivities, concentration and VaR and lay down the investment criteria for each asset class.

Positions in the Group's trading and investment book portfolio are created subject to compliance with the investment policies and guidelines. The Group has established an independent market risk team within the risk management unit to track the magnitude of market risk on a daily basis, in addition to its role of oversight, model and market data validation and development of quantitative techniques for risk management. The middle office reports this risk to executive management on a daily basis.

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk through hedging and by reviewing the re-pricing of assets and liabilities through risk management strategies. The asset and liability management risk team monitors the gaps and reports both interest rate risk and liquidity risk to the Group Asset and Liability Committee on a monthly basis. The Group's sensitivity to interest rate changes is reduced by the fact that a very significant part of its loans and advances can be re-priced on either a monthly or quarterly basis.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's functional currency is the UAE dirham. As the UAE dirham has been pegged to the U.S. dollar since 1980, positions in U.S. dollars have not generally been considered as a significant currency risk, although this assessment has been re-evaluated in recent years given increased market speculation concerning the possible abolition of the currency peg in a number of GCC countries in response to the volatile oil price environment. The Group's foreign exchange positions are monitored on a daily basis to ensure that they are maintained within established limits set by the Group Risk Committee. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group invests in international equities and hedge funds and also acts as a broker for trading in local and international equities. The Group manages its equity price risk through limits for each product and limits by country, currency, sector and dealer where appropriate in order to ensure diversification of its equity investments in terms of both geographical distribution and industry concentration. All outstanding own-account open positions are monitored daily and appropriate limits are in place.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or deterioration in the Group's credit quality which may adversely impact certain sources of funding. Liquidity risk management seeks to ensure that, even under adverse conditions, the Group has access to the funds necessary to cover customer needs, maturing liabilities and the capital requirements of its operations. In accordance with Basel III guidelines, the Group monitors its LCR and maintains a portfolio of HQLAs as part of its LCR monitoring and reporting obligations to the UAE Central Bank. As at 30 June 2020, the Group held a portfolio of net HQLAs valued at AED 268.7 billion and had a LCR of 128.9 per cent. As part of the TESS, the Issuer is able to fall below the regulatory LCR of 100 per cent., provided that their LCR is higher or equal to 70 per cent., until 31 December 2021.

Liquidity risk arises in the general funding of the Group's financing, trading and investment activities and in the management of liquidity positions. This risk involves the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a

position in a timely manner on reasonable terms and the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain.

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

The following table sets out the percentage of cash and balances with Central Banks, repurchase agreements and due from financial institutions compared to total assets as at 30 June 2020.

	As at 30 June 2020
	<i>(per cent.)</i>
Cash and balances with central banks, reverse repurchase agreements and Due from banks and financial institutions	29.8
Loans and advances.....	44.4
Investments at fair value through profit or loss, Derivative financial instruments, Non-trading investments and Investment properties	21.2
Property and equipment, Intangibles and Other assets	4.6
Total assets	100.0

The day-to-day management of liquidity within the framework of the Group's liquidity risk policy is the responsibility of the asset and liability management desk with global markets which is overseen in this regard by the Group Asset and Liability Committee. The Group uses a maturity ladder (time bucket) approach for managing its liquidity.

The Group's liabilities, in particular its customer deposits, are principally short-term in nature whereas its assets, in particular its loans and advances, are generally of a longer term. The Group believes that this apparent maturity gap is mitigated by the fact that a large part of its customer deposits, although contractually of a short-term nature, as is customary practice in the UAE, historically have been maintained for longer periods. The Group believes that this reflects the strength of its relationship with its principal depositors. Other mitigants include the Group's liquid asset balances, including a part of its investment portfolio and the fact that a number of its loans repay on an instalment basis. Notwithstanding these mitigants, there remains a risk that the Group could be exposed to liquidity risks should there be a significant downturn in market conditions allied with a significant removal of deposits from the Group.

With respect to liquidity risk related ratios, the UAE Central Bank made it mandatory for all UAE based banks to comply with the Eligible Liquid Assets Ratio ("**ELAR**") and an Advances to Stable Resources Ratio ("**ASRR**") as of 1 January 2016, while giving an option for banks to apply for compliance with the Basel III LCR and NSFR in accordance with the timelines set by the Bank for International Settlements. All the aforementioned liquidity ratios are monitored and reviewed by the Group Asset and Liability Committee.

Derivatives

In the ordinary course of its business, the Group enters into a range of transactions that involve derivative instruments. In these transactions, the Group assists its customers and counterparties (typically other financial institutions) in altering their risk profile in a particular area by structuring transactions to meet the particular needs of the customer or counterparty. The positions accumulated from such activity are typically passed on to others in the market but may also be managed as open positions with a view to a limited profit. The Group manages the risks involved in this activity through appropriate limits and stop loss parameters established and monitored by the risk management division.

The Group also enters into derivative transactions to hedge its currency, interest rate and cash flow risks as part of its asset and liability management activities. This hedging may be in respect of specific financial instruments, forecasted transactions or strategic hedging against overall balance sheet exposures.

The total derivatives book by notional value as at 30 June 2020 was AED 2,353 billion (with a net mark-to-market of negative AED 6.5 billion).

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes/people/systems or from external events, including fraud. The Group has set up an independent operational risk team within the risk management unit for development and automation of an operational risk framework, for monitoring of operational losses on a regular basis and for necessary reporting to executive management. The Group has a dedicated team for the purposes of investigating suspected incidents of fraud.

Detailed operational manuals, internal control mechanisms (including segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes), periodic reviews and internal and external audits are tools employed for sound assessment, monitoring and management of operational risk in the Group's business. The Group is in the process of automating the process related to operational risk management through system implementation. The Group has in place an enterprise fraud risk monitoring system to monitor suspicious transactions.

Legal Risk

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

The Group is compliant with FATCA. In line with the inter-governmental agreement finalised by the UAE federal government with the United States Government, the Group has completed its FATCA registration and obtained its Global Institution Identification Number for the Issuer and all of its subsidiaries and international branches.

MANAGEMENT

Board of Directors

The Group operates under the direction of the Board of Directors (the "**Board**"), which is the principal decision-making forum with overall responsibility for the Group's strategy and for monitoring the performance of the Group's businesses and executive management. As at the date of this Prospectus, the Board comprises 10 non-executive members. Each member of the Board is elected at a shareholders' general assembly meeting for a period of three years. All elected directors seeking to serve an additional term are required to seek re-election by the shareholders every three years.

The primary mandate of the Board is to align the Group's strategic objectives, risk appetite and overall corporate governance framework with the best interests of the Group and thereby maximise value for shareholders. This mandate is coupled with responsibility for monitoring and maintaining the Group's financial and economic stability and safeguarding the rights and benefits of all of the Group's stakeholders. Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting. The Board and the Group's executive management have delegated certain powers to committees, as described below.

The roles of the Chairman of the Board and the Group's Chief Executive Officer ("**GCEO**") are separate and independent of one another and there is a clear segregation of their respective duties and responsibilities. The Chairman's main responsibility is to lead the Board and ensure the effective engagement and contribution of all directors, so that the Board may fully discharge its legal and regulatory responsibilities.

The Board appoints the GCEO and specifies his powers and authority. The day-to-day management of the Group's business has been delegated by the Board to the GCEO, who is assisted by the other members of executive management. The GCEO, assisted by the other members of executive management, is responsible for controlling and monitoring the Group's business on a day-to-day basis, recommending strategy to the Board, leading executive management and implementing the Board's strategic and operational decisions.

Any candidate for appointment as a director must be considered and approved by the Board's Remuneration and Nomination Committee, the UAE Central Bank and the Group's shareholders at its General Assembly.

The table below shows the names of the members of the Board as at the date of this Prospectus.

Name	Position
H.H. Sheikh Tahnoon Bin Zayed Al Nahyan	Chairman
H.E. Sheikh Mohamed Bin Saif Bin Mohamad Al Nahyan	Vice-Chairman
H.E. Jassim Mohammed Buatabh Al Zaabi	Board Member
H.E. Dr. Sultan Ahmed Al Jaber	Board Member
H.E. Sheikh Ahmed Mohammed Sultan Al Dhahiri	Board Member
H.E. Jassim Mohamed AlSeddiqi.....	Board Member
H.E. Khalifa Sultan Ahmed Sultan Al Suwaidi.....	Board Member
H.E. Mohamed Thani Murshid Ghanem Al Rumaithi	Board Member
H.E. Mohammed Saif Al Suwaidi	Board Member
H.E. Waleed Al Mokarrab Al Muhairi	Board Member

Detailed below is brief biographical information about each member of the Board as at the date of this Prospectus.

H.H. Sheikh Tahnoon Bin Zayed Al Nahyan – Chairman

H.H. Sheikh Tahnoon Bin Zayed Al Nahyan is the chairman of the Group and the former Chairman of FGB. He also serves as an advisor to the National Security of the UAE and chairman of Royal Group.

H.E. Sheikh Mohamed Bin Saif Bin Mohammad Al Nahyan – Vice-Chairman

H.E. Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan is a non-executive director of the Board and a former NBAD board member. With more than 15 years' experience as a business professional, H.E. is the chairman of the Abu Dhabi National Insurance Company (which is a leading and prominent insurance provider in the region) as well as the chairman of Abu Dhabi National Insurance Company's risk management committee. He holds a degree in international economics and history from the American University of Paris, France.

H.E. Jassim Mohammed Buatabh Al Zaabi – Board Member

H.E. Jassim Mohammed Buatabh Al Zaabi is a non-executive director of the Board.

H.E. has served as the Chairman of the Abu Dhabi Department of Finance since April 2019. As one of the eminent Emirati leaders, H.E. was assigned several vital positions before that, such as Chairman of the Abu Dhabi Executive Office, which is the local executive authority of Abu Dhabi. He also served as Chairman of the Executive Committee of the Executive Council of the Emirate of Abu Dhabi. H.E. is the Director General of the National Electronic Security Authority (NESA), Vice President of the Abu Dhabi Development Holding Company, Chairman of the Board of Directors of the Abu Dhabi Retirement Pensions & Benefits Fund, Chairman of Injazat Data Systems Company, Chairman of Al Yahsat Satellite Communications Company, a board member of the Advisory Council of Mohamed bin Zayed University of Artificial Intelligence and a board member of Emirates Nuclear Energy Corporation.

H.E. holds a bachelor's degree in Business Administration from Ajman University of Science and Technology and a master's degree in Business Administration from London Business School.

H.E. Dr. Sultan Ahmed Al Jaber – Board Member

H.E. Dr. Sultan Ahmed Al Jaber is a non-executive director of the Board. H.E. is the Minister of Industry and Advanced Technology of the UAE. H.E. has extensive experience in both the public and private sector and has been responsible for overseeing, developing and enhancing strategic geopolitical, social and economic partnerships with several nations.

H.E. is also the Group Chief Executive Officer of the Abu Dhabi National Oil Company (ADNOC), where he is leading the rapid and comprehensive transformation of the company at the direction of the leaders of the UAE. H.E. was the Chief Executive Officer of the 'Energy' platform at MIC. Whilst at MIC, he established Masdar, Abu Dhabi's pioneering renewable energy initiative. He also served as Chairman of the Abu Dhabi Ports Company from 2009 to 2019.

H.E. also holds several leadership roles and advisory positions and counsels on issues related to energy, economics, strategic communications and sustainable development.

H.E. has previously served on the United Nations Secretary General's High-level Group on Sustainable Energy for All.

H.E. is the Chairman of Masdar, Chairman of the UAE National Media Council, Chairman of Abu Dhabi Media Company, Chairman of the Board of Trustees of the Mohamed bin Zayed University of Artificial Intelligence, a member of the Emirates Diplomatic Academy Board of Trustees and a board member of Emirates Global Aluminium.

H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri – Board Member

H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri is a non-executive director of the Board, having previously served as a non-executive director on NBAD's board. He is also the chairman of Bin Srou Engineering. He is also a board member of the National Consultative Council ("NCC"), a board member of Emirates Communication (Etisalat), vice chairman of Abu Dhabi National Hotels Company and vice chairman of Abu Dhabi Aviation. He has previously served as Undersecretary of the Department of Social

Services and Commerce Building from 1996 until 2009. He holds a bachelor's degree in civil engineering science.

H.E. Jassim Mohammed Al Seddiqi – Board Member

H.E. Jassim Mohammed Al Seddiqi is a non-executive director of the Board, having previously served as a non-executive director on FGB's board. He also serves as the chief executive officer of SHUAA Capital, a Dubai Financial Market listed entity, which was created by the merger of SHUAA Capital and Abu Dhabi Financial Group. He is also the chairman of Gulf Finance House, SALAMA Islamic Arab Insurance Company, Eshraq Investments PJSC, Khaleeji Commercial Bank and the Entertainer and a board member of Abu Dhabi Capital Group, ADNOC Distribution and Dana Gas. He has previously served as the chief executive officer of Abu Dhabi Capital Group and a lecturer at the Abu Dhabi based Petroleum Institute. He holds a bachelor's degree in electrical engineering from the University of Wisconsin-Madison and a master's degree in electrical engineering from Cornell University, United States.

H.E. Khalifa Sultan Ahmed Sultan Al Suwaidi – Board Member

H.E. Khalifa Sultan Ahmed Sultan Al Suwaidi is a non-executive director of the Board, having previously served as a non-executive director on NBAD's board. He is an executive director of the Direct Investment Department at ADIC PJSC. Prior to this, he was the deputy director of the External Funds (Americas) Department at ADIA. He is also a board member of Etihad Aviation Group and UAE Banks Federation. He holds a degree in business administration (finance) and M.Sc. in finance from Seattle University, USA and is a Chartered Financial Analyst.

H.E. Mohammed Thani Murshed Ghanem Al Rumaithi – Board Member

H.E. Mohammed Thani Murshed Ghanem Al Rumaithi is a non-executive director of the Board, having previously served as a non-executive director on FGB's board. He is the President of the Federation of Chambers of the GCC. In addition, he is the chairman of the Abu Dhabi Chamber of Commerce and Industry, chairman of National Marina Dredging Co., chairman of Arabtec Holding and chairman of Thani Murshed Unilever. He is also vice president of Abu Dhabi Sports Council.

H.E. Mohammed Saif Al Suwaidi – Board Member

H.E. Mohammed Saif Al Suwaidi is a non-executive director of the Board, having previously served as a non-executive director on FGB's board. He is the director general of the Abu Dhabi Fund for Development. He also serves as chairman of Al Ain Farms for Livestock Production and as a board member of the Abu Dhabi Centre of Food Security, Al Jazira Sports and Cultural Club, UAE Red Crescent and DP World. He has previously served as the director of operations department at the Abu Dhabi Fund for Development for 11 years where he was in charge of all the projects financed by the fund. He holds a bachelor's degree in business administration from California Baptist University, United States.

H.E. Waleed Al Mokarrab Al Muhairi – Board Member

H.E. Waleed Al Mokarrab Al Muhairi is a non-executive director of the Board.

H.E. is Deputy Group Chief Executive Officer of MIC and has strategic oversight of the company's broad investment portfolio and special projects at the group level while ensuring that the company's four platforms are coordinating efficiently. He is also Chief Executive Officer of the Alternative Investments & Infrastructure platform and leads MIC's healthcare, real estate & infrastructure, and capital investment portfolios.

H.E. is a member of MIC's Investment Committee, which is mandated to develop the company's investment policies, establish investment guidelines and review all proposed projects and investments to ensure they are in line with business objectives.

He was one of the principal architects behind the Abu Dhabi 2030 Economic Vision. Prior to joining MIC, he worked with the UAE Offsets Program Bureau as a Senior Project Manager. Past roles also include working with McKinsey & Company as a commercial and governmental consultant.

H.E. is the Chairman of Cleveland Clinic Abu Dhabi, Member of the Board of Trustees of Cleveland Clinic in the United States, Chairman of Waha Capital, Vice Chairman of Aldar Properties, a board member of

Abu Dhabi Global Market, a board member of Emirates Investment Authority, a board member of Tamouh Investments and a board member of Investcorp Holdings, Bahrain. H.E. holds a Master's Degree in Public Policy from Harvard University, USA, and a Bachelor of Science Degree in Foreign Service from Georgetown University, USA.

The business address of each member of the Board is First Abu Dhabi Bank PJSC, FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, United Arab Emirates.

Certain members of the Board, their families and companies of which they, or members of their families, are principal owners, or of which they are employees, are customers of the Group in the ordinary course of business. The transactions with these parties are made at arm's length and on substantially the same terms, including interest rates, as those prevailing at the same time for comparable transactions with unrelated parties. See further "*Selected Financial Information – Related Party Transactions*" and Note 30 (*Related parties*) to the Interim Financial Statements.

Except as disclosed in the next paragraph, no member of the Board named in the table above has any actual or potential conflict of interest between his duties to the Group and his private interests and/or other duties.

Each of the directors of the Group named in the table above has outside interests in entities other than the Group, including employment and/or directorships with third parties (as set out in their respective biographies). Given the wide scope of the Group's operations, such entities have banking and/or other commercial relationships with the Group. Some Board members also have personal banking relationships with the Group. As the directors are involved in the Group's decision-making process and have knowledge of the Group's products and services, including the commercial terms thereof, a potential conflict of interest may arise. However, the Group has established robust internal procedures to deal with any such potential conflict, including the relevant director being excluded from voting at board meetings on issues which relate to the relevant director's and/or other connected entity's dealings with the Group.

The Group is committed to managing all related party transactions and potential conflicts of interest which may arise and to meet the Group's obligations to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage related party transactions and conflicts of interest.

The Group's code of conduct covers the conduct of members of the Board. The code binds signatories to the highest standards of professionalism and due diligence in the performance of their duties. It also covers conflicts of interest, disclosure and the confidentiality of insider information. Members of the Board are bound by specific regulations relating to insider trading and are required to disclose details of their shareholdings in the Group.

The Group maintains a register for all conflict of interest cases.

Board Committees

The Board has established the following four Board-level committees which are described below. The roles and authorities of each Board committee are defined and delegated by the Board and are described in each committee's charter. Each Board committee reviews its charter on a periodic basis and submits any recommendations for amendments or updates to the Board for approval. The Board committees also submit reports to the Board's Chairman each quarter regarding their respective duties.

Board Remuneration and Nomination Committee

The REMCO comprises three members of the Board, the Group Chief Executive Officer and the Group Chief Human Resources Officer as a permanent attendee. The REMCO has overall responsibility for recommending and overseeing the appointment of members of the Board and executive management and ensuring that they discharge their responsibilities in the interests of the shareholders and the Group as a whole. The REMCO also oversees (and has ultimate responsibility for approving) compensation packages (including, but not limited to, fixed and variable salaries, long term incentives and other benefits) and ensures that these are appropriate and consistent with the Group's culture, business and risk strategy, performance and control environment as well as with any legal or regulatory requirements.

As at the date of this Prospectus, the members of the REMCO are: H.H. Sheikh Tahnoon Bin Zayed Al Nahyan – Chairman, H.E. Sheikh Mohamed Bin Saif Bin Mohamed Al Nahyan, H.E. Khalifa Sultan Al

Suwaiddi, the Group Chief Executive Officer and the Group Chief Human Resources Officer as a permanent attendee.

A quorum of a majority of the members is required to convene a meeting of the REMCO. Only members of the REMCO and the Group Chief Human Resources Officer (as a permanent attendee) are entitled to attend the committee's meetings, although members of management and other specialists may be invited to attend meetings upon request of the committee.

The REMCO is required to hold a minimum of two meetings per year and provides regular reports to the Board. In the six months ended 30 June 2020, the REMCO met two times.

Board Management Committee

The BMC comprises four members of the Board and the Group Chief Executive Officer. The BMC, on behalf of the Board, is responsible for approving and overseeing the execution of the Group's business plan in line with the Board approved strategy. The BMC oversees the Group's overall management and ensures that the Group's business policies and practices are in line with the Group's business interests and are in alignment with sound corporate governance and compliance standards including provisions of the UAE Central Bank.

As at the date of this Prospectus, the members of the BMC are: H.E. Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan, H.E. Mohammed Saif Al Suwaiddi, H.E. Jassim Mohammed Al Seddiqi, H.E. Waleed Al Mokarrab Al Muhairi and the Group Chief Executive Officer.

A quorum of a majority of the members is required to convene a meeting of the BMC and only members of the BMC are entitled to attend the committee's meetings, although members of management and other specialists may be invited to attend meetings upon request of the committee.

The BMC is required to hold a minimum of four meetings per year and provides regular reports to the Board. In the six months ended 30 June 2020, the BMC met one time.

Board Risk and Compliance Committee

The BRCC comprises four members of the Board, the Group Chief Executive Officer (as a non-voting member) and the Group Chief Risk Officer (as a permanent attendee). Under authority delegated by the Board, the BRCC plays a key role in the fulfilment of corporate governance standards and overall risk management by assisting the Board in the formulation of strategy for enterprise-wide risk management, evaluation of overall risks faced by the Group, alignment of risk policies with business strategies and ultimate determination of the level of risks which will be in the best interests of the Group through risk based capital planning. The BRCC, by virtue of powers delegated to it by the Board, also approves changes in risk management policies as and when required.

As at the date of this Prospectus, the members of the BRCC are: H.E. Khalifa Sultan Ahmed Sultan Al Suwaiddi – Chairman, H.E. Jassim Mohammed Buatabh Al Zaabi, H.E. Dr. Sultan Ahmed Al Jaber, the Group Chief Executive as a non-voting member and the Group Chief Risk Officer (as a permanent attendee).

A quorum of a majority of the members is required to convene a meeting of the BRCC. Only members of the BRCC and the Group's Chief Risk Officer (as a permanent attendee) are entitled to attend the committee's meetings, although members of management and other specialists may be invited to attend meetings upon request of the committee.

The BRCC is required to hold a minimum of four meetings per year and provides regular reports to the Board. In the six months ended 30 June 2020, the BRCC met two times.

Board Audit Committee

The BAC comprises three members of the Board and the Group Chief Executive Officer as a non-voting member, and the Group Chief Audit Officer as a permanent attendee. This committee is principally responsible for reviewing the internal audit programme, considering the major findings of each internal audit review, making appropriate investigations and responses ensuring co-ordination between the internal

and external auditors keeping under review the effectiveness of internal control systems, and in particular reviewing the external auditor's management letter and management's response thereto.

As at the date of this Prospectus, the members of the BAC are: H.E. Jassim Mohammed Al Seddiqi – Chairman, H.E. Mohammed Thani Murshed Ghanem Al Rumaithi, H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri, H.E. Mohammed Saif Al Suwaidi, the Group Chief Executive Officer (as a non-voting member) and the Group Chief Audit Officer (as a permanent attendee).

A quorum of at least three members (inclusive of the Chairman) is required to convene a meeting of the BAC. Only members of the BAC and the Group's Chief Audit Officer (as a permanent attendee) are entitled to attend the committee's meetings, although members of management and other specialists may be invited to attend meetings upon request of the committee.

The BAC is required to hold a minimum of four meetings per year and provides regular reports to the Board. In the six months ended 30 June 2020, the BAC met two times.

Executive Management

The Group has an experienced executive management team which is responsible for day-to-day supervision and control of the Group's business, particularly with respect to ensuring functionality of compliance and risk control, independence of functions, and separation of duties. Business policies, accounting policies and operations procedures and controls are documented and communicated through policies and standard operating procedures manuals which cover all areas and activities of the Group. All significant policies are reviewed and approved by the Board.

Name	Position
Mr. Andre Sayegh	Group Chief Executive Officer
Mr. Pradeep Rana.....	Group Chief Risk Officer
Mr. Karim Karoui.....	Group Head of Mergers & Acquisitions
Ms. Hana Al Rostamani	Deputy Group Chief Executive Officer and Head of Personal Banking
Mr. James Burdett	Group Chief Financial Officer
Mr. Fadel A. B. Al Ali	Deputy Group Chief Executive Officer and Head of Corporate and Investment Banking
Mr. Shirish Bhide	Group Chief Credit Officer
Mr. Peter Baker	Group Chief Human Resource Officer
Mr. Yuri Misnik	Group Chief Technology Officer
Mr. Nurendra Perera.....	Group Chief Audit Officer

Detailed below is brief biographical information about each member of the Group's executive management team as at the date of this Prospectus.

Mr. Andre Sayegh – Group Chief Executive Officer

Mr. Sayegh is the Group's Chief Executive Officer, before which he had served as Deputy Group Chief Executive Officer and Head of Corporate and Investment Banking since 2017, playing a key role in steering the Issuer through its post-Merger transformation. Previously, he was the Chief Executive Officer for First Gulf Bank PJSC from 2006 to 2017.

Mr. Sayegh has over two decades of banking and financial services experience to his role as Group Chief Executive Officer at FAB. During his tenure at FAB and previously at FGB, Mr. Sayegh has worked with Abdulhamid Saeed (FAB's former Group CEO and the current Governor of the UAE Central Bank) to

continually deliver solid financial results, with the Issuer becoming one of the largest financial institutions in the UAE. At FGB he transformed the organisation from a small BB+ rated bank to an AA- large diversified banking group and drove the expansion of the bank's international business.

His previous experience includes senior positions with several leading international financial institutions, including Citibank within corporate banking, consumer banking and private banking in various international locations including London, Geneva, New York and the UAE.

Mr. Sayegh is fluent in English, French, Arabic and Spanish. He holds a BBA in Finance and an MBA in Corporate Finance and Banking from the American University of Beirut, Lebanon and completed a project at Columbia University majoring in the evolution of financial institutions.

Mr. Pradeep Rana – Group Chief Risk Officer

Mr. Rana is the Group's Chief Risk Officer having joined in April 2020 from Danske Bank in Denmark where he served as Group Head of Corporate Credit Risk Management and Chief Risk Officer of Wholesale Banking. Mr. Rana started his career with ABN AMRO in the Netherlands before working across Singapore, Hong Kong, South Korea and the UK. After ABN AMRO, he joined Standard Chartered where he held positions including Country Chief Risk Officer for India, Group Head of Operational Risk in Singapore and most recently Regional Chief Risk Officer for ASEAN.

Mr. Karim Karoui – Group Head of Mergers & Acquisitions

Mr. Karoui is the Group's Head of Mergers & Acquisitions. He was appointed as the Group Head of Subsidiaries, Strategy and Transformation in March 2017, prior to which he served as FGB's chief financial officer. Mr. Karoui has more than 25 years of banking experience and also has extensive experience in company audit and financial management. Before joining FGB, Mr. Karoui worked with leading regional and financial institutions, including Citibank in Tunisia for over eight years. Mr. Karoui is also a board member of First Gulf Libyan Bank.

He holds a master's degree in accounting from IHEC, Carthage, Tunisia.

Ms. Hana Al Rostamani – Deputy Group Chief Executive Officer and Head of Personal Banking

Ms. Al Rostamani is the Group's Deputy Chief Executive Officer and Head of Personal Banking, before which she served as the Group Head of PBG. Previously she was the head of consumer banking at FGB where she was responsible for the growth of FGB's consumer banking group in the UAE. Previously, she worked with FGB in corporate strategy, corporate communications, branding, branch management, product development, consumer credit policy, card operations management and consumer behaviour metrics.

She holds a master's degree in information management from the George Washington University, United States and has also completed a certificate in bank card management from the Visa International Association and the U.K. Chartered Institute of Bankers.

Mr. James Burdett – Group Chief Financial Officer

Mr. Burdett is the Group's Chief Financial Officer having held the same position at NBAD since joining NBAD from ANZ on 30 April 2014. At ANZ, Mr. Burdett also served as chief financial officer for international and institutional banking. Prior to his role at ANZ, Mr. Burdett was chief financial officer at ANZ for the Asia-Pacific, Europe and Americas regions. Mr. Burdett also spent 17 years at HSBC, initially serving as chief financial officer for various regional operations positions before undertaking the role of group head of management information, planning and analysis and a member of the finance management board chaired by the HSBC group chief financial officer. In his role as Group Chief Financial Officer, Mr. Burdett has responsibility for the Group's finance and treasury functions.

Mr. Burdett has worked for a number of international banks in Hong Kong, Australia, England, Singapore, China and Indonesia. Mr. Burdett is a Chartered Accountant and studied accounting and finance at the Auckland Institute of Technology, New Zealand.

Mr. Fadel A. B. Al Ali – Deputy Group Chief Executive Officer and Head of Corporate and Investment Banking

Mr. Al Ali is the Deputy Group Chief Executive Officer and Head of Corporate and Investment Banking. Previously he served as the Group's Chief Customer Experience and Digital Officer. He joined the Group on 1 July 2017. Mr. Al Ali has an extensive experience in corporate governance and strategic commercial roles across a range of industries, including real estate, hospitality, investment and banking. Prior to joining the Group, he was appointed as chief executive officer of Dubai Holding. He has also worked at Citibank as head of UAE distribution and spent nearly 15 years of his career at Citibank.

He holds a bachelor's degree in industrial and system engineering from the University of Southern California, United States.

Mr. Shirish Bhide – Group Chief Credit Officer

Mr. Bhide is the Group's Chief Credit Officer having previously served in the same role at FGB. Mr. Bhide has around 26 years of international banking experience in various leadership roles across the industry. Mr. Bhide worked with Citibank in India, South Africa and Uganda for almost 20 years in various roles before leaving to join The National Commercial Bank in Jeddah, Saudi Arabia. He joined FGB as its chief credit officer in March 2013 and was subsequently appointed as acting head of FGB's wholesale banking and international team in May 2016.

Mr. Bhide holds an MBA from the University of Poona, India and a postgraduate diploma in accounting and finance from the London School of Economics.

Mr. Peter Baker – Group Chief Human Resource Officer

Mr. Baker is the Group's Chief Human Resource Officer. He has around 25 years of experience across Asia Pacific, United States, Europe, Middle East and Africa in human resources, sales and marketing and has previously served in those roles at Procter & Gamble and Maersk Group. Prior to joining the Group, Mr. Baker was the chief human resources officer for Damco (a world leader in logistics and supply chain management with a presence in over 80 countries).

Mr. Baker holds a bachelor's degree in business from the University of Technology, Sydney.

Mr. Yuri Misnik – Group Chief Technology Officer

Mr. Misnik is the Group Chief Technology Officer. Mr. Misnik has the responsibility for driving the Group's technology and transformation strategy to ensure that FAB is ready for the next generation of digital banking services. Mr. Misnik has 21 years of experience in technology at HSBC, Microsoft, Amazon Web Services and the National Australia Bank ("NAB"), having worked in London, Melbourne, Singapore and now the UAE. Before joining FAB, he served as the Executive General Manager for the NAB, one of Australia's leading banks. NAB is currently the 21st largest bank in the world, as measured by market capitalisation, with 1,590 branches and service centres across Australia, New Zealand and Asia. Yuri holds a Masters degree in Applied Math and Mechanics from Saint Petersburg State Polytechnical University, Russia.

Mr. Nurendra Perera – Group Chief Audit Officer

Mr. Perera is the Group Chief Audit Officer. He is also a permanent attendee/observer to the Group Executive Management Committee and sits on the BAC.

With over 30 years' banking experience, he joined FGB in 2001 as the Deputy Head of Internal Audit and served as the Head of Group Internal Audit at the FGB from 2007 until the Merger. He has previously worked with National Bank of Umm AI Quwain, Sampath Bank and Commercial Bank plc in the UAE and Sri Lanka.

Mr. Perera holds a master's degree in business administration with a specialisation in finance and is a Certified Internal Auditor and Certified Financial Services Auditor with the following certifications: CIA, CFSA and CRMA from the Institute of Internal Auditors (U.S.), CISA and CRISC from ISACA (U.S.) and CIB (United Kingdom).

The business address of each member of the executive management is First Abu Dhabi Bank PJSC, FAB Building, Khalifa Business Park – Al Qurm District, P.O. Box 6316, Abu Dhabi, United Arab Emirates.

No member of the Group's executive management has any actual or potential conflict of interest between his duties to the Group and his private interests and/or other duties.

Executive Management Committees

Brief descriptions of the Group's executive management committees are set out below.

Group Executive Committee

The Group Executive Committee is the Group's most senior management level committee and it operates under a delegated authority from the Board. The Group Executive Committee supports the GCEO to determine and implement the Group's strategy as approved by the Board.

As at the date of this Prospectus, the Group Executive Committee has 10 voting members with one invitee (the Group Chief Audit Officer). The GCEO serves as chairman of the committee. A quorum of a majority of voting members is required with the presence of the chairman or the vice chairman to convene a meeting.

The Group Executive Committee is required to meet at least monthly or more frequently if required. In the six months ended 30 June 2020, the Group Executive Committee met eight times.

Group Risk Committee

The Group Risk Committee operates under a delegated authority from the Group Executive Committee and also assists the BRCC. The primary objectives of the Group Risk Committee are to define, develop and periodically monitor the Group's risk appetite along with its related methodology, parameters, targets, and tolerances taking into account the Group's strategy and business planning. In addition, the committee is accountable to highlight, discuss and monitor key regulations, both local and international and as they apply to all businesses where the Group operates. The committee will report relevant matters to the Group Executive Committee and, as appropriate, the BRCC, advising and informing them as required on the Group's risk appetite and framework and on key compliance and other regulatory risk matters.

As at the date of this Prospectus, the Group Risk Committee has five voting members, with the GCEO serving as chairman of the committee. A quorum of a majority of voting members with the presence of the chairman or the vice chairman is required to convene a meeting.

The Group Risk Committee is required to meet at least quarterly or more frequently if required. In the six months ended 30 June 2020, the Group Risk Committee met two times.

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

Compliance Committee

The Compliance Committee operates under a delegated authority from the Group Executive Committee. It also assists the BRCC in fulfilling its objective of overseeing the Bank's regulatory responsibilities as well as ensuring the Bank's compliance with the applicable laws and regulations issued by various regulatory authorities across the Group.

As at the date of this Prospectus, the Compliance Committee has five voting members, with the GCEO serving as chairman of the committee. A quorum of a majority of voting members with the presence of the chairman or the vice chairman is required to convene a meeting.

Since 1 June 2020, the Compliance Committee is required to meet monthly or more frequently if required. Prior to that the committee was required to meet quarterly or more frequently. In the six months ended 30 June 2020, the Compliance Committee met four times.

Group Asset and Liability Committee

The Group Asset and Liability Committee operates under a delegated authority from the Group Executive Committee and is the driving force and key decision maker behind the structure and quality of the balance sheet. The committee is directly accountable to the BRCC for ensuring that the risks within the Group's

asset and liability position are prudently managed by way of strong Group policy and procedures and an appropriate risk framework.

As at the date of this Prospectus, the Group Asset and Liability Committee has nine voting members, with GCEO serving as chairman of the committee. A quorum of a majority of voting members with the chairman or the vice chairman present is required to convene a meeting.

The Group Asset and Liability Committee is required to meet monthly or more frequently if required. In the six months ended 30 June 2020, the Group Asset and Liability Committee met six times.

Corporate and Investment Banking Credit Committee

The Corporate and Investment Banking Credit Committee operates under a delegated authority from the Group Executive Committee. It assists in the development and implementation of the Group's CIB business credit strategy and policies and procedures. The principle role of the committee is to oversee the credit and lending strategies and objectives of the Group.

As at the date of this Prospectus, the Corporate and Investment Banking Credit Committee has four voting members, with GCEO serving as chairman of the committee. A quorum of a majority of voting members with the chairman or the vice chairman present is required to convene a meeting.

The Corporate and Investment Banking Credit Committee is required to meet quarterly or more frequently if required. In the six months ended 30 June 2020, the Group Corporate and Investment Banking Credit Committee met six times.

Personal Banking Credit Committee

The Personal Banking Credit Committee operates under a delegated authority from the Group Executive Committee and supports the work of the BMC (and the BRCC) in assisting with the development and implementation of credit strategy, for personal banking businesses within Group.

As at the date of this Prospectus, the Personal Banking Credit Committee has four voting members, with GCEO serving as chairman of the committee. A quorum of a majority of voting members with the chairman or the vice chairman present is required to convene a meeting.

The Personal Banking Credit Committee is required to meet at least quarterly or more frequently if required. In the six months ended 30 June 2020, the Group Personal Banking Credit Committee met two times.

Human Resources Steering Committee

The principal role of the Human Resources Steering Committee is to assist the Group Executive Committee and the REMCO in fulfilling their respective duties with regard to implementing strategic as well as operational human resource initiatives. The committee's role is also to approve human resource initiatives and policies to ensure that the Group's requirements from an employee perspective are considered and changes, as necessary, are approved or are submitted for approval to the relevant governance body. The committee is the formal sponsor of all material human resources initiatives across the Group in line with the Group's employee value proposition.

As at the date of this Prospectus, the Human Resources Steering Committee has five members, with the GCEO serving as chairman of the committee. A quorum of a majority of voting members with the chairman or the vice chairman present is required to convene a meeting.

The Group Human Resources Steering Committee is required to meet at least quarterly or more frequently if required. In the six months ended 30 June 2020, the Group Human Resources Steering Committee had not met.

Group Operational Risk Committee

The Group Operational Risk Committee operates under a delegated authority from the Group Executive Committee to assist the Group Executive Committee in fulfilling its objective of overseeing the Group's operational risk management, business continuity and information security responsibilities. The Group Operational Risk Committee is responsible for managing and reporting the Group's operational risk profile,

ratifying the Group's information security policy and procedures and integrating the Group's business continuity management policy and business recovery strategy.

As at date of this Prospectus, the Group Operational Risk Committee has five voting members, with the Group Chief Operating Officer serving as chairman of the committee. A quorum of a majority of voting members with the chairman or the vice chairman present is required to convene a meeting.

The Group Operational Risk Committee is required to meet at least six times in a calendar year or more frequently if required. In the six months ended 30 June 2020, the Group Operational Risk Committee met two times.

Information Security Committee

The Information Security Committee operates under a delegated authority from the Group Executive Committee to assist the BRCC and the Group Risk Committee. The main objectives of the Information Security Committee are to oversee, review and take decisions in respect of the implementation of the Group's IT security controls to ensure that information assets of the Group are adequately protected and in order to enhance the Group's capabilities in information security matters (including information security risk management, security governance, policy management, security programme management, security architecture, security awareness, security monitoring, cybersecurity, international security compliance and identity access management) in alignment with the principles of the ERMP.

As at date of this Prospectus, the Information Security Committee has five voting members, with the Group Chief Risk Officer serving as chairman of the committee. A quorum of a majority of voting members with the chairman or the vice chairman present is required to convene a meeting.

The Information Security Committee is required to meet at least six times a calendar year or more frequently if required. In the six months ended 30 June 2020, the Information Security Committee met three times.

Group Technology Steering Committee

The Group Technology Steering Committee operates under a delegated authority from the EXCO. It assists in fulfilling EXCO's corporate governance and oversight responsibilities of all technology and information systems across the Group and supports the BRCC in its oversight of the Group's IT governance framework. The Group Technology Steering Committee makes recommendations to EXCO regarding significant technology investments in support of the Group's strategy. The Group Technology Steering Committee ensures alignment of business strategies with technology priorities and acts to protect and enhance the shareholders' investment in technology.

As at date of this Prospectus, the Group Technology Steering Committee has five voting members, with the GCEO serving as chairman of the committee. A quorum of a majority of voting members with the chairman or the vice chairman present is required to convene a meeting.

The Group Technology Steering Committee is required to meet on monthly basis or more frequently if required. In the six months ended 30 June 2020, the Group Technology Steering Committee met six times.

With effect from 1 June 2020, the charter of each of the abovementioned committees provides that a quorum for each committee is achieved by the presence of the majority of voting members of the committee and the chairman or the vice chairman (among such majority of voting members).

Corporate Governance

Pursuant to Ministerial Resolution No. 518 of 2009 Concerning Governance Rules and Corporate Discipline Standards, the SCA issued a governance code applicable to all joint stock companies, requiring compliance by April 2010. However, by way of an exemption issued by the Ministry of Economy and notified to UAE banks and other financial institutions through a circular sent out by the Emirates Banks Association dated 8 March 2010, all UAE banks and other financial institutions subject to the UAE Central Bank control and licensing shall be exempted from the SCA's governance code. Consequently, the Group will be required to adhere to the UAE Central Bank's corporate governance guidelines, as may be issued from time to time. In June 2009, the UAE Central Bank issued revised draft corporate governance guidelines for UAE bank directors. In addition, the UAE Central Bank issued in September 2019 new regulations and standards on Corporate Governance (the "**Regulations**") and the Issuer has conducted a

gap analysis to ensure compliance with these Regulations. There is a three year period of implementation in respect of these Regulations. The Group has established the BRCC to assist the Board in shaping and monitoring corporate governance policies and practices as well as to evaluate its compliance with existing policies in fulfilling their duties by shaping, monitoring and evaluating compliance with the Group's corporate governance policies and practices. See further "*Management – Board Committees*".

THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

Summary

According to data published by the UAE Central Bank, as at 31 May 2020 there were a total of 48 commercial banks (21 locally incorporated commercial banks and 27 foreign commercial banks) licensed to operate in the UAE. As a result, the UAE could be, and has historically been, viewed as an over-banked market, even by regional standards and there has traditionally been little impetus for consolidation. However, the consummation of the Merger stimulated further movement towards greater consolidation amongst UAE banks (see *"Characteristics of the Banking System – Historic lack of consolidation"* below).

The UAE's membership of the WTO will likely require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to further expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

According to the preliminary estimates published by the Statistics Centre, the financial and insurance sectors in Abu Dhabi contributed approximately AED 77.9 billion (or 8.4 per cent.) to Abu Dhabi's nominal GDP in 2018. Within the UAE as a whole, financial and insurance activities were estimated to have contributed approximately 8.5 per cent. of real GDP in 2018 (*source: FCSA National Account information for 2010-2018*).

As a banking regulator, the UAE Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the UAE Central Bank.

Historically, the UAE Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirs of each Emirate. However, the introduction by the UAE Central Bank in 2014 of the IMLF allows non-Islamic UAE banks to use certain rated or UAE federal government entity issued assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management. See further *"The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Liquidity"*.

COVID-19

In response to the COVID-19 outbreak (see *"Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations in respect of the Capital Securities – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Issuer's business, results of operations, financial condition and prospects"*), effective from 15 March 2020, the UAE Central Bank has implemented the TESS, which includes a range of measures aimed at mitigating the economic effects of COVID-19 on the UAE economy. The TESS and other accompanying stimulus measures include (in addition to cutting interest rates as discussed in such risk factor):

TESS

- allowing banks operating in the UAE access to loans and advances, against collateral, extended at zero cost by the UAE Central Bank until 31 December 2020, the proceeds of which are to be used by UAE banks to grant temporary relief to private sector corporate customers and retail clients;
- whilst keeping the existing 2.50 per cent. capital conservation buffer and the D-SIB buffer in place, allowing banks to utilise 60 per cent. of their capital conservation buffer and 100 per cent. of their D-SIB buffer without supervisory consequences until 31 December 2021, subject to having fully utilised the limit available under zero cost facility of the TESS;
- allowing banks that are subject to the LCR to fall below the regulatory LCR requirement of 100 per cent., provided that their LCR is higher than or equal to 70 per cent., while other banks are able to fall below the regulatory ELAR requirement of 10 per cent., provided that their ELAR is higher or equal to 7 per cent., with such changes to the LCR and ELAR applicable until 31 December 2021, subject to having fully utilised the limit available under zero cost facility of the TESS;

- allowing banks that are subject to NSFR to fall below the regulatory NSFR requirement of 100 per cent., provided that their NSFR is higher than or equal to 90 per cent., while other banks are allowed to go above the regulatory ASRR requirement of 100 per cent., provided that their ASRR is lower than or equal to 110 per cent., with such changes to the NSFR and ASRR being applicable until 31 December 2021 for all banks operating in the UAE;
- expecting banks to leave unchanged and not downgrade the IFRS 9 staging and classification of customers at stage 1 who are receiving temporary relief linked to the TESS;

Further measures to support the UAE economy in response to COVID-19

- decreasing the UAE Central Bank's minimum reserve requirement for all current, call and savings deposits from 14 per cent. to 7 per cent.;
- postponing the planned implementation of certain Basel III capital requirements until 31 March 2021; and
- allowing banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024.

Characteristics of the Banking System

Historic lack of consolidation

The UAE may be, and has historically been, seen as being over-banked with 48 different commercial banks (comprising 21 locally incorporated commercial banks and 27 foreign commercial banks) licensed to operate inside the UAE as at 30 June 2020 (excluding the DIFC) (*source*: UAE Central Bank). Traditionally there has been little impetus for consolidation, with the federal structure of the UAE encouraging, to some extent, the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also historically hampered the process of consolidation. As a result, between the October 2007 merger of Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C. which created Emirates NBD P.J.S.C., and the April 2017 merger between FGB and NBAD which created First Abu Dhabi Bank PJSC, there was limited merger activity domestically in the sector. However, the Merger stimulated further movement towards greater consolidation amongst UAE banks. This has been observed in the three-way merger between Abu Dhabi Commercial Bank PJSC, Al Hilal Bank P.J.S.C. and Union National Bank P.J.S.C. which was completed on 1 May 2019. In addition, in January 2020, Dubai Islamic Bank PJSC completed the acquisition of Noor Bank PJSC.

While such continued consolidation would reduce the level of concentration in the domestic banking sector, they would also likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development.

Going forward, the advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing banks expanding their operations, which may eventually result in more mergers, with the possibility of creating banks with pan-Gulf franchises.

Domestic focus

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross-border business, a trend which is likely to continue in the event of further merger activity in the sector.

With a large number of banks, competing for a limited number of wholesale lending opportunities, most banks historically turned to retail banking, a previously untapped market. However, increasing competition in this area has gradually eroded margins and encouraged a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly automated teller machine networks, kiosks and telephone and Internet banking services. As a consequence, information technology costs have been a prominent feature of many UAE banks' expenses.

Limited foreign ownership

In 1987, the UAE federal government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the UAE Central Bank following an agreement to permit market access to banks of GCC state origin in line with continuing efforts in regional integration.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

In 2013, the Government sought to replicate the success of the DIFC by announcing its intention to establish the Abu Dhabi Global Market in Abu Dhabi (the "**ADGM**"), as an international financial free zone with its own legal framework (closely based on English common law). The ADGM became operational in mid-2015 and, as at the date of this Prospectus, it is unclear to what extent this will impact the competitive and regulatory landscape in the domestic banking sector.

Federal Law No. 14 of 2018 (which entered into force with effect from 23 September 2018) (the "**HSA Law**") amended the minimum permissible shareholding by UAE nationals in UAE banks to 60 per cent. Further to this, the Issuer, as a member of major indices such as the MSCI Emerging Markets and FTSE Emerging Markets, decided to increase its foreign ownership limit from 25 per cent. to 40 per cent. in order to access greater stock liquidity. The Issuer received shareholder approval at the general assembly meeting on 25 February 2019 to amend its articles of association to provide for such increased foreign ownership approval. The Issuer also obtained other requisite regulatory approvals for such increase and the revised limit was brought into effect on 14 April 2019.

Exposure to the oil sector

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices. See further "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations in respect of the Capital Securities – Risks relating to the UAE and the Middle East – The UAE's economy is highly dependent upon its oil revenue*". In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements. For example, according to preliminary estimates published by the Statistics Centre, the mining and industry sector (including crude oil and natural gas) contributed 40.4 per cent. to Abu Dhabi's nominal GDP in 2018 as compared with a contribution of 50.9 per cent. in 2014.

Islamic banking

Shari'a (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank PJSC, Abu Dhabi Islamic Bank PJSC, Emirates Islamic Bank PJSC, Noor Bank, Al Hilal Bank P.J.S.C., Ajman Bank, Sharjah Islamic Bank PJSC, Dubai Islamic Insurance & Reinsurance Company (AMAN), Islamic Arab Insurance Co. (PSC) (Salama), Tamweel and Amlak Finance. The number of Islamic banks continues to increase, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer *Shari'a*-compliant products.

Legal environment

There are three primary sources of law in the UAE: (a) federal laws and decrees; (b) local laws; and (c) *Shari'a* (Islamic) law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler of a given Emirate or local government will apply his or its own rules, regulations and practices.

Supervision of banks

The main piece of legislation applicable to the banking system is Federal Law No. 14 of 2018 (the "**2018 Federal Law**"). The UAE Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the UAE, although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the UAE federal government would ultimately stand as *de facto* defender of the currency and the "lender of last resort".

The 2018 Federal Law grants the UAE Central Bank powers to:

- draw up and implement monetary policy;
- exercise currency issuance;
- organise licensed financial activities, establish the foundations for carrying them on, and determine the standards required for developing and promoting prudential practices in accordance with the provisions of the 2018 Federal Law and international standards;
- set up appropriate regulations and standards for protection of customers of licensed financial institutions;
- monitor credit conditions in the UAE, in order to contribute to the achievement of balanced growth in the national economy;
- manage foreign reserves to maintain, at all times, sufficient foreign currency assets to cover the monetary base as per the provisions of the 2018 Federal Law; and
- regulate, develop, oversee, and maintain soundness of the financial infrastructure systems in the UAE.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the UAE Central Bank to issue UAE federal government debt. However, the UAE Central Bank does issue certificates of deposit ("**CDs**") to UAE banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the UAE Central Bank at any time. In 2007, the UAE Central Bank introduced an auction system which allows U.S. dollar drawings against UAE dirham CD holdings.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in practice, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices. However, see *"Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations in respect of the Capital Securities – Risks relating to the UAE and the Middle East – Any alteration to, or abolition of, the foreign exchange "peg" of the UAE dirham or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Issuer to U.S. dollar foreign exchange movements against the UAE dirham or other such currencies"*.

The UAE Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 20 of 2018 regarding the procedures for Anti-Money Laundering and Combating the Financing of Terrorism and Illicit Organisations. Pursuant to this, the UAE

has established the National Committee for Combating Money Laundering and the Financing of Terrorism and Illegal Organisations which is responsible for co-ordinating policies and systems on anti-money laundering and the combating of terrorism financing and assessing the effectiveness of such policies and systems and the representation of the UAE in international forums on these matters. Federal Law No. 20 of 2018 also recommends the establishment of an independent "Financial Information Unit" within the UAE Central Bank to receive and investigate reports submitted by financial institutions and corporate entities regarding suspected illicit financial activity.

The UAE further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the "NATC"). The NATC serves as a UAE inter-agency liaison.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC, while the ADGM Financial Services Regulatory Authority regulates activity in the financial services sector in the ADGM. The UAE Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

Lack of developed capital markets

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the ADX (both of which were established in 2000), have grown over recent years and have benefitted from the inclusion of the UAE in the MSCI Emerging Markets Index since 2014, they continue to experience bouts of volatility.

Nasdaq Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009, the Dubai Financial Market announced its intention to acquire Nasdaq Dubai, with completion of the acquisition having occurred in July 2010. The Dubai Financial Market and the ADX were upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014 which could lead to an increase in interest and investment from international institutional investors in the UAE.

Government involvement

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to manifest in practice. The state and its related entities are together the banking sector's largest customers, in terms of both deposits and project financing.

Expatriate workforce

An unusual feature of the UAE economy is its reliance on overseas labour, with expatriates making up approximately 81 per cent. of the workforce according to estimates published by the Statistics Centre in mid-2016. The banking sector is no exception to this and expatriates are employed in senior management roles of most of the major banks. This has brought expertise from more developed markets to the sector. However, to ensure increased representation of Emiratis in the UAE financial sector (overall as well as in critical roles) and to support their professional development, the UAE Central Bank has introduced a point based scoring system as part of its Emiratisation policy, which takes into account the employment and progression of Emirati employees in the organisation. The minimum threshold for Emirati employees for each institution is dependent on a number of factors. The Emiratisation Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties which are computed in accordance with a specific formula set out in the Emiratisation Circular.

Accounting standards

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (IAS)), which has led to a substantial improvement in disclosure standards.

Structure of the banking system

Banking institutions in the UAE fall into a number of categories. Domestic commercial banks, also known as "National" banks, of which there were 21 as at 31 May 2020 (*source*: UAE Central Bank), are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by UAE nationals. Licensed foreign commercial banks, of which there were 27 as at 30 June 2020 (*source*: UAE Central Bank), need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the UAE. "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) may also be licensed to operate within the UAE.

Recent Trends in Banking

Profitability

The UAE continues to strive towards increasing economic diversification away from the oil and gas sector. In 2018, the non-oil and gas sector contributed 74 per cent. of the UAE's nominal GDP (*source*: FCSA, 2018 Nominal GDP). Nevertheless, with the oil and gas sector contributing 26 per cent. of the UAE's nominal GDP, the price of oil has a direct impact on government fiscal revenues and the level of investment in government projects.

The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly. However, much of this growth focused on the real estate sector and equity financing which, in the context of the 2008 global financial crisis, represented a significant risk to the UAE banking system. Equity prices declined generally in the UAE from 2008 to 2011 in response to the global 2008 financial crisis. Equity prices rebounded between 2012 and 2019, with the ADX's General Index increasing from 2,630.9 at 31 December 2012 to 5,174.0 at 31 December 2019, and the Dubai Financial Market index increasing from 1,662.5 at 31 December 2012 to 2,764.9 at 31 December 2019 (*source*: Bloomberg).

During 2008 to 2010, a number of banks were also affected by the impact of mark to market accounting rules on their international investment portfolios. Additionally, during the same period, the UAE economy was negatively impacted by the global economic downturn and, in particular, by the sharp correction in the price of oil, which affected a number of key economic sectors including trade, tourism, real estate and commerce. This economic slowdown, along with reduced levels of liquidity in the market, constrained lending and resulted in the majority of UAE banks being less profitable in this period than in previous years.

With the improvement in global and regional economic growth, better liquidity conditions and higher foreign direct investment, the banking sector in the UAE has recovered well and continues to generate profits, albeit at a more moderate and sustainable pace. Regulatory developments and increased compliance requirements have also moderated growth in the profitability of the UAE banking sector.

Liquidity

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after six months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies based in the UAE. According to preliminary data made available by the UAE Central Bank, resident deposits constituted approximately 89.3 per cent. of total deposits of

the UAE banking sector (excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements) as at 30 June 2020. Of these, government and government-related entity deposits constituted approximately 15.8 per cent. of total resident deposits within the UAE banking sector (excluding inter-bank deposits but including commercial prepayments and borrowings under repurchase agreements) as at 30 June 2020. Non-resident sources constituted approximately 10.7 per cent. of total deposits within the UAE banking sector (excluding inter-bank deposits but including commercial prepayments and borrowings under repurchase agreements) as at the same date (*source*: UAE Central Bank Statistical Bulletin June 2020).

In response to the 2008 global financial crisis, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the UAE federal government deposits made with them into Tier 2 capital.

During 2008, Government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Government (acting through the Department of Finance) subscribed for, in aggregate, a sum of AED 16.0 billion in subordinated Tier 1 capital notes issued by the five largest Abu Dhabi banks: NBAD, Abu Dhabi Commercial Bank PJSC, FGB, Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank PJSC.

In line with Basel III requirements, the UAE Central Bank has issued the Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015) (the "**Liquidity Notice**") which entered into force in the UAE on 1 July 2015 and which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices. These requirements include the following:

Responsibilities of the board of directors:

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having a detailed understanding of liquidity risk management; and
- to ensure the clear articulation of liquidity risk tolerance in line with the relevant UAE bank's objectives, strategy and risk appetite.

Responsibilities of senior management:

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the board of directors;
- to review the UAE bank's strategy and to report to the board of directors on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

Liquidity risk framework:

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the UAE Central Bank upon request) with limits, warning indicators, communication and escalation procedures;

- regular internal stress testing of the portfolio for a variety of scenarios (both institution specific and market-wide); results being communicated to the board of directors and the UAE Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the UAE Central Bank upon request);
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which were intended to apply until the Basel III LCR and NSFR come into effect. These include the following:

	Ratio	Applicability Period
Interim ratios:	Liquid Asset Ratio (LAR \geq 10%)	1 January 2013 – 30 June 2015
	ELAR (ELAR \geq 10%)	1 July 2015 until LCR certification
	ASRR (ASRR $<$ 100%)	30 September 1986 until NSFR certification
Basel III ratios:	LCR (LCR \geq 100%)	1 January 2019 onwards
	NSFR (NSFR \geq 100%)	2018 onwards

The UAE Central Bank's former liquid assets ratio ("**LAR**") was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the ELAR. Under the ELAR, UAE banks were required to hold an amount equivalent to at least 10 per cent. of their liabilities in high quality liquid assets (including cash held with the UAE Central Bank, the UAE Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also included the option for UAE banks to apply to the UAE Central Bank to move to assessment and reporting of bank liquidity to the UAE Central Bank as against the LCR. Any UAE banks that receive UAE Central Bank approval for LCR certification are required to move to a compliance regime as to liquidity against the LCR.

The LCR represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with HQLAs at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible HQLAs for this purpose. As noted under "*COVID-19*" above, as part of the TESS, banks that are subject to the LCR are able to fall below the regulatory LCR requirement of 100 per cent. provided that their LCR is higher than or equal to 70 per cent. Other banks are able to fall below the regulatory ELAR requirement of 10 per cent. provided that their ELAR is higher or equal to 7 per cent. The changes to the LCR and ELAR are applicable until 31 December 2021, subject to having fully utilised the limit available under zero cost facility of the TESS. See "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations in respect of the Capital Securities – Liquidity risks – The Issuer's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations*" and "*Risk Management*" for more information.

As part of the UAE Central Bank's gradual implementation of the Basel III Reforms in the UAE, the UAE Central Bank introduced LCR in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. as of 1 January 2019. This graduated approach was designed to ensure that the LCR could be introduced without disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity in the UAE.

The ASRR was an interim ratio designed to apply until the NSFR came into effect in the UAE. The ASRR recognised both the actual uses as well as the likely uses of funds in terms of the contractual maturity and behavioural profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

NSFR is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of banks' contingent liabilities. The NSFR in the UAE mirrors the Basel III standards. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding ("ASF") factors to the sources of funds and required stable funding (usage) factors to asset classes and off-balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors follow the Basel III standards.

Interim Marginal Lending Facility

On 15 April 2014, the UAE Central Bank introduced the IMLF which allows non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access UAE Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF allows lenders to use certain assets as collateral to obtain one-day overnight loans from the UAE Central Bank. Eligible assets that can be used as collateral must be tradeable and include bonds, sukuk and securities issued by the UAE federal government or government-related entities in individual Emirates, as well as by UAE banks and corporations. Securities issued by foreign governments, banks, corporates and supranational agencies can also be used as collateral but must carry a minimum 'A' credit rating from one of the three main international rating agencies. Banks accessing the IMLF must borrow a minimum of AED 10 million and will be charged 100 basis points over the official UAE "Repo Rate".

Position of depositors

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

Prudential regulations

The UAE Central Bank has supervisory responsibility for banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the UAE Central Bank with more up to date information on credit, market and operational risks within the banking sector.

Capital adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of UAE Central Bank Circular Number 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio

to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions were deducted from regulatory capital.

As part of the introduction of Basel III in the UAE, and pursuant to the February 2017 Regulations and the Accompanying Standards, the Issuer is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 14.5 per cent. effective from 1 January 2019. Included within this UAE Central Bank prescribed minimum total capital adequacy ratio, the Issuer, as a D-SIB, has been required, since 1 January 2019, to maintain a D-SIB buffer of 1.50 per cent. which is to be met in its entirety by Common Equity Tier 1 capital. A capital conservation buffer of 2.5 per cent. of Common Equity Tier 1 is also included within this minimum total capital adequacy ratio of 14.5 per cent. In addition to this minimum capital adequacy ratio, a counter-cyclical buffer is applicable to the Issuer which is determined based on the basis of the geographical distribution of assets and the counter-cyclical capital buffer applicable in such jurisdictions. As noted above under "*COVID-19*", as part of the TESS, banks are able to utilise 100 per cent. of their D-SIB buffer and 60 per cent. of their capital conservation buffer without supervisory consequences until 31 December 2021. In addition, the UAE Central Bank will allow banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024. Furthermore, the planned implementation of certain Basel III capital requirements has been postponed until 31 March 2021.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on UAE government non-commercial public sector entities are risk-weighted at zero per cent. Under the 2018 Federal Law, the UAE Central Bank may determine reserve requirements for UAE banks. All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank.

The Basel Committee has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued the Basel III Reforms, constituting guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. The implementation of the Basel III Reforms began on 1 January 2013. However, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time. The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the "**January 2011 Press Release**") included an additional Basel III requirement (the "**Non-Viability Requirement**") as follows:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph.

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as Tier 1 or Tier 2 instruments for regulatory capital purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

The February 2017 Regulations and the Capital Standards (as defined below) confirm that the Non-Viability Requirement is a pre-requisite for any capital instruments issued by UAE banks to achieve Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (together, "**Regulatory Capital**") classification from the UAE Central Bank. The Non-Viability Requirement must be provided for contractually in the absence of a statutory loss absorption framework in the UAE as at the date of this Prospectus.

On 23 February 2017, the UAE Central Bank published the February 2017 Regulations which are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements, whilst implementing the measures contained in the UAE Central Bank's May 2016 published consultation document entitled "Capital Adequacy Regulation". The February 2017 Regulations are supported by accompanying standards, including the Standard for Capital Adequacy of Banks in the UAE issued on 7 January 2020 (the "**Capital Standards**"), which elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements. See also "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations in respect of the Capital Securities – Regulatory risks – The Issuer is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Issuer's business*".

Reserve requirements

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements set a mandatory cash reserve of 14 per cent. of all current, call and savings deposits and 1 per cent. of all time deposits, respectively, based on balances calculated on the 15th of each month. As noted above under "*COVID-19*", as part of the UAE Central Bank's stimulus package in response to COVID-19, the minimum reserve requirement for all current, call and savings deposits has been decreased from 14 per cent. to 7 per cent.

Credit controls

Banks are required by the UAE Central Bank to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

The UAE Central Bank circular dated 23 February 2011 (the "**Retail Circular**") on retail banking and Notice No. 31/2013 dated 28 October 2013 (which was published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013) (the "**Mortgage Regulations**"), introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. These regulations may be amended in the future. Additionally, in accordance with the Mortgage Regulations, which specify that the amount of mortgage loans for non-UAE nationals should not exceed 75 per cent. of the property value for a first purchase of a home (with a value of less than or equal to AED 5 million), 65 per cent. of the property value for a first purchase of a home (with a value greater than AED 5 million) and 60 per cent. of the property value (irrespective of the value of the property) for second and subsequent homes. For UAE nationals, the corresponding limits are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

Large exposures

The UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits.

The UAE Central Bank published the Central Bank Notice No. 32/2013 on large exposures (the "**Large Exposure Notice**") in the Official Gazette on 30 December 2013, and it entered into force on 30 January 2014. The Large Exposure Notice introduced limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the UAE Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

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

Provisions for loan losses

For UAE banks, IFRS 9 was introduced for financial reporting periods commencing on 1 January 2018, replacing IAS 39 and introducing an ECL model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. IFRS 9 provision uses a three stage approach in recognising increased credit risk at each stage of risk (i.e., stage 1 for current facilities, stage 2 for significant increase in credit risk and stage 3 for impaired loans).

On 27 March 2020, the IASB issued a guidance note, advising that both the assessment of SICR and the measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken.

As noted above under "*COVID-19*", under the TESS, the IFRS 9 staging and classification of loans of customers that are stage 1 and are receiving relief is expected to remain unchanged during the period of the scheme and not downgraded. In addition, a part of the UAE Central Bank's stimulus package in response to COVID-19, banks are able to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024.

Establishing a credit bureau in the UAE

Al Etihad Credit Bureau ("**AECB**") is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the UAE Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations. As at the date of this Prospectus, the Issuer has entered into a data and credit information supply agreement with AECB.

The implementation of regulations for the sharing of credit report data and the commercial operation of the UAE's first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

Shari'a compliance

Islamic banking regulations requires financial institutions licensed by the UAE Central Bank to operate their business activities in compliance with the rules, standards and general principles established by the Higher Shari'a Authority and, in certain circumstances, requires such financial institutions to obtain the consent of the Higher *Shari'a* Authority before undertaking certain licensed financial activities.

TAXATION

The following is a general description of certain tax considerations relating to the Capital Securities. It does not purport to be a complete analysis of all tax considerations relating to the Capital Securities and does not constitute legal or tax advice. Prospective purchasers of Capital Securities should consult their tax advisers as to the consequences under the tax laws of the countries of their respective citizenship, residence or domicile of acquiring, holding and disposing of Capital Securities and receiving payments under the Capital Securities. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Abu Dhabi and the United Arab Emirates

The following summary of the anticipated tax treatment in the UAE in relation to payments on the Capital Securities is based on the taxation law and practice in force at the date of this Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling or disposing of Capital Securities and the receipt of any payments with respect to the Capital Securities under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Abu Dhabi taxation in respect of payments of interest and principal to any holder of the Capital Securities. In the event of such imposition of any such withholding, the Issuer has undertaken to gross-up any payments of interest (but not principal) subject to certain limited exceptions.

The Constitution of the UAE specifically reserves to the UAE government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Capital Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Capital Securities should, however, be exempt.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Capital Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Capital Securities are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to sections 1471 to 1474 (inclusive) of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the UAE) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Capital Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Capital Securities, are uncertain and may be subject to change. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Capital Securities.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 1 October 2020 between the Issuer and the Joint Lead Managers, the Issuer has agreed to issue U.S.\$750,000,000 in aggregate principal amount of the Capital Securities and subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe or procure subscribers for the Capital Securities at the issue price of 100 per cent. of the principal amount of Capital Securities.

The Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and offering of the Capital Securities. The Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of Capital Securities and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

United States

The Capital Securities 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 accordance with Regulation S under the Securities Act or pursuant to an exemption 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 Joint Lead Manager has represented and agreed that it has not offered, sold or delivered any Capital Securities, and will not offer, sell or deliver any Capital Securities: (a) as part of their distribution at any time; or (b) otherwise until 40 days after the completion of the distribution of all Capital Securities, other than in accordance with Rule 903 of Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of the Capital Securities, an offer or sale of the Capital Securities within the United States by any dealer/manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) 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 Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of any Capital Securities in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Capital Securities in, from or otherwise involving the UK.

Prohibition of Sales to EEA and UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Capital Securities to any retail investor in the EEA or in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Capital Securities in the Kingdom of Bahrain except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **"accredited investor"** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell, at any time, directly or indirectly, any Capital Securities in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Capital Securities. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **"Saudi Investor"**) who acquires any Capital Securities pursuant to an offering should note that the offer of Capital Securities is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the Capital Market Authority resolution number 1-104-2019 dated 30 September 2019 (the **"KSA Regulations"**), made through a person authorised by the Capital Market Authority (**"CMA"**) to carry on the securities activity of arranging and following a notification to the CMA under Article 11 of the KSA Regulations.

The Capital Securities may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented that any offer of Capital Securities to a Saudi Investor will be made in compliance with Article 11 and either Article 9 or Article 10 of the KSA Regulations.

The offer of the Capital Securities shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Capital Securities pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Capital Securities to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Capital Securities are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Capital Securities in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Capital Securities to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **"DFSA"**) rulebook; and
- (b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Capital Securities have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding-Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Capital Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Capital Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Capital Securities 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**") and each Joint Lead Manager has represented and agreed that it will not offer or sell any Capital Securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Malaysia

This Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA. Accordingly, each Joint Lead Manager has represented and agreed that the Capital Securities have not been and will not be offered, sold or delivered by it, and no invitation to subscribe for or purchase the Capital Securities has been or will be made, directly or indirectly, by it nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b) read together with Schedule 8 or Section 257(3), subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Capital Securities or caused the Capital Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Capital Securities or cause the Capital Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Securities, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA; (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section

275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Capital Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Capital Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

Each Joint Lead Manager has represented, warranted and agreed that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers or sells any Capital Securities or possesses or distributes this Prospectus (in preliminary proof or final form) or any related offering material, in all cases at its own expense, and neither the Issuer nor any of the other Joint Lead Managers shall have any responsibility therefor.

Neither the Issuer nor any of the Joint Lead Managers has represented that the Capital Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. Persons into whose possession this Prospectus or the Capital Securities may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of Capital Securities.

GENERAL INFORMATION

Authorisation

The issue of the Capital Securities by the Issuer was duly authorised by resolutions of the Board of Directors of the Issuer on 27 April 2020 and by the shareholders of the Issuer on 24 February 2020.

Approval of the Prospectus, Admission to Trading and Listing of Capital Securities

Application has been made for the Capital Securities to be admitted to listing on the Official List and to trading on the Regulated Market. It is expected that the listing of the Capital Securities on the Official List and admission of the Capital Securities to trading on the Regulated Market will be granted on or around the Issue Date. The total expenses related to the admission to trading on the Regulated Market are estimated at £7,515.

Documents Available

For as long as the Capital Securities are outstanding, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer, the specified offices of the Fiscal Agent for the time being in London and, in the case of the documents listed in paragraphs (a) to (d) below, at <https://www.bankfab.ae/>:

- (a) the Memorandum and Articles of Association (with an English translation thereof) of the Issuer;
- (b) the unaudited condensed consolidated interim financial statements of the Issuer in respect of the six months ended 30 June 2020, together with the review report prepared in connection therewith;
- (c) the audited consolidated annual financial statements of the Issuer in respect of the financial years ended 31 December 2019 and 31 December 2018, in each case together with the audit reports prepared in connection therewith;
- (d) this Prospectus; and
- (e) the Agency Agreement (which contains the forms of the Global Certificate and the Individual Certificate) and the Deed of Covenant.

Clearing Systems and Identification Codes

The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN is XS2236340951 and the common code is 223634095. The Financial Instrument Short Name (FISN) is FIRST ABU DHABI/4.5 BD PERP JR SUB and the Classification of Financial Instruments (CFI) Code is DBFJPR, each as may be updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the National Numbering Agency that assigned the ISIN.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1 210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Legal Entity Identifier ("LEI")

The LEI code of the Issuer is 2138002Y3WMK6RZS8H90.

Website of the Issuer

The website of the Issuer is <https://www.bankfab.ae/>. The information on <https://www.bankfab.ae/> does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.

Significant or Material Change

Since 31 December 2019, there has been no material adverse change in the prospects of the Group, except for the impact of the coronavirus outbreak referred to in "*Risk Factors – Factors that may affect the Issuer's*

ability to fulfil its obligations under the Capital Securities – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Issuer's business, results of operations, financial condition and prospects".

Since 30 June 2020, there has not been any significant change in the financial performance or financial position of the Group, except for the impact of the coronavirus outbreak referred to in "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under the Capital Securities – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Issuer's business, results of operations, financial condition and prospects*".

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware) which may have, or have had during the twelve months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

Independent Auditors

The current auditors of the Issuer are KPMG (authorised and regulated under the Register of Practicing Accountants at the UAE Ministry of Economy and Planning as required by UAE Federal Law No. 22 of 1995) of 15th Floor, Falcon Tower, Al Nasr Street, Abu Dhabi, United Arab Emirates, P.O. Box 7613.

The consolidated financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018 have been audited without qualification in accordance with International Standards on Auditing by KPMG, as stated in their reports, incorporated by reference herein.

Joint Lead Managers transacting with the Issuer

Certain of the Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

In the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of the Capital Securities. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Such persons do not intend to disclose the extent of any such investment or transactions other than as may be required by law.

ISSUER

First Abu Dhabi Bank PJSC
FAB Building
Khalifa Business Park – Al Qurm District
P.O. Box 6316
Abu Dhabi
United Arab Emirates

FISCAL AGENT, CALCULATION AGENT AND TRANSFER AGENT

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

REGISTRAR

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

LEGAL ADVISERS

To the Issuer as to English law and Abu Dhabi law

Clifford Chance LLP
9th Floor, Al Sila Tower
Abu Dhabi Global Market Square
P.O. Box 26492
Abu Dhabi
United Arab Emirates

To the Joint Lead Managers and Joint Bookrunners as to English law and Abu Dhabi law

Allen & Overy LLP
11th Floor
Burj Daman
Al Mustaqbal Street
Dubai International Financial Centre
P.O. Box 506678
Dubai
United Arab Emirates

JOINT STRUCTURING AGENTS

First Abu Dhabi Bank PJSC
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