

## 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 Bank 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 PROSPECTUS 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 PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE JOINT LEAD MANAGERS (AS DEFINED BELOW) 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.

THE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THE PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE 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 **ORDER**) OR HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER, OR TO WHOM IT MAY OTHERWISE LAWFULLY BE DISTRIBUTED IN ACCORDANCE WITH THE ORDER (EACH SUCH PERSON BEING REFERRED TO AS **RELEVANT PERSONS**). THIS COMMUNICATION IS DIRECTED ONLY AT RELEVANT PERSONS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. NO PERSON OTHER THAN A RELEVANT PERSON SHOULD RELY ON IT.

**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, Emirates NBD Bank P.J.S.C., First Abu Dhabi Bank PJSC, J.P. Morgan Securities 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 (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island, the Northern Mariana Islands), any State of the United States or the District of Columbia, (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.



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

**U.S.\$1,000,000,000 Fixed Rate Resetable Tier 2 Capital Securities due 2034**

The U.S.\$1,000,000,000 Fixed Rate Resetable Tier 2 Capital Securities due 2034 (the **Capital Securities**) shall be issued by First Abu Dhabi Bank PJSC (the **Issuer** or **FAB**) on 4 October 2023 (the **Issue Date**). Interest Payment Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the 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) 4 April 2029 (the **Reset Date**) at a rate of 6.320 per cent. per annum. If the Capital Securities are not redeemed in accordance with the Conditions on or prior to the Reset Date, Interest Payment Amounts shall continue to be payable from (and including) the Reset Date to (but excluding) 4 April 2034 (the **Maturity Date**) subject to and in accordance with the Conditions at a fixed rate equal to the Relevant Five-Year Reset Rate (as defined in the Conditions) plus a margin of 1.700 per cent. per annum. Interest Payment Amounts will be payable semi-annually in arrear on 4 April and 4 October in each year, commencing on 4 April 2024 (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 11 (**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 (**UAE**), 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 9 (**Write-Down at the Point of Non-Viability**). In such circumstances, the Capital Securities shall automatically be deemed to be irrevocably, unconditionally and permanently 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**").

Unless previously redeemed or cancelled as provided in the Conditions, the Capital Securities will be redeemed at the Maturity Date Redemption Amount (as defined in the Conditions) on the Maturity Date. 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 4 October 2028 (the **First Call Date**) or on any date thereafter up to and including the Reset Date or on any Interest Payment Date following the 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) (**Status and Subordination – Subordination of the Capital Securities**) and 4.3 (**Status and Subordination – 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 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.**

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 9 (**Write-Down at the Point of Non-Viability**) and Condition 10.1 (**Enforcement Event – 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. In particular, there are risks inherent in the holding of the Capital Securities, including the risks relating to subordination of claims in connection therewith and the circumstances in which a holder of the Capital Securities may suffer losses as a result of holding the Capital Securities. See "Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The circumstances triggering a Write-down are unpredictable and holders of the Capital Securities may suffer losses in respect of their holding of the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders".**

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 as a prospectus by the Financial Conduct Authority (the **FCA**), as competent authority under Regulation (EU) 2017/1129, as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or 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 main 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 London Stock Exchange's main market. The London Stock Exchange's main market is a UK regulated market for the purposes of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of EUWA (**UK MiFIR**).

The Issuer has been assigned ratings of AA- with a stable outlook by Fitch Ratings Ltd. (**Fitch**), Aa3 with a stable outlook by Moody's Investors Service Cyprus Limited (**Moody's Cyprus**) and AA- with a stable outlook by S&P Global Ratings Europe Limited (**S&P**). The Capital Securities are expected to be assigned a rating of A by Fitch. The Emirate of Abu Dhabi has been assigned ratings of AA by Fitch, Aa2 by Moody's Investors Service Singapore Pte. Ltd. (**Moody's Singapore**) and AA by S&P, each with a stable outlook. The United Arab Emirates has been assigned a credit rating of Aa2 with a stable outlook by Moody's Singapore.

Each of **Moody's Cyprus** and **S&P** is established in the European Economic Area (the **EEA**) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, **Moody's Cyprus** and **S&P** are included in the list of credit rating agencies published by European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/credit-rating-agencies/cra-authorisation>) in accordance with the CRA Regulation. Neither **Moody's Cyprus** nor **S&P** are established in the United Kingdom (the **UK**) and neither has applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). **Moody's Singapore** is not established in the EEA or the UK and has not applied for registration under the CRA Regulation or the UK CRA Regulation. Accordingly, the ratings issued by **Moody's Cyprus** and **Moody's Singapore** have been endorsed by **Moody's Investors Service Ltd (Moody's)** and the ratings issued by **S&P** have been endorsed by **S&P Global Ratings UK Limited**, respectively, in accordance with the UK CRA Regulation and have not been withdrawn. Each of **Moody's** and **S&P Global Ratings UK Limited** are established in the UK and registered under the UK CRA Regulation.

**Fitch** is established in the UK and is registered under the UK CRA Regulation. **Fitch** is not established in the EEA and has not applied for registration under the CRA Regulation. Accordingly, the ratings issued by **Fitch** have been endorsed by **Fitch Ratings Ireland Limited** in accordance with the CRA Regulation and have not been withdrawn. **Fitch Ratings Ireland Limited** is established in the EEA and registered under the CRA Regulation. As such, **Fitch Ratings Ireland Limited** is included in the list of credit rating agencies published by **ESMA** on its website (at <http://www.esma.europa.eu/page/credit-rating-agencies/cra-authorisation>) 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.

Amounts payable under the Capital Securities, following the 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 the Treasury does not appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**). As far as the Issuer is aware, the U.S. Department of the Treasury does not fall within the scope of the UK Benchmarks Regulation by virtue of Article 2 of the UK Benchmarks Regulation.

*Joint Lead Managers and Joint Bookrunners*

**Citigroup**  
**J.P. Morgan**

**Emirates NBD Capital**

**First Abu Dhabi Bank**  
**Standard Chartered Bank**

The date of this Prospectus is 2 October 2023

## IMPORTANT NOTICE

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

The Issuer accepts responsibility for the information contained in this Prospectus and declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

Where information has been sourced from a third party, the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third-party information contained in this Prospectus is stated where such information appears in this 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: (i) is intended to provide the basis of any credit or other evaluation or (ii) 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 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 **DIFC**), the UAE (excluding the DIFC and the Abu Dhabi Global Market (the **ADGM**)), Hong Kong, Japan, Malaysia, Singapore and Switzerland (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*", "*UK MiFIR Product Governance / Professional Investors and ECPs only Target Market*", "*PRIIPS Regulation / Prohibition of Sales to EEA Retail Investors*" and "*UK PRIIPS Regulation / Prohibition of Sales to 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 (i) the Capital Securities are legal investments for it (ii) the Capital Securities can be used as collateral for various types of borrowing and (iii) 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**

There are no manufacturers for the purposes of MiFID II. Any person subsequently offering, selling or recommending the Capital Securities (a **distributor**) should consider (i) the target market for the Capital Securities to be 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 to be appropriate. 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 target market) and determining appropriate distribution channels.

#### **UK MIFIR 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, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in UK MiFIR, only and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook 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.

#### **PRIIPS REGULATION / PROHIBITION OF SALES TO EEA 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. 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 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 **PRIIPs Regulation**) for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### **UK PRIIPS REGULATION / PROHIBITION OF SALES TO 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 UK. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, **FSMA**) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU)

No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Capital Securities or otherwise making them available to retail investors 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 UK may be unlawful under the UK PRIIPs Regulation.

**NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND  
FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE, AS AMENDED OR  
MODIFIED FROM TIME TO TIME (THE SFA)**

In connection with Section 309B of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**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 30 days after the issue date of the Capital Securities and 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 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 Saudi Arabian Capital Market Authority (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 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 account holders 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 the equivalent amount in any other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law

No. 64 of 2006). This Prospectus and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Capital 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 any related offering documents and it has not in any way considered the merits of the 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 document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. 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 (including the Qatar Financial Centre). 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 (including the Qatar Financial Centre) under the Commercial Companies Law No. (11) of 2015 or otherwise under any laws of the State of Qatar (including the Qatar Financial Centre).

### **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 of person set out in Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 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 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 condensed consolidated interim financial information of the Group as at and for the six-month period ended 30 June 2023 which include unaudited comparative financial information for the six-month period ended 30 June 2022, together with the notes thereto (the **Interim Financial Information**);

- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2022 (the **2022 Financial Statements**); and
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021 (the **2021 Financial Statements** and, together with the 2022 Financial Statements, the **Annual Financial Statements**, and the Annual Financial Statements together with the Interim Financial Information, the **Financial Statements**).

The Interim Financial Information has been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" (**IAS 34**) and have been reviewed by PricewaterhouseCoopers Limited Partnership Abu Dhabi (**PwC**) in accordance with the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in their review report incorporated by reference in this 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**). The 2021 Financial Statements have been audited without qualification by KPMG Lower Gulf Limited (**KPMG**) and the 2022 Financial Statements have been audited without qualification by KPMG, each in accordance with International Standards on Auditing (**ISA**) as stated in their audit reports incorporated by reference herein.

The 2022 Financial Statements were adopted by the shareholders of FAB at an annual general meeting of FAB held on 28 February 2023, and the 2021 Financial Statements were adopted by the shareholders of FAB at an annual general meeting of FAB held on 28 February 2022. The Annual Financial Statements have also been approved by the Central Bank of the UAE (the **UAE Central Bank**).

The Group's financial year ends on 31 December and, unless the context otherwise requires, references in this Prospectus to 2022 and 2021 are to the 12-month period ending on 31 December in each year.

The financial information included in this Prospectus:

- (i) as at and for the six months ended 30 June 2023 has been derived from the Interim Financial Information;
- (ii) as at and for the year ended 31 December 2022 has been derived from the 2022 Financial Statements except for "Investment in associates" and "Non trading investment securities" which were subsequently reclassified and hence are extracted or derived from the unaudited comparative column of the Interim Financial Information (see "Reclassifications of certain financial information" below for further detail);
- (iii) as at and for the year ended 31 December 2021 has been derived from the 2021 Financial Statements; and
- (iv) for the six months ended 30 June 2022 has been derived from the Interim Financial Information.

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.

### *Reclassification of certain financial information*

Certain comparative figures as at 31 December 2022 have been reclassified, where appropriate, to conform to the presentation adopted in the Interim Financial Information. This comprises "Investment in associates" (AED 1.6 billion as at 31 December 2022) previously classified within "Non trading investment securities" which are now presented separately in the Interim Financial Information.

### **Alternative Performance Measures**

Certain financial measures presented by FAB in this Prospectus are not defined in accordance with IFRS accounting standards. FAB believes that the alternative performance measures (as defined in the European Securities and Markets Authority guidelines (the **ESMA Guidelines**) on Alternative Performance Measures (**APMs**)) included in this Prospectus provide useful supplementary information to both investors and to FAB'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 FAB 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 FAB 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. FAB 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:

<b>APM</b>	<b>Definition/method of calculation</b>	<b>Reconciliation with Financial Statements/accounting records</b>
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 FAB 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 2023, the average balance is	Profit for the period attributable to shareholders of FAB is as set out in the consolidated statement of profit or loss in the Financial Statements.  Interest due (accrual basis) on Tier 1 capital notes is derived from the Group's internal accounting records (and is a Bank management calculated number).  Total equity is as set out in the consolidated statement of financial position in the Financial Statements.

APM	Definition/method of calculation	Reconciliation with Financial Statements/accounting records
	calculated based on the sum of balances at the beginning (31 December 2021) and end (30 June 2023) 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>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>
Cost to income ratio	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>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, advances and Islamic financing divided by customer accounts and other deposits.	<p>Net loans, advances and Islamic financing 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, advances and Islamic financing (NPL) ratio	Financial measure to express loan asset quality and is calculated as NPLs net of interest suspended as a percentage of gross loans, advances and Islamic financing net of interest suspended.	NPLs are the Stage 3 loans, advances and Islamic financing along with Stage 3 loans, advances and Islamic financing which are part of purchased originally credit impaired loans, advances and Islamic financing considered by the Group as par to NPLs, each as set out in Note 30 ( <i>Financial</i>

APM	Definition/method calculation	Reconciliation with Financial Statements/accounting records of
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 calculated as impairment allowances as a percentage of NPLs.	<p data-bbox="983 344 1359 405"><i>risk management</i>) to the Interim Financial Information.</p> <p data-bbox="983 443 1359 573">Interest suspended is as set out in Note 7 (<i>Loans, advances and Islamic financing</i>) to the Interim Financial Information.</p> <p data-bbox="983 611 1359 770">Gross loans, advances and Islamic financing are as set out in Note 7 (<i>Loans, advances and Islamic financing</i>) to the Interim Financial Information.</p> <p data-bbox="983 824 1359 1290">Impairment allowances are total provisions in respect of loans, advances and Islamic financing and total provisions in respect of unfunded exposure, each as set out in Note 30 (<i>Financial risk management</i>) to the Interim Financial Information, together with the specific and collective IFRS 9 reserve as set out in Note 17 (<i>Capital and reserves</i>) to the Interim Financial Information.</p> <p data-bbox="983 1328 1359 1727">NPLs are the Stage 3 loans, advances and Islamic financing along with loans, advances and Islamic financing which are part of purchased or originally credit impaired loans, advances and Islamic financing considered by the Group as par to NPLs, each as set out in Note 30 (<i>Financial risk management</i>) to the Interim Financial Information.</p> <p data-bbox="983 1765 1359 1888">Interest suspended is as set out in Note 7 (<i>Loans, advances and Islamic financing</i>) to the Interim Financial Information.</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 FAB, together with its subsidiaries;
- references to a **Member State** are to a Member State of the EEA;
- 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, **OPEC plus** are to the group of OPEC countries and other non-OPEC countries, including Russia, so designated and **OPEC Reference Basket** are to the reference basket data published on the OPEC website;
- 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 in this Prospectus to **UAE 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.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of law is a reference to that law or provision as extended, amended or re-enacted.



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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 Group's business, results of operations, financial condition and prospects***

The Group, 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.

#### *COVID-19*

In 2020 and 2021, the macro-economic environment (both globally and within the UAE) was materially affected by the novel coronavirus which causes the disease known as **COVID-19**. On 11 March 2020, the World Health Organization officially declared COVID-19 a global pandemic. Almost all countries that were significantly affected introduced measures to try to contain the spread of the virus, including border closures and restricting the movement of their citizens. These measures resulted in the closure of numerous businesses in those countries (particularly those related to the travel and hospitality industries) and widespread job losses. The COVID-19 pandemic negatively impacted the global economy, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets and may lead to lower economic growth in the GCC region and globally. The ultimate impact of COVID-19 on global and local economies (including on the price of oil) is unclear. The duration, impact and severity of the COVID-19 pandemic cannot be predicted as future variants may be identified that could cause more severe disease than those of currently known variants.

In response to the impact of the COVID-19 virus on their domestic economies, various governments around the world announced fiscal stimulus packages (see further "*The United Arab Emirates Banking Sector and Regulations – COVID-19*") and numerous central banks 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 per cent. to 1.75 per cent. to 1.00 per cent. to 1.25 per cent. and, on 15 March 2020, it was cut further to zero per cent. 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 MLF and the CMF (each term as defined in "*The United Arab Emirates Banking Sector*")

*and Regulations – COVID-19*") by 50 basis points to 50 basis points above the official UAE base rate. The U.S. Federal Reserve and UAE Central Bank reversed this course during 2022 in response to rising inflation (see "*Financial markets*" below). 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.

### *Oil price volatility*

The UAE economy as a whole, and the economies of other countries in the GCC, are exposed to oil price volatility (see further "*Risks relating to the UAE and the Middle East—The UAE's economy is highly dependent upon its oil revenue*").

International oil prices have been volatile in the past three years, with the monthly OPEC Reference Basket price reaching U.S.\$70.78 in April 2019, decreasing sharply to U.S.\$17.66 in April 2020 amid the COVID-19 pandemic and recovering to U.S.\$82.11 in October 2021. Monthly average OPEC Reference Basket prices exceeded U.S.\$100 for most of 2022 due to greater demand forecasts and geopolitical tensions around the full-scale Russia-Ukraine conflict which commenced in late February 2022. The monthly price per barrel of Arabian Light Crude Oil has also moved in line with these trends.

OPEC member countries produce approximately 40 per cent. of the world's crude oil (according to the World Economic Forum) and, as such, targets set by OPEC to manage oil production in its member countries can affect oil prices. Historically, the announcement of production cuts by OPEC has led to oil price rises in the short- to medium-term. While efforts have been made by OPEC and non-OPEC oil producing countries participating in the Declaration of Cooperation to control oil price volatility by agreeing staged reductions in oil production since 2020, there can be no assurance that such collaboration will achieve its stated goals or influence oil prices beyond the short-term.

While the Group's direct exposure to the crude oil, gas, mining and quarrying sectors is not significant (with 7.7 per cent. of its gross loans, advances and Islamic financing being to customers in the energy industry as at 30 June 2023), low oil prices and low demand for crude oil may have a material adverse effect on the UAE's economy and cause a reduction in government spending, which may exacerbate the impact on the UAE economy as a whole leading to deterioration in other industries. This may thereby affect the Group's business, results of operations, financial condition and prospects and FAB's ability to perform its obligations in respect of the Capital Securities.

### *Fiscal reforms*

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 significant effect on the UAE economy. The UAE federal government has scaled back capital transfers to government-related entities, reduced government investment, raised electricity and water tariffs and removed fuel subsidies. More recently, lower oil prices and the COVID-19 pandemic have resulted in the UAE cutting its federal spending for 2021 by approximately 5.3 per cent. as compared to 2020. Further, with effect from 1 January 2018, the UAE federal government introduced a value-added tax (VAT) regime at a rate of 5 per cent. as part of a broader GCC-wide agreement. Bahrain joined the GCC VAT regime on 1 January 2019 and Oman implemented VAT on 16 April 2021. Qatar is expected to introduce VAT in 2023 and Kuwait is expected to introduce VAT in the near future. Saudi Arabia, which implemented VAT on 1 January 2018 at the rate of 5 per cent., increased the rate to 15 per cent. effective from 1 July 2020. The resulting stress on the UAE retail markets (which represents one of the Group's core businesses) may have a negative impact on the Group's business, results of operations and financial condition and could thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a corporate income tax (the CIT) on business profits, which comes into effect for accounting periods beginning on or after

1 June 2023. Thus, the CIT would apply to FAB from 1 January 2024. The CIT will impact the Group's future tax charge. The CIT will apply on the taxable net profits of a business. It will not apply to taxable profits up to AED 375,000 and will apply at a standard statutory tax rate of nine per cent. to taxable profits in excess thereof.

In the UAE, 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 Yemen since 2015 and domestic job losses in both the private and public sectors across the UAE (and particularly within Abu Dhabi) along with the COVID-19 pandemic, the impact on the UAE economy in recent years has been significant.

Moreover, in respect of the Group's Abu Dhabi-based Government-related customers, 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 how the application of the Abu Dhabi Public Debt Laws has impacted the Group's Abu Dhabi-based Government-related customers. If the provisions of the Abu Dhabi Public Debt Laws start to be applied more strictly and require the Group's Abu Dhabi-based Government-related customers to obtain Abu Dhabi Executive Council approval each time they contract with the Group, it is possible that the Group 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 Group'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 Group's corporate customers, this could have a material adverse effect on the Group's business, results of operations and financial condition and could thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

#### *Financial markets*

During events of extreme volatility witnessed in financial markets since 2014 there have been periods of reduced liquidity, widening credit spreads and a lack of price transparency in credit and capital markets. These adverse market conditions have impacted investment markets both globally and in the UAE, through increased volatility in asset prices, commodity prices, interest rates and exchange rates.

Furthermore, many of the world's economies are experiencing high levels of inflation. According to the IMF, global inflation is projected at 6.6 per cent. in 2023. However, considerable uncertainty surrounds these inflation projections. Various factors have contributed to shaping inflation outlook, including the Russia-Ukraine conflict which has caused an increase in the oil price (as discussed above) and to food prices (due to disruptions in the supply of commodities such as wheat, corn and fertilizers). In addition, while demand grew rapidly in 2021, various bottlenecks held back supply, including outbreak-induced factory closures, restrictions at ports, congested shipping lanes, container shortfalls and worker shortages because of quarantines. Although supply bottlenecks are generally anticipated to ease as production responds to higher prices, recurrent lockdowns in China as a result of the zero-COVID-19 strategy, the Russia-Ukraine conflict and widespread sanctions on Russian persons, entities and institutions are likely to prolong disruptions in some sectors into 2023. Prolonged inflation could affect the wider global economy (by, for example, causing prompt broad-based selling in long-duration, fixed-rate debt, which could have negative implications for equity and real estate markets) and the Group's customers and counterparties (leading to lower recoverability) which in turn could affect FAB's ability to perform its obligations in respect of the Capital Securities.

As a result of market conditions prevailing as at the date of this Prospectus, companies to which FAB has 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 FAB.

These extremely volatile market conditions have resulted in reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets. The adverse market conditions have impacted investment markets both globally and in the UAE, with increased volatility in interest rates and exchange rates. The U.S. Federal Reserve raised U.S. overnight interest rates by 25 basis points in March 2022, 50 basis points in May 2022, 75 basis points in each of June 2022, July 2022, September 2022 and November 2022, 50 basis points in December 2022, 25 basis points in February 2023, 25 basis points in March 2023, 25 basis points in May 2023 and 25 basis points in July 2023. In line with such increase, the UAE Central Bank raised the base rate on the overnight deposit facility by 25 basis points in March 2022, 50 basis points in May 2022, 75 basis points in each of June 2022, July 2022, September 2022 and November 2022, 50 basis points in December 2022 and 25 basis points in each of February 2023, March 2023, May 2023 and July 2023.

Future movements in such rates may adversely impact the Group's margins, borrowing costs and capital if it is unable to adjust to the volatile interest rate environment. The business, results of operations, financial condition and prospects of FAB have been materially adversely affected by these trends and may be further materially adversely affected by future periods of 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 Group's counterparties will fail to discharge their obligations on maturity or in a timely manner, causing the Group to incur a financial loss. Credit risks could materially adversely affect the Group's business, results of operations, financial condition and prospects. Some of the credit risks facing the Group are set out below.

*If the Group is unable to effectively monitor and control the level of, or, where required, successfully restructure, its NPLs with debtors in financial distress, or its allowance for impairment are insufficient to cover credit losses, the Group'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 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 Group's credit portfolio. See further "*Risk Factors – Factors that may affect FAB'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 Group'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 Group's credit risk profile. Although the Group regularly reviews its credit exposures and has re-priced a portion of its credit portfolio and restructured some of its credit-impaired loans, advances and Islamic financing, customer defaults may continue to occur. The occurrence of these events has affected, and could continue to materially adversely affect, the Group's business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

As at 30 June 2023, the Group had NPLs of AED 18.4 billion and, for the six months ended 30 June 2023, carried impairment allowances of AED 19.0 billion. In accordance with IFRS, the Group 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 statement of profit or loss. This is written back to the statement of profit or loss as and when interest or principal (as appropriate) on the debt is received. The Group's management believes that the levels of impairment allowances for impaired loans, advances and Islamic financing as at 30 June 2023 were sufficient to cover the Group's potential credit losses as at that date. However, there is no guarantee that the impairment charge recognised by the Group will be sufficient to cover its actual credit losses. As at 30 June 2023, the Group had a provision coverage ratio of 103.1 per cent.

The Group regularly reviews and monitors compliance with lending limits to individual financial institutions and country limits. See further "*Risk Management*". Further, the Group Credit Committee is responsible for the formulation of credit policies and processes in line with growth, risk management and strategic objectives and FAB's management believes that the systems in place to implement the Group's restructuring of loans, advances and Islamic financing and impairment allowances are adequate as at each reporting date. This may thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

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

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

The Group's credit and investment portfolios are concentrated, geographically, in the UAE. As a result, any deterioration in general economic conditions in the UAE or any failure of the Group 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 which could, thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

Together, the Group's loans, advances and Islamic financing and investment securities portfolios (investment securities portfolio is defined as Investments at fair value through profit or loss, Non trading investment securities and Investment in associates) (net of provisions) totalled AED 693.7 billion, or 60.5 per cent. of its total assets, as at 30 June 2023. Of the Group's total gross loans, advances and Islamic financing extended to customers as at 30 June 2023, real estate accounted for 17.6 per cent., personal loans and credit cards accounted for 10.0 per cent. and energy accounted for 7.7 per cent.

The Group's investment securities portfolio comprised AED 167.9 billion (or 79.6 per cent.) non-trading investments as at 30 June 2023. The Group'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 2023, the Group's non-trading investment securities portfolio had an exposure of AED 31.4 billion (or 18.5 per cent.) to the UAE while exposure to the GCC, excluding the UAE, was AED 26.8 billion (or 15.8 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 Group's customer base and retail portfolio is comprised of UAE-based expatriates. FAB is exposed to a "skip risk" that such customers may leave the UAE without making repayments on their loans. Although the Group takes overseas enforcement action against "skip" borrowers in certain countries, 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 Group's credit portfolio, which could have a material adverse effect on its business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

*A substantial increase in new impairment allowances or credit losses greater than the level of previously recorded impairment allowances for credit losses would adversely affect FAB's results of operations and financial condition*

In connection with lending activities, FAB periodically establishes impairment allowances for credit losses, which are recorded in its statement of profit or loss. FAB's overall level of impairment allowances is based upon its assessment of prior loss experience along with expected credit loss, which takes into account the volume and type of financing being conducted, collateral held, industry standards, past due financing, economic conditions and other factors related to the recoverability of various financial assets. Although the Group endeavours to establish an appropriate level of impairment allowances based on its best estimate of the amount of incurred credit loss, it might be possible, for example, due to economic stress situations or changes in the regulatory environment, that the Group has to significantly increase its impairment allowances for credit losses. Any significant increase in impairment allowances or a significant change in the Group's estimate of the risk of credit loss inherent in its credit portfolio, as well as the occurrence of credit 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 and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

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 Group's impairment calculation models imposed as a result of further accounting standards or regulatory changes may adversely impact impairment allowances established by the Group which would have an adverse effect on its business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

*The Group may be materially adversely affected by a loss of business from key clients that represent a significant portion of its net operating income*

The Group 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 Group's business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

In addition, the financial condition and ongoing profitability of Government-controlled or Government-related entities largely depends upon Government spending and policy. Therefore, the Group 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 Group may be difficult to predict. See further "*Risk Factors – Factors that may affect FAB'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 FAB's business, results of operations, financial condition and prospects*".

The Group's failure to adequately foresee and assess such shifts may have an adverse effect on its business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

## *Liquidity risks*

Liquidity risk is the risk that the Group 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 Group's business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities. Some of the liquidity risks facing the Group are set out below.

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

If the Group'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 Group'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 Group 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 accounts and other deposits, if there is a material decline in the value of the Group's liquid securities portfolio or if the Group is unable to secure short-term funding at commercially acceptable rates to bridge this funding gap.

The Group Assets and Liability Committee sets and monitors liquidity ratios and regularly updates the Group's liquidity management policies and seeks to ensure that the Group is in a position to meet its obligations as they fall due. See further "*Risk Management*". Further, the Group 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 Group Risk Committee receives regular updates on the Group'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 2023, the Group had cash and balances with central banks of AED 245.9 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 (**Basel III**). 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 Liquidity Coverage Ratio (**LCR**) and the Net Stable Funding Ratio (**NSFR**) to the UAE Central Bank.

The LCR is a metric introduced by the Basel Committee as part of Basel III 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. Basel III requires that the minimum value of the ratio is 100 per cent. (i.e., an institution's stock of HQLAs should at least equal total net cash outflows) 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 2023, the Group held a portfolio of HQLAs valued at AED 377.9 billion and had a LCR of 159 per cent.

By virtue of the inherent costs associated with LCR compliance and maintaining a sufficient portfolio of HQLAs, FAB 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 and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

*The Group 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 Group's liabilities include short-term demand and time deposits. A portion of the Group'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 Group's assets and liabilities could lead to liquidity risk if the Group is incapable of rolling over existing deposits, raising new deposits or obtaining alternative sources of funding for the existing or future credit portfolio or if the cost of obtaining these deposits or funding differs from market prices.

Although the Group has accessed wholesale funding markets (through bilateral or syndicated borrowings 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 Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, or the Group fails to refinance some of its large short- to medium-term borrowings, the Group may need to access more expensive sources to meet its funding requirements. No assurance can be given that the Group will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Group's inability to refinance or replace such deposits with alternative funding could materially adversely affect the Group's liquidity, business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

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

As part of its normal banking business, the Group 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 Group to related credit, liquidity and market risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as loans, advances and Islamic financing extended to customers, and commitments to extend credit are contingent on customers maintaining required credit standards. Although the Group 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 and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities. As at 30 June 2023, the Group had AED 228.0 billion in such contingent liabilities.

### **Market risks**

The Group'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 Group's income or the fair value of its holdings of financial instruments. Market risks could adversely affect the Group's business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities. Some of the market risks facing the Group are set out below.

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

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

Any shortage of liquidity in markets that are sources of funding for the Group could contribute to an increase in the Group's marginal borrowing costs. Similarly, any increase or changes in benchmark reference rates could also affect the value of certain assets that are sensitive to changes in applicable interest rates.

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (**IBORs**) with alternative risk-free benchmark reference rates. The Group had significant exposure to certain IBORs on its financial instruments, however these have been reformed as part of the relevant market-wide initiatives. As at 30 June 2023, the IBOR reform process in respect of all currencies to which the Group had exposure, has been completed (see Note 3 (*Significant accounting policies*) to the Interim Financial Information). In line with the regulatory guidance, the Group has successfully transitioned all London Interbank Offered Rate (**LIBOR**) products to suitable alternatives, or to synthetic LIBOR where applicable. While synthetic LIBOR is being used temporarily for certain products, FAB is actively working on transitioning these to their permanent risk-free rate alternatives prior to the expiration of synthetic LIBOR.

Interest rates are sensitive to many factors beyond the Group'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 (see further "*Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations, financial condition and prospects*"). 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. From early 2022 through July 2023, the U.S. Federal Reserve raised the U.S. overnight interest rate by 525 basis points in response to high inflation rates. Future changes in U.S. overnight interest rates may adversely impact the Group's financial performance.

If benchmark reference rates rise, the interest payable on the Group's floating rate borrowings increases. Additionally, in a rising interest rate environment, the Group's interest expense can increase significantly as a result of the higher interest rates payable on the Group's existing time deposits. The Group's marginal cost of funding may increase as a result of a variety of factors, including the deterioration of conditions in the financial markets or the loss of confidence by and between financial institutions. If benchmark reference rates lower, the Group's ability to price its current and saving account deposits and time deposits at a rate lower than the benchmark reference rate may be adversely impacted. As a result, the Group's marginal cost of funding compared to benchmark reference rates may increase. If the Group 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 and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

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

The Group holds investment securities. Instability in the international debt and equity capital markets could have a material adverse impact on the Group's investment portfolios. As at each reporting period, the Group 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 credit detrition and are measured on a probability weighted estimate basis.

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 Group's investment policies. FAB 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 Group'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 Group's investment portfolios could have a material adverse effect on the Group's business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

### ***Operational risks***

The Group defines operational risk as the risk of loss from inadequate or failed internal processes, people, systems or external events. Operational risks and losses may arise from various causes such as 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 Group has implemented comprehensive 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 and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities. Some of the operational risks facing the Group are set out below.

*The Group'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 Group 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 Group's business, results of operations, financial condition and prospects, as well as its general reputation in the market and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

The Group'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 Group'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" (**KYC**) practices, depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to the Group.

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 developing stage. See further "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Establishing a credit bureau in the UAE*". Accordingly, the Group, 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 Group's risk management and internal control policies and procedures will fully control, or protect the Group against, all credit, liquidity, market and other risks. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate. The Group 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 Group'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 Group's business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

*If the Group 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 Group*

The Group'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 Group 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 Group may face challenges in retaining such employees due to the continued recruitment efforts of its competitors.

Additionally, with the strong growth that the Group has continued to deliver post-Merger, the Group may need to continue to increase its number of employees. The Group is guided in its human resources (HR) decisions to recruit UAE nationals in accordance with the target set by the UAE Central Bank's nationalisation directive.

While the Group 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 and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

*The Group'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 Group 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 Group 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 Group has implemented defence in depth security architecture with 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 Group's reputation, business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

### ***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 Group operates. Regulatory risks could adversely affect the Group's business, results of operations and financial condition and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities. Some of the regulatory risks currently facing the Group are set out below.

*The Group is highly regulated 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 Group's business*

The Group 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 Regulations*". 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 Group operates. In particular (but without limitation), the Group 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 Group's customer deposits and/or capital and reserves as prescribed by the UAE Central Bank).

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

*If the Group fails to comply with applicable anti-money laundering, counter-terrorism financing, proliferation financing sanctions and other related regulations, it could face enforcement actions, fines and/or damage to its reputation*

In order to carry out and expand its businesses, it is necessary for the Group 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 Group is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

The Group is also required to comply with applicable anti-money laundering (**AML**) and counter-terrorism financing (**CTF**) laws, economic and trade sanctions, anti-bribery and corruption (**ABC**), and other local regulations in the jurisdictions in which it operates, including sanctions administered, enacted or enforced by the Office of Foreign Assets Control of the U.S. Department of Treasury, the United Nations Security Council (**UNSC**), the European Union and His Majesty's Treasury of the UK, applicable local sanctions, and anti-corruption laws in the jurisdictions in which it conducts business.

These laws and regulations require the Group, among other things, to adopt and enforce KYC policies and procedures, to report suspicious activities and transactions to the applicable regulatory authorities and to freeze assets of persons designated by UNSC and/or local regulator where applicable.

The Group has established a Financial Crime Compliance program including but not limited to AML and CTF (KYC/transaction monitoring and suspicious transaction reporting), Sanctions and ABC policies and procedures and reviews them regularly in light of any relevant regulatory and market developments.

To the extent that the Group fails or is perceived to fail to fully comply with applicable laws and regulations, the relevant government agencies have the power and authority to commence enforcement actions against the Group and/or impose fines and other penalties on the Group.

Furthermore, the UAE has committed to address strategic deficiencies in its AML and CTF regimes and is working with the Financial Action Task Force (**FATF**), an inter-governmental body which sets international standards for AML and CTF compliance, to identify and resolve such issues swiftly. Although the Group continually monitors compliance with regulatory and market standards regarding AML and CTF, the Group's business and reputation could suffer if the UAE's AML and CTF regulations and policies are seen to fall short of international standards.

In addition, the Group's business and reputation could suffer if customers use the Group's products and services for money laundering, sanctions evasion activities or other illegal purposes. As a result, any such failure to adhere to applicable AML, CTF, ABC, sanctions and other related laws and regulations may have a material adverse effect on the Group's business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform 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*

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, including crude oil and natural gas) dominates Abu Dhabi's economy and contributed approximately 34.1 per cent. to Abu Dhabi's nominal gross domestic product (**GDP**) in 2017, 41.7 per cent. in 2018 and (as a preliminary estimate) 40.8 per cent. in 2019 (*source*: Abu Dhabi Statistics Centre (the **Statistics Centre**) Statistical Yearbook 2020).

The Group 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 2022, the UAE had approximately 7.2 per cent. of the world's proven crude oil reserves (giving it the fifth largest oil reserves in the world) (*source*: OPEC Annual Statistical Bulletin 2023) while, according to preliminary data produced by the Federal Competitiveness and Statistics Centre (the **FCSA**), the hydrocarbon sector (mining and quarrying, including crude oil and natural gas) accounted for 17.2 per cent. of the UAE's nominal GDP in 2020 and crude oil revenues accounted for 41.4 per cent. of total public revenues in 2020. According to the OPEC website, the price of the OPEC Reference Basket has fluctuated significantly in recent years. See further "*Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition*" above.

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

- (in the near- to medium-term) the effect of COVID-19 and the efficacy and availability of COVID-19 vaccines on global economic activity and the demand for oil and gas;
- 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 international prices for hydrocarbon products were to materially fall from their current levels and remain there for a significant period of time into the future this could have a material adverse effect on the UAE's economy which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

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

The majority of the Group's current operations and interests are located in the UAE. The Group'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 FAB 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 Group's business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

Investors should also note that the Group'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 and the corporate income tax that came into effect on 1 June 2023) or exchange controls could have a material adverse effect on the Group's business, financial condition and results of operations and thereby affect FAB'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 many of the MENA region countries, including Libya, Lebanon, the Republic of Yemen, the Republic of Iraq (Kurdistan), Syria and Palestine.

FAB sold its operations in Sudan in November 2021 and is in the process of closing its Qatar branch. In Libya, FAB 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 Group's business, results of operations, financial condition and prospects, and thereby affect FAB'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 FAB and either or both may alter their respective relationships with FAB at any time and for any reason*

As at the date of this Prospectus, FAB's principal shareholder is the Government, which indirectly holds approximately 37.9 per cent. of the issued and outstanding shares of FAB through the wholly-owned Mubadala Investment Company (**MIC**).<sup>1</sup>

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 Group 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 Group. 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 Group. The reduction or elimination of government support could have a material adverse effect on the Group's business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

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<sup>1</sup> With effect from September 2021, MIC holds FAB's shares through One Hundred and Fifteenth Investment Company – Sole Proprietorship L.L.C. (which is a wholly-owned subsidiary of MIC). Prior to September 2021, MIC held FAB's shares through ADIC PJSC and Mamoura Diversified Global Holding PJSC (formerly known as Mubadala Development Company PJSC) (each of which was a wholly-owned subsidiary of MIC).



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

By virtue of the Government's ownership interest in FAB's share capital, the Government has the ability to block actions or resolutions proposed at FAB's annual or extraordinary general meetings. Accordingly, the Government could prevent FAB 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 FAB. Such actions could have a material adverse effect on the Group's business, results or operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

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

The Group faces competition within the UAE for all of its products and services. The Group competes primarily with a large number of other domestic banks in the UAE, some of which are also owned, directly or indirectly, by the governments of the relevant Emirates, government-related entities or members of the ruling families of the relevant Emirates. As at 30 June 2023, there were a total of 50 commercial banks registered in the UAE (*source*: UAE Central Bank Monthly Statistical Bulletin April 2023). The Group'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 2023, and according to the Interim Financial Information and the publicly available financial statements of the Group's main domestic competitors for the six months ended 30 June 2023, the Group is the largest bank in the UAE by total assets. There can be no assurance that FAB will be able to maintain its current market share in the future.

In addition to the local commercial banks in the UAE, the Group 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 Group faces competition from international banks and such competition is expected to increase in the UAE over time. Although the Group 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 50 different commercial banks (comprising 22 locally incorporated commercial banks and 28 foreign commercial banks) licensed to operate inside the UAE as at 30 June 2023 (excluding the DIFC) (*source*: UAE Central Bank Monthly Statistical Bulletin April 2023), serving a population estimated to be in the region of approximately 9.9 million people at the end of 2022 (*source*: OPEC Annual Statistical Bulletin 2023). 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, it 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 (IT) system development. See further "*The United Arab Emirates Banking Sector and Regulations – Characteristics of the banking system – Historic lack of consolidation*".

If the Group is unable to compete successfully, it could adversely impact the Group's business, results of operations, financial condition and prospects and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

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

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

- limit the Group's ability to raise funding;
- increase the Group's cost of borrowing; and
- limit the Group'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 FAB's credit rating may affect the market value of any 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 any 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 FAB to U.S. dollar foreign exchange movements against the UAE dirham or other such currencies*

The Group 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: Saudi Arabia; Oman; Bahrain; and 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 FAB.

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 Group'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 Group's business, results of operations, financial condition and prospects, and thereby affect FAB's ability to perform its obligations in respect of the Capital Securities.

*Tax changes in the GCC may have an adverse effect on the Group*

As at the date of this Prospectus, FAB is not currently subject to corporation tax (or any other analogous UAE direct tax) on its earnings within the UAE. However, on 31 January 2022, the UAE Ministry of Finance announced the introduction of a CIT on business profits, which will come into effect for accounting periods beginning on or after 1 June 2023. Thus, the CIT would apply to FAB from 1 January 2024.

Investors should be aware that with effect from 1 January 2018, certain of the GCC states (including the UAE and the Kingdom of Saudi Arabia) have implemented a VAT regime at a rate of 5 per cent. The Kingdom of Saudi Arabia increased the rate to 15 per cent. effective from 1 July 2020. Bahrain joined the GCC VAT regime on 1 January 2019 and Oman implemented VAT on 16 April 2021. Qatar and Kuwait are expected to introduce VAT in the near future.

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 UAE Ministry of Finance stated that there were no immediate plans to increase the rate of VAT in the UAE.

The implementation of tax regimes or the amendment of existing tax regimes in the GCC may have a material adverse effect on the Group's business, results of operations and financial condition, which in turn could affect FAB'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 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 permanently written-down in whole or, in exceptional cases, in part on a *pro rata* basis, in each case as solely determined by the Regulator. See "*The circumstances triggering a Write-down are unpredictable and holders of the Capital Securities may suffer losses in respect of their holding of the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders*". 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 the principal amount of the Capital Securities shall be reduced accordingly) 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.

In the exceptional cases in which a Write-down in part is required by the Regulator, a Write-down in part 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 9 (*Write-Down at the Point of Non-Viability*), Interest Payment Amounts will then 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.

The Conditions do not in any way impose restrictions on the Issuer following a Write-down, including restrictions on making any distribution or equivalent payment in connection with any Junior Obligations (including, without limitation, any Additional Tier 1 Securities or ordinary shares of the Issuer), any *Pari Passu* Obligations or any Senior Obligations.

Holders of the Capital Securities will lose all or some of their investment in the Capital Securities as a result of a Write-down and moreover, in such event, holders of the Capital Securities may suffer losses in respect of their investment in the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders. See "- *The circumstances triggering a Write-down are unpredictable and holders of the Capital Securities may suffer losses in respect of their holding of the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders*".

Investors should also be aware that the application of a non-viability loss absorption feature contained in Condition 9 (*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.

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 circumstances triggering a Write-down are unpredictable and holders of the Capital Securities may suffer losses in respect of their holding of the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders***

The occurrence of a Non-Viability Event is 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 a holder of the Capital Securities may not agree (and regardless of whether or not the Solvency Conditions (as defined below) are satisfied at such time). 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 9 (*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 Issuer expects that any Write-down of the Capital Securities would take place (a) after the Ordinary Shares of the Issuer absorb losses (if and to the extent permissible under the relevant regulations applicable to the Issuer at such time); (b) after the write-down or write-off of any of the Issuer's obligations in respect of Other Common Equity Tier 1.

Instruments and Additional Tier 1 Capital; and (c) simultaneously and *pro rata* with the write-down of any of the Issuer's other obligations in respect of Tier 2 Capital. However, the Regulator shall, in its sole discretion, determine the occurrence of a Non-Viability Event and therefore the occurrence of Write-down and there can be no assurance that a Write-down would take place as described in this paragraph.

The Regulator shall, in its sole discretion, determine the occurrence and scope of a Non-Viability Event and therefore the requirement for a Write-down. Accordingly, prospective investors should note that the Regulator may require a Write-down, regardless of whether or not the Solvency Conditions are satisfied at such time, without also requiring the Ordinary Shares of the Issuer to absorb any losses. In such circumstances, holders of the Capital Securities may suffer losses in respect of their holding of the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders.

The exercise (or perceived likelihood of exercise) of any such power (and the manner of exercise of 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.

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 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 of the Issuer 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.

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 10 (*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 and could lead to holders losing some or all of their investment in the Capital Securities.

#### ***No limitation on issuing senior securities***

Other than the limitations in relation to the issue of further Tier 2 Capital by the Issuer as set out in Condition 4.4 (*Status and Subordination – Other Issues*) which limits the circumstances in which Tier 2 Capital of the Issuer that ranks senior to the Capital Securities can be issued, 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 or liquidation of the Issuer.

#### ***The Conditions contain limited Enforcement Events and remedies***

The Enforcement Events in the Conditions are limited to: (a) 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 (b) 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; (c) 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) any event occurs which under the laws of the UAE has an analogous effect to those described in (a) and (c) above.

Moreover, pursuant to Condition 10 (*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: (a) institute any steps, actions or proceedings for the winding-up of the Issuer and/or (b) prove in the winding-up of the Issuer and/or (c) claim in the liquidation of the Issuer for such payment and/or (d) take such other steps, actions or proceedings to enforce, prove or claim for such payment which, under the laws of the UAE, have an analogous effect to the actions referred to in (a) to (c) 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 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). 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 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.

#### ***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 the 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 Reset Date (with a reset of the Interest Rate on the Reset Date as set out in the Conditions), 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 8.1(d) (*Redemption and Variation – Redemption or Variation due to Taxation*) or 8.1(e) (*Redemption and Variation – 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 2 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 Tier 2 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, 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 8 (*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 Reset Date or on any Interest Payment Date following the 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 14 (*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 8.1(c) (*Redemption and Variation – Issuer's Call Option*), Condition 8.1(d) (*Redemption and Variation – Redemption or Variation due to Taxation*) and Condition 8.1(e) (*Redemption and Variation – Redemption or Variation for Capital Event*)).

Any redemption of the Capital Securities prior to the Maturity Date is subject to the requirements in Condition 8.1(b) (*Redemption and Variation – Conditions for Redemption prior to the Maturity Date 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 8.2 (*Redemption and Variation – 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 15 (*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 provided that they become or, as appropriate, remain, Qualifying Tier 2 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 8.1(d) (*Redemption and Variation – Redemption or Variation due to Taxation*) and Condition 8.1(e) (*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 depository 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 A by Fitch. In addition, one or more 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 regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU 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 third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU 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 EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (i) endorsed by a UK registered credit rating agency; or (ii) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Prospective investors should note that this is subject, in each case, to: (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended; and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use of existing pre-2021 ratings for regulatory purposes in the UK, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Capital Securities changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Capital Securities may have a different regulatory treatment, which may impact the value of the Capital Securities and their liquidity in the 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 11 (*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 and integral multiples of U.S.\$1,000 in excess thereof, 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***

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 include obtaining an order for specific enforcement of the Issuer's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement of a contractual obligation, which is a discretionary matter for the relevant court. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the holders of the Capital Securities to mitigate any loss arising as a result of the breach. No assurance is provided on the level of

damages which a court may award in the event of a failure by the Issuer to perform its obligations set out in the Capital Securities.

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

The payments under the Capital Securities are dependent upon the Issuer making payments to investors 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 and/or to claim damages, as appropriate, 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.

Under current Abu Dhabi law, the Abu Dhabi courts are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the parties' choice of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

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

The 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.

There is no established track record as to 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). 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. Federal Cabinet Resolution No. 57 of 2018 (the **Resolution**) also governs the enforcement of foreign arbitral awards in the UAE. 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 shall not be prejudiced by the Resolution. However, there is no established track record as to how the overlapping provisions of the New York Convention and the Resolution will be interpreted and applied by the UAE courts in practice. There is also a risk that, notwithstanding the New York Convention, the Resolution or the terms of any other applicable multilateral or bilateral enforcement convention, the UAE courts may in practice consider and apply the grounds for enforcement of domestic UAE arbitral awards set out in Federal Law No. 6 of 2018 (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.

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

### ***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 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 the Conditions contain limited Enforcement Events and remedies (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 to trading on the London Stock Exchange's main 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.

<b>Issuer:</b>	First Abu Dhabi Bank PJSC.
<b>Description:</b>	U.S.\$1,000,000,000 Fixed Rate Resetable Tier 2 Capital Securities due 2034.
<b>Joint Lead Managers and Joint Bookrunners:</b>	Citigroup Global Markets Limited, Emirates NBD Bank P.J.S.C., First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc and Standard Chartered Bank.
<b>Fiscal Agent, Calculation Agent and Transfer Agent:</b>	Citibank N.A., London Branch.
<b>Registrar:</b>	Citibank Europe plc.
<b>Issue Date:</b>	4 October 2023.
<b>Issue Price:</b>	100 per cent.
<b>Interest Payment Dates:</b>	4 April and 4 October in every year, commencing on 4 April 2024.
<b>Interest Payment Amounts:</b>	The Capital Securities shall, during the Initial Period, bear interest at a rate of 6.320 per cent. per annum (the <b>Initial Interest Rate</b> ) on the Prevailing Principal Amount of the Capital Securities. The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$31.60 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 the Reset Date on the basis of the aggregate of the Margin and the Relevant Five-Year Reset Rate on the U.S. Securities Determination Date, as determined by the Calculation Agent (see Condition 5 ( <i>Interest</i> )).
<b>Form of Capital Securities:</b>	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.
<b>Clearance and Settlement:</b>	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: (i) constitute Tier 2 Capital of the Issuer; (ii) constitute direct, unsecured, conditional (as described below) 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.

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 (as defined below) 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:** Unless previously redeemed and cancelled, the Issuer will redeem the Capital Securities at the Maturity Date Redemption Amount on the Maturity Date.

Pursuant to Condition 8.1(c) (*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 8.1(d) (*Redemption and Variation – Redemption or Variation due to Taxation*) and 8.1(e) (*Redemption and Variation – Redemption or Variation for Capital Event*).

Any redemption of the Capital Securities is subject to the conditions described in Condition 8.1 (*Redemption and Variation - 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 9.2 (*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) 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.

**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 9 (*Write-Down at the Point of Non-Viability*) and Condition 10.4 (*Enforcement Events – 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 11 (*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 11 (*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 A by Fitch.

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 London Stock Exchange's main 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 DIFC, the UAE (excluding the DIFC and the ADGM), Hong Kong, Japan, Malaysia, Singapore and Switzerland 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 information of the Issuer as at and for the six month period ended 30 June 2023 and the review report thereon (<https://www.bankfab.com/-/media/fabgroup/home/about-fab/investor-relations/pdfs/investor-relations/2023/fab-fs-q2-2023-english.pdf?view=1>);
- (b) the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2022 and the auditors' report thereon (<https://www.bankfab.com/-/media/fabgroup/home/about-fab/investor-relations/pdfs/investor-relations/2022/fab-fs-q4-2022-english.pdf?view=1>); and
- (c) the audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2021 and the auditors' report thereon (<https://www.bankfab.com/-/media/fabgroup/home/about-fab/investor-relations/pdfs/investor-relations/2021/fab-fs-q4-2021-english.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.

Following the publication of this Prospectus, a supplement may be prepared by the Issuer and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

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

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.\$1,000,000,000 Fixed Rate Resettable Tier 2 Capital Securities due 2034 (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**), Citibank Europe plc 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 offices 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 11 (*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 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 Reset Date and any Interest Payment Date following the 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 Tier 2 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 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;

**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 6.3 (*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 6.1 (*Payments – Payments in respect of Individual Certificates*);

**Designated Bank** has the meaning given to it in Condition 6.1 (*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 17.2 (*Governing Law and Dispute Resolution – Arbitration*);

**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; 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 paragraph (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*);

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

**First Call Date** means 4 October 2028;

**First Interest Payment Date** means 4 April 2024;

**Global Certificate** means the global registered certificate;

**H.15** means the 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** means the H.15 published closest in time but prior to the Interest Rate determination date. The H.15 may be currently obtained at the following website: <https://www.federalreserve.gov/releases/h15/>;

**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 Reset Date;

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

**Interest Payment Date** means each of 4 April and 4 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 the 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 4 October 2023;

**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, all payment obligations of the Issuer in respect of its Additional Tier 1 Capital and any other payment obligations that rank or are expressed to rank junior to the Capital Securities;

**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** means 1.700 per cent. per annum;

**Maturity Date** means 4 April 2034;

**Maturity Date Redemption Amount** in relation to a Capital Security means 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

**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 9.1 (*Write-Down at the Point of Non-Viability – Non-Viability Event*);

**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 (as issuer or guarantor, as applicable) under all 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 6.4 (*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 9 (*Write-Down at the Point of Non-Viability*);

**Proceedings** has the meaning given to it in Condition 17.4 (*Governing Law and Dispute Resolution – Effect of Exercise of Option to Litigate*);

**Qualifying Tier 2 Instruments** means instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) 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) Tier 2 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 8.1(d) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 8.1(e) (*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 14 (*Notices*),

and which may include such technical changes as necessary to reflect the requirements of Tier 2 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 15<sup>th</sup> 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 Maturity Date Redemption Amount, 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 11 (*Taxation*);

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

**Relevant Five-Year Reset Rate** means: (a) the rate per annum (expressed as a decimal) determined on the U.S. Securities Determination Date equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of five years and trading in the public securities markets; or (b) if there is no such published U.S. Treasury security with a maturity of five years and trading in the public securities markets, the rate 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 Reset Date; and (B) the other maturing as close as possible to, but later than, the Reset Date, in each case as published in the most recent H.15. If the Issuer cannot procure the determination of the Relevant Five-Year Reset Rate on the U.S. Securities Determination Date pursuant to the methods described in (a) and (b) above, then the Relevant Five-Year Reset Rate will be 4.620 per cent.;



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

**Reset Date** means 4 April 2029;

**Reset Period** means the period from and including the Reset Date to but excluding the Maturity Date;

**Rules** has the meaning given to it in Condition 17.2 (*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, 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 11 (*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 11 (*Taxation*);

**Tier 2 Capital** means capital qualifying as, and approved by the Regulator as, tier 2 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;

**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 depository 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 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 14 (*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 Tier 2 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) Tier 2 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 these Conditions are amended to ensure that: (a) the holders obtain and/or (b) the Obligations have, in each case 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**

The Capital Securities shall, during the Initial Period, bear interest at a rate of 6.320 per cent. per annum (the **Initial Interest Rate**) on the Prevailing Principal Amount of the Capital Securities 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.\$31.60 per U.S.\$1,000 in principal amount of the Capital Securities.

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*).

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 the Reset Date on the basis of the aggregate of the Margin and the Relevant Five-Year Reset Rate on the 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 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 14 (*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. PAYMENTS

### 6.1 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 6.1 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.

## 6.2 **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.

## 6.3 **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 11 (*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.

## 6.4 **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 12 (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.

## 6.5 **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 Maturity Date Redemption Amount of the Capital Securities;

- (b) the Early Redemption Amount of the Capital Securities;
- (c) the Tax Redemption Amount of the Capital Securities; and
- (d) the Capital Event 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 11 (*Taxation*).

## 7. 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;
- (b) with effect from the U.S. Securities Determination Date prior to the Reset Date, and so long as any Capital Securities remain outstanding thereafter, there will be a Calculation Agent;
- (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 14 (*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.

## 8. REDEMPTION AND VARIATION

### 8.1 Redemption and Variation

- (a) ***Redemption at Maturity***

Unless previously redeemed and cancelled, the Issuer will redeem the Capital Securities at the Maturity Date Redemption Amount on the Maturity Date.



(b) ***Conditions for Redemption prior to the Maturity Date and Variation***

The Issuer shall (subject to the provisions of Condition 4 (*Status and Subordination*), Condition 9 (*Write-Down at the Point of Non-Viability*) and Condition 10 (*Enforcement Events*) and without prejudice to the provisions of Condition 12 (*Prescription*)) only have the right to redeem the Capital Securities prior to the Maturity Date or vary the terms thereof upon satisfaction of and in accordance with the following provisions of this Condition 8 (*Redemption and Variation*).

The redemption of the Capital Securities or variation of the Conditions prior to the Maturity Date, in each case pursuant to this Condition 8 (*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.

(c) ***Issuer's Call Option***

Subject to Condition 8.1(b) (*Conditions for Redemption prior to the Maturity Date 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 14 (*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 14 (*Notices*) (prior to the redemption date specified in the initial notice)).

Redemption of the Capital Securities pursuant to this Condition 8.1(c) (*Issuer's Call Option*) may only occur on a Call Date.

(d) ***Redemption or Variation due to Taxation***

- (i) Subject to Condition 8.1(b) (*Conditions for Redemption prior to the Maturity Date 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 14 (*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 2 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 8.1(d) (*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 8.1(d) (*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 8.1(b) (*Conditions for Redemption prior to the Maturity Date 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 2 Instruments and that the Regulator has confirmed that the varied Capital Securities will satisfy limb (a) of the definition of Qualifying Tier 2 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 14 (*Notices*) (prior to the redemption date specified in the initial notice)).

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

- (i) Subject to Condition 8.1(b) (*Conditions for Redemption prior to the Maturity Date 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 14 (*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 provided that they become or, as appropriate, remain, Qualifying Tier 2 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 8.1(e) (*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 8.1(e) (*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 8.1(b) (*Conditions for Redemption prior to the Maturity Date 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 2 Instruments and that the Regulator has confirmed that the varied Capital Securities will satisfy limb (a) of the definition of Qualifying Tier 2 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 14 (*Notices*) (prior to the redemption date specified in the initial notice)).

(f) ***Taxes upon Variation***

In the event of a variation in accordance with Conditions 8.1(d) (*Redemption or Variation due to Taxation*) or 8.1(e) (*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 2 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 2 Instruments by such holder of the Capital Securities.

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

The Issuer may not give a notice of redemption under Condition 8.1(c) (*Issuer's Call Option*), 8.1(d) (*Redemption or Variation due to Taxation*) or 8.1(e) (*Redemption or Variation for Capital Event*) 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 8.1 (*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.

8.2 **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.

8.3 **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 8.2 (*Purchase*) cannot be reissued or resold.

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

9.1 **Non-Viability Event**

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 9.2 (*Non-Viability Notice*).

9.2 **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 14 (*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.

## 10. ENFORCEMENT EVENTS

### 10.1 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 9 (*Write-Down at the Point of Non-Viability*) and Condition 10.4 (*Enforcement Events – Restrictions*) become forthwith due and payable at its Early Redemption Amount, without presentation, demand, protest or other notice of any kind.

### 10.2 Dissolution Remedies

To the extent permitted by applicable law and by these Conditions, any holder of the Capital Securities may at its discretion (a) institute any steps, actions or proceedings for the winding-up of the Issuer and/or (b) prove in the winding-up of the Issuer and/or (c) claim in the liquidation of the Issuer and/or (d) 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 (a) to (c) 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 10.1 (*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 10.3 (*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 10 (*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.

### 10.3 Performance Obligations

Without prejudice to the other provisions of this Condition 10 (*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.

### 10.4 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: (a) the provisions of Condition 9 (*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 (b) 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.

## 11. 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 30<sup>th</sup> 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 14 (*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.

12. **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.

13. **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.

14. **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.

15. **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 8.1(d) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 8.1(e) (*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 14 (*Notices*) as soon as practicable thereafter.

## 16. **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.

## 17. GOVERNING LAW AND DISPUTE RESOLUTION

### 17.1 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.

### 17.2 Arbitration

Subject to Condition 17.3 (*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 17.2 (*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.

### 17.3 Option to Litigate

Notwithstanding Condition 17.2 (*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 17.4 (*Effect of Exercise of Option to Litigate*) and any arbitration commenced under Condition 17.2 (*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.

### 17.4 Effect of Exercise of Option to Litigate

If a notice pursuant to Condition 17.3 (*Option to Litigate*) is issued, the following provisions shall apply:



- (a) subject to Condition 17.4(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 17.4 (*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.

#### 17.5 **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.

#### 17.6 **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 of the Capital Securities will be used by the Issuer for its general corporate purposes and to further strengthen its capital base.

## DESCRIPTION OF THE GROUP

### Overview

FAB 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.

As at 30 June 2023, FAB's principal shareholder was the Government, which indirectly held approximately 37.9 per cent. of the issued and outstanding shares of FAB through the wholly-owned MIC.<sup>2</sup>

The Group is a full-service bank and its core businesses include consumer, wholesale, treasury and Islamic banking capabilities. The Group 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 Group has an international presence across five continents through its subsidiaries or affiliate entities and its branches and representative offices.

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

As at 30 June 2023, and according to the Interim Financial Information and the publicly available financial statements of the Group's main domestic and regional competitors for the six months ended 30 June 2023, the Group 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 2023, the Group had total assets of AED 1,146.1 billion, net loans, advances and Islamic financing of AED 482.5 billion and customer accounts and other deposits of AED 744.9 billion. For the six months ended 30 June 2023, the Group's profit attributable to shareholders of FAB was AED 8.1 billion.

With effect from 11 April 2021, the Group's business model changed as part of its growth strategy. As at the date of this Prospectus, the Group operates under the following business segments for financial reporting purposes:

- **Investment Banking:** the Investment Banking segment focuses on the Group's institutional clients. For the six months ended 30 June 2023, AED 5.6 billion, or 41.3 per cent. of the Group's operating income for the period, and AED 4.1 billion, or 50.3 per cent. of the Group's net profit for the period, was attributable to the Investment Banking segment;
- **Corporate and Commercial Banking:** the Corporate and Commercial Banking segment focuses on large corporate, medium and small entities. For the six months ended 30 June 2023,

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<sup>2</sup> With effect from September 2021, MIC holds FAB's shares through One Hundred and Fifteenth Investment Company – Sole Proprietorship L.L.C. (which is a wholly-owned subsidiary of MIC). Prior to September 2021, MIC held FAB's shares through ADIC PJSC and Mamoura Diversified Global Holding PJSC (formerly known as Mubadala Development Company PJSC) (each of which was a wholly-owned subsidiary of MIC).

AED 3.5 billion, or 25.5 per cent. of the Group's operating income for the period, and AED 2.3 billion, or 28.3 per cent. of the Group's net profit for the period, was attributable to the Corporate and Commercial Banking segment;

- **Consumer Banking:** the Consumer Banking segment manages all consumer and elite customers. For the six months ended 30 June 2023, AED 1.9 billion, or 13.9 per cent. of the Group's operating income for the period and AED 528.5 million, or 6.5 per cent. of the Group's net profit for the period, was attributable to the Consumer Banking segment;
- **Global Private Banking:** the Global Private Banking segment manages high net worth clients, delivering service and products and providing global wealth solutions to clients. For the six months ended 30 June 2023, AED 568.1 million, or 4.2 per cent. of the Group's operating income for the period and AED 283.7 million, or 3.5 per cent. of the Group's net profit for the period, was attributable to the Global Private Banking segment; and
- **Head Office:** the Head Office segment provides centralised HR, 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 2023, AED 2.1 billion, or 15.2 per cent. of the Group's operating income for the period, and AED 929.2 million, or 11.4 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 Group's reporting segments, see "*Description of the Group – Strategy*".

FAB 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. FAB'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 Group 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 2023, the Group had an international presence across five continents through its subsidiaries or affiliate entities and its branches and representative offices. The Group also offers services to individuals and corporate customers through a diverse range of alternate distribution channels including its internet banking, phone and SMS (short message service) banking systems and through the Group's mobile apps.

## Recent Developments

### *International presence*

In March 2022, the Group opened a branch in Shanghai with a focus on bridging trade and investment flows between the UAE and the MENA region with mainland China. In March 2022, the Group also announced the opening of a representative office in Iraq, serving as a strategic addition to the Group's geographical footprint as one of the UAE's most important trading partners.

In November 2021, FAB sold its operations in Sudan (comprising two branches).

In May 2021, FAB completed the acquisition of Bank Audi SAE (Egypt) (**Bank Audi**) from Bank Audi SAL (Lebanon). The acquisition was effected to accelerate the Group's expansion in a high-potential market. It will significantly increase the size, scale and experience of the Group in Egypt, adding greater depth and reach to customers both locally and globally. See Note 32 (*Business Combination*) of the Interim Financial Information for further details. The legal merger completed in June 2022 and the Group commenced operating under a newly introduced brand identity "FABMistr". By November 2022,

Bank Audi and the Group's existing operations in Egypt had been fully integrated and operate under the single "FABMisr" brand.

### *Magnati*

In April 2021, FAB completed the carve-out of its existing payments business into a fully owned and operational subsidiary, Magnati Sole Proprietorship LLC (**Magnati**). The Magnati platform enables clients to grow their core businesses by monetising data and using next generation technologies such as application programming interface, artificial intelligence and machine learning capabilities to deliver improved experiences and increased efficiency. In February 2022, FAB signed an agreement to sell 60 per cent. of Magnati to Brookfield Business Partners (BCP V Growth Aggregator LP) with an implied value for 100 per cent. of Magnati of up to U.S.\$1.15 billion. The remaining 40 per cent. stake is retained by FAB as a strategic investment and is now accounted for as an "investment in associate". See Note 22 (*Gain on disposal of stake in subsidiary and fair gain on retained interest*) of the Interim Financial Information for further details. FAB believes this sale will allow Magnati to move quickly to capture market opportunities and utilise Brookfield Business Partners' international and global connections to accelerate Magnati's business.

In June 2023, Brookfield Asset Management agreed to buy the credit card processor Network International and intends to combine this business with Magnati. Brookfield Asset Management's bid was backed by a consortium of investors, including FAB.

### *Wio Bank*

In October 2020, FAB announced that its ownership of its legacy FGB banking license would be transferred to Abu Dhabi Developmental Holding Company PJSC (**ADQ**) in exchange for 10 per cent. of a new entity's share capital (ADQ's new digital bank), and preferential access to another 10 per cent. of the shares in the event of an initial public offering. Wio Bank, an Abu Dhabi-based digital lender, commenced operations in September 2022. Wio Bank plans to focus on small and medium enterprises in its first year of operations with the intention to expand its operations to retail customers in 2023.

## **Strengths**

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

As at 30 June 2023, the Group had total assets of AED 1,146.1 billion, net loans, advances and Islamic financing of AED 482.5 billion and customer accounts and other deposits to AED 744.9 billion, making the Group the largest financial institution in the UAE and the second largest in the GCC according to the Interim Financial Information and publicly available financial statements of the Group's main domestic and regional competitors for the six months ended 30 June 2023.

In the UAE, the Group has 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 Group 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 Group's range of products and services to existing clients.

The Group's dominant market position throughout the UAE and wider GCC region reflects the Group'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.

### ***Broad regional and international network***

The Group has an international presence across five continents through its subsidiaries or affiliate entities and its branches and representative offices. This broad geographical footprint provides

opportunities for FAB to grow its product and service offering, in addition to developing its existing client base and leveraging off the Group's well established domestic operations.

### ***Strong capital base and liquidity***

As at 30 June 2023, the Group had a total capital adequacy ratio of 16.6 per cent., a Tier 1 capital adequacy ratio of 15.5 per cent. and a Tier 2 capital adequacy ratio of 1.1 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 entitled "Standards for Capital Adequacy of Banks in the UAE" which were published by the UAE Central Bank on 12 November 2020 by virtue of Notice No. CBUAE/BSN/2020/4980, FAB 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, FAB, 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 FAB, which is determined on the basis of the geographical distribution of assets and the counter-cyclical capital buffer applicable in such jurisdictions.

In addition, the UAE Central Bank vide Notice no. CBUAE/BSN/2020/2016 dated 22 April 2020 will allow banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 (Stages 1 and 2 only) 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 phased in gradually in stages from 31 March 2021 to 30 June 2022. See further "*The United Arab Emirates Banking Sector and Regulations – COVID-19*".

The Group'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 and FAB's issuance of U.S.\$750 million perpetual additional Tier 1 capital securities in October 2020, which are accounted for as equity in accordance with IAS 32 "*Financial Instruments – Presentation*". The Group also maintains a strong liquidity position with a LCR of 159 per cent. and loan to deposit ratio of 64.8 per cent. as at 30 June 2023. As at 30 June 2023, the Group had cash and balances with central banks of AED 245.9 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. Basel III requires that the minimum value of the ratio is 100 per cent. (i.e., an institution's stock of HQLAs should at least equal total net cash outflows) 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 2023, the Group held a portfolio of net HQLAs valued at AED 377.9 billion and had a LCR of 159 per cent. FAB believes that its adherence to the LCR criteria will ensure that it is well equipped to absorb any unanticipated systemic shocks to the UAE or MENA economies or banking sectors. See also "*Risk Factors – Factors that may affect FAB's ability to fulfil its obligations under the Capital Securities – Liquidity risks – The Group'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*".

FAB 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 Group to meet increasing regulatory demands, while the Group'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 30 June 2023, FAB's principal shareholder is the Government, which indirectly held approximately 37.9 per cent. of the issued and outstanding shares of FAB through MIC.<sup>3</sup>

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 has continued post-Merger. Government support for the Group (and, historically, for NBAD and FGB) has typically manifested itself in many ways such as Government controlled entities engaging the Group (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 Group in the same manner as it has done historically (including, prior to the Merger, each of NBAD and FGB), the Group's management believes that the Group's relationship with the Government remains strong and is unlikely to change in the foreseeable future.

### ***Full service offering of conventional and Islamic products***

The Group provides 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 Group the opportunity to grow its balance sheet and strengthen its position in its core UAE market. As a full-service bank, the Group 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 Group 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 Group can continue to drive revenue growth and increased profitability.

### ***Experienced Board and executive management team with proven track record in the banking industry***

FAB believes that it has a strong and experienced Board (as defined in "*Management*") and a long-serving executive team with a proven track record in the UAE and international banking sectors.

The Group'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 Group – Strategy*". The Group 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

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<sup>3</sup> With effect from September 2021, MIC holds FAB's shares through One Hundred and Fifteenth Investment Company – Sole Proprietorship L.L.C. (which is a wholly-owned subsidiary of MIC). Prior to September 2021, MIC held FAB's shares through ADIC PJSC and Mamoura Diversified Global Holding PJSC (formerly known as Mubadala Development Company PJSC) (each of which was a wholly-owned subsidiary of MIC).

Board is 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 Board and executive management are set out under "*Management*".

### ***Prudent risk management culture***

The Group has a well-diversified loan portfolio and limited foreign exchange risk. It has invested, and continues to invest, significantly in improving its risk management procedures. Post-Merger, and as a function of the size and financial strength of the Group, the Group's management plans to commit even greater resources and investment to the internal risk management, compliance and control functions. As at 30 June 2023, the Group had NPLs of AED 18.4 billion and, carried impairment allowances of AED 19.0 billion<sup>4</sup>. As at 30 June 2023, the Group's NPL ratio was 3.7 per cent.

The group's management believes that the levels of impairment allowances for impaired loans as at 30 June 2023 were sufficient to cover the Group's potential credit losses as at that date. As at 30 June 2023, the Group's provision coverage ratio was 103.1 per cent.

### ***Strategy***

As the largest full-service bank in the UAE by total assets, net loans, advances, Islamic financings, customer accounts and other deposits, the Group offers an extensive range of products and services to meet the banking needs of its wholesale and retail banking customers. As its overarching strategic goal, FAB aims to defend and grow its dominant position in the UAE market as well as continue to strengthen its strategic international network through diversified product offerings and customer focus. Further, acceleration of FAB's digital transformation and sustainability are integral components of FAB's business strategy and long term development plans.

The Group has four distinctive business lines to create a differentiated and distinct experience for its customers:

- ***Investment Banking***: the Investment Banking segment focuses on institutional clients and offers banking and financing solutions, including corporate & Islamic finance, capital markets, transaction banking, trade, liquidity and cash management services along with a broad range of risk management solutions across credit, rates, foreign exchange and money market products;
- ***Corporate and Commercial Banking***: the Corporate and Commercial Banking segment focuses on large corporates, medium and small entities with diversified products offering across sub segments which includes Corporate Banking, Contracting, Commercial Banking and the Privileged Client Group;
- ***Consumer Banking***: the Consumer Banking segment primarily services the consumer and elite segments across conventional and Islamic banking sector. The product ranges offered include everyday banking products such as current accounts, deposits, credit cards, loans and wealth products; and
- ***Global Private Banking***: the Global Private Banking segment services affluent and high net-worth customers across the conventional and Islamic banking sector. The product ranges offered include everyday banking products as well as sophisticated investment solutions, brokerage and securities services.

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<sup>4</sup> The Group carries impairment allowance in the statement of financial position included in its Financial Statements.



### *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 FAB Islamic and offer Islamic banking products and services across FAB's business segments. As at 30 June 2023, FAB Islamic was one of the largest Islamic banking windows in the UAE in terms of asset size.

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

### *Subsidiaries*

FAB's principal subsidiary entities operate across real estate management, brokerage and fund management, and include the following subsidiaries: FAB Properties, Mismak, FAB Securities, FGLB and FABMISR.

- ***FAB Properties***

The Group's real estate business is predominantly managed by its wholly-owned subsidiary, FAB Properties LLC (**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 884 million for the six months ended 30 June 2023. The property management business of FAB Properties is an ancillary service provided to selected Consumer Banking and high net-worth individual clients which the Group expects to continue to grow opportunistically.

- ***Mismak***

The Group's real estate investment and development activities are contained within Mismak Properties Co. LLC (**Mismak**). Mismak and First Merchant International LLC are legacy FGB subsidiaries and are wholly-owned subsidiaries of FAB.

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-Sole Proprietorship LLC (**FAB Securities**) is the Group's securities brokerage firm, licensed by SCA. FAB Securities is one of the largest brokerage service providers in the UAE operating through two active branches across the UAE in addition to its own dedicated e-trading platform. FAB Securities trades across the ADX, the Dubai Financial Market, selected markets in the GCC and other international markets. FAB Securities offers clients access to various asset classes including equities and fixed income. In addition to securities trade execution, FAB Securities provides market research and coverage for its institutional and qualified individual clients.

- ***FGLB***

First Gulf Libyan Bank (**FGLB**) is a fully fledged commercial bank in Tripoli, Libya and was established following the signing of a memorandum of understanding between FAB and the Economic & Social Development Fund Libya, on 4 September 2007. FGLB 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 paid-up capital of FGLB 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, FGLB is classified as a subsidiary of FAB.

- ***FABMISR***

First Abu Dhabi Bank Misr S.A.E. (**FABMISR**) is a subsidiary of the Group and one of the largest foreign banks operating in Egypt. Its local network operates through 62 branches, as at 30 June 2023, where it provides banking products and services that cater to all customer segments. In April 2021, FAB acquired 100 per cent. of Bank Audi sae (Egypt), which was an Egyptian subsidiary of Lebanon-based Bank Audi. Post-acquisition, FAB Audi sae (Egypt) was merged with FAB's existing Egyptian operations, with the legal merger completed in June 2022 and the resultant entity rebranded as 'FABMISR'. The integration process was completed in October 2022.

## **Capital Structure and Shareholders**

FAB's share capital is listed on the ADX and, as at 30 June 2023, had a market capitalisation of U.S.\$41 billion. As at 30 June 2023, FAB's authorised, issued and paid-up share capital comprised 11,047,612,000 shares with a nominal value of AED 1 each.

As at 30 June 2023, FAB's principal shareholder was the Government, which indirectly held approximately 37.9 per cent. of the issued and outstanding shares of FAB through MIC.<sup>5</sup>

## **Financial Performance**

### ***Profit or loss statement***

The Group reported profit attributable to shareholders of AED 8,140.2 million for the six months ended 30 June 2023, while net interest income was AED 8,615.0 million for the same period. Net fee and commission income was AED 1,549.0 million for the six months ended 30 June 2023, with operating income of AED 13,562.8 million and general, administration and other operating expenses of AED 3,419.2 million for the same period. Annualised return on tangible equity for the six months ended 30 June 2023 was 18.6 per cent. and the cost to income ratio for the six months ended 30 June 2023 was 25.2 per cent.

The following table shows the breakdown, by the division indicated, of FAB's net profit for the six months ended 30 June 2023:

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**Net profit for  
the six months  
ended 30 June  
2023**

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<sup>5</sup> With effect from September 2021, MIC holds FAB's shares through One Hundred and Fifteenth Investment Company – Sole Proprietorship L.L.C. (which is a wholly-owned subsidiary of MIC). Prior to September 2021, MIC held FAB's shares through ADIC PJSC and Mamoura Diversified Global Holding PJSC (formerly known as Mubadala Development Company PJSC) (each of which was a wholly-owned subsidiary of MIC).

	<u>(AED millions)</u>
Investment Banking .....	4,101.4
Corporate and Commercial Banking Group .....	2,310.9
Consumer Banking .....	528.5
Global Private Banking.....	283.7
Head office.....	929.2
<b>Total .....</b>	<b><u>8,153.7</u></b>

### ***Statement of financial position***

The Group's net loans, advances and Islamic financing portfolio was AED 482.5 billion as at 30 June 2023. The distribution of the Group's financing portfolio across economic sectors is oriented towards real estate, energy, other financial institutions, transport and communication, and trading, which is in line with the domestic economy.

The following table provides a breakdown of the Group's gross loans, advances and Islamic financing by counterparty as at 30 June 2023:

	<u>As at 30 June 2023</u>
	<u>(AED millions)</u>
Government sector.....	61,182.1
Public sector.....	83,222.7
Banking sector .....	21,810.5
Corporate/private sector.....	259,317.3
Personal/retail sector.....	<u>78,697.5</u>
<b>Gross loans, advances and Islamic financing .....</b>	<b>504,230.1</b>
Less: interest suspended.....	(7,170.4)
Less: expected credit losses .....	(14,521.4)
<b>Net loans, advances and Islamic financing .....</b>	<b>482,538.3</b>

The Group's loans, advances and Islamic financing portfolio contains a high proportion of loans, advances and Islamic financing to the government and public sector entities. As at 30 June 2023, 28.6 per cent. of gross loans, advances and Islamic financing 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 10.0 per cent. of the Group's loans and advances portfolio was denominated in foreign currency (excluding U.S. dollars) as at 30 June 2023. The Group has implemented risk management methods to mitigate and control these foreign currency risks along with other market risks to which the Group is exposed. See further "*Risk Management*".

The Group maintains a securities portfolio (both trading and investment) of high credit quality. The Group 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 Group 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 Group's securities portfolio as at 30 June 2023:

	<b>As at 30 June 2023</b>
	<i>(AED millions)</i>
<b>Investments at fair value through profit or loss</b> .....	<u>41,646.0</u>
<b>Non-trading investment securities</b>	
Fair value through other comprehensive income .....	163,502.9
Amortised cost .....	4,455.2
Expected credit loss .....	<u>(0.5)</u>
<b>Investments in associates</b> .....	<u>1,575.8</u>
<b>Total Group's securities portfolio</b> .....	<u><b>211,179.4</b></u>

#### *Capital adequacy*

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

The Group's capital management is aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always meeting minimum regulatory capital adequacy ratio requirements. The principal difference between the UAE Central Bank's guidelines and Bank of International Settlements requirements is that, under the UAE Central Bank's guidelines, GCC government exposure denominated in their respective domestic currencies is risk weighted at zero per cent. whereas, under FAB of International Settlements guidelines, GCC government exposure is risk weighted, according to the relevant country's credit rating. However, GCC government exposure denominated in their respective domestic currencies can be assigned a lower risk weight under FAB of International Settlements guidelines, provided that the local regulator applies such risk weight. Details of the Group's risk weighted assets as at 30 June 2023, calculated in accordance with UAE Central Bank guidelines, are set out in the table below.

	<b>As at 30 June 2023</b>
	<i>(AED millions)</i>
<b>Tier 1 capital:</b>	
<b>CET 1 capital</b>	
Share capital.....	11,047.6
Share premium.....	53,557.6
Eligible reserves.....	8,336.2
Retained earnings.....	29,239.7
Non-controlling interest.....	<u>19.9</u>

<b>Total CET 1 capital prior to deduction (A)</b> .....	<b>102,201.0</b>
Goodwill and intangible assets .....	22,522.2
Other deductions from CET 1 capital .....	351.5
<b>Total CET 1 capital after deductions</b> .....	<b>79,327.3</b>
Additional Tier 1 capital:	
Eligible AT1 capital (after grandfathering) .....	10,754.8
<b>Total Tier 1 capital (B)</b> .....	<b>90,082.1</b>
<b>Tier 2 capital:</b>	
Undisclosed reserves/general provisions .....	6,289.9
Subordinated term loans .....	150.3
<b>Total Tier 2 capital (C)</b> .....	<b>6,440.2</b>
<b>Total capital base (B + C)</b> .....	<b>96,522.3</b>
<b>Risk weighted assets:</b>	
Credit risk .....	503,188.1
Market risk .....	45,763.3
Operational risk .....	32,974.6
<b>Total risk weighted assets</b> .....	<b>581,926.0</b>
	<b>As at 30 June 2023</b>
	(%)
<b>CET 1 ratio</b> .....	13.63
<b>Tier 1 capital adequacy ratio</b> .....	15.48
<b>Total capital adequacy ratio</b> .....	16.59

### *Equity*

The Group's total equity (which comprises, amongst other things, its issued share capital of AED 11.0 billion as at 30 June 2023 and its retained earnings of AED 29.3 billion as at 30 June 2023) amounted to AED 116.4 billion as at 30 June 2023.

Of the Group's reserves, the most significant are the statutory reserve and the special reserve into which, under the CCL and FAB'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 FAB'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 13.1 billion as at 30 June 2023.

As at 30 June 2023, 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, FAB called its U.S.\$750 million perpetual Tier 1 capital

securities and replaced it with its U.S.\$750 million perpetual additional Tier 1 capital securities on 5 October 2020.

### ***Funding***

As at 30 June 2023, the Group had customer accounts and other deposits which totalled AED 744.9 billion. The Group'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 2023, 29.7 per cent. of the Group's customer accounts and other deposits were from government entities and a further 10.3 per cent. were from public sector entities. The Group'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 Group intends to continue to utilise the following debt capital markets funding platforms as a key source of funding:

- the U.S.\$20,000,000,000 euro medium term note programme;
- the U.S.\$5,000,000,000 trust certificate issuance 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; and
- the U.S.\$1,000,000,000 certificate of deposit programme.

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

- the U.S.\$750,000,000 4.50 per cent. Additional Tier 1 capital securities;
- the (NBAD issued) AED 4,000,000,000 6 month Emirates Interbank Offered Rate ("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 Group's funding as at 30 June 2023:

	<b>As at 30 June 2023</b>
	(AED millions)
Due to banks and financial institutions .....	74,541.0
Repurchase agreements.....	29,232.2
Commercial paper.....	12,776.1
Derivative financial instruments.....	57,418.8
Customer accounts and other deposits.....	744,909.1
Term borrowings.....	64,393.7
Subordinated notes.....	375.9
Other liabilities .....	46,060.4
Total equity.....	116,375.2
<b>Total Group's Funding.....</b>	<b>1,146,082.4</b>

## Competition

As at 30 June 2023, the UAE banking sector comprised 50 commercial banks, including 8 Islamic banks, and branches or subsidiaries of 28 foreign commercial banks (*source*: UAE Central Bank Statistical Bulletin April 2023). 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.

With effect from 1 January 2018, certain of the GCC states have implemented a VAT regime (with the UAE implementing this at a rate of 5 per cent.). 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. As at the date of this Prospectus, FAB is not currently subject to corporation tax (or any other analogous UAE direct tax) on its earnings within the UAE. However, on 31 January 2022, the UAE Ministry of Finance announced the introduction of a CIT, which will come into effect on 1 June 2023. See also "*Risk Factors – Factors that may affect FAB's ability to fulfil its obligations in respect of the Capital Securities – Risks relating to the UAE and the Middle East – Tax changes in the GCC may have an adverse effect on the Group*" and "*Taxation – United Arab Emirates*".

## Employees

As at 30 June 2023, the Group employed 6,740 staff. These staff members do not include the 3,362 members of the Group's outsourced workforce (who principally work within the consumer areas of sales, collections, call centre operations and credit card processing).

The Group'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 Group strives to foster a transparent working environment and invests significant resource in the provision of employee training and development schemes, in addition to providing a competitive remuneration and compensation structure.

## *Emiratisation*

From 2022, UAE banks have been instructed by the UAE Central Bank to increase the representation of UAE nationals in their organisations with a focus on the representation of UAE nationals in critical roles and senior management. The UAE Central Bank has also mandated banks to hire graduating UAE nationals each year to support the employment of university graduates. The Emiratisation representation and graduate hire requirements are set by the UAE Central Bank for each organisation and are based on a number of factors. If a bank is unable to achieve their targets for recruiting or progressing UAE nationals through the organisation, they will be subject to penalties.

As at 30 June 2023, FAB's Emiratisation percentage stood at 42.6 per cent. of its workforce in the UAE, equating to 1,570 UAE nationals employed in positions at different levels across FAB.

In line with the Emiratisation Circular, FAB has made a commitment to employing and training UAE nationals. FAB's Emiratisation strategy supports FAB's position as a nationalisation leader across the UAE.

## **Property**

The Group'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 5.9 billion as at 30 June 2023.

As at 30 June 2023, the value of the Group's investment properties, stated at fair value and representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, was AED 6.7 billion.

The fair value of the Group'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 Group from its investment properties that are leased out under operating leases, amounted to AED 82.4 million for the six months ended 30 June 2023.

## **Group Technology**

The Group Technology department delivers management of information assets and technology services and is focused on utilising modern IT systems and processes to serve the Group's customers and ensure that all systems operate within strict service level agreements and customers' data is well protected and secured.

The Group Technology business systems allow the Group to offer innovative digital services to its customers across all geographies in which the Group operates. As part of the Group's investment in its technology systems, it has invested in the public cloud, big data and a modern set of core banking platforms and has also built a new, enhanced data centre, with the aim of providing a robust physical and technical platform for the Group's business application systems.

## **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 FAB (the **QFCRA Investigation**). In April 2019, the State of Qatar commenced a lawsuit



in New York state court based on a similar allegation (the **NY Litigation**). The State of Qatar's claims against FAB in the NY Litigation were dismissed with prejudice in March 2022.

FAB considers the QFCRA Investigation 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 FAB 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 FAB as a judgment debt. In November 2020, the QFCRA commenced legal proceedings in New York state court to enforce the Qatar Financial Centre Court's order for the payment of this fine, and this enforcement attempt is pending in the New York state court. FAB is vigorously defending any attempts to enforce this fine. See further "*Risk Factors – Factors that may affect FAB's ability to fulfil its obligations in respect of the Capital Securities – Risks relating to the UAE and the Middle East – The Group is subject to political and economic conditions in Abu Dhabi, the UAE and the Middle East*".

As at the date of this Prospectus, FAB is not involved in any pending or, to the best of FAB's knowledge, threatened litigation or arbitration proceedings which would have a material adverse effect on the Group's financial position. Therefore, no material provision has been made as at 30 June 2023 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 Group has various insurance policies in place, including a "banker's blanket bond" insurance policy. The Group's insurance covers, among other risks, loss of its property whilst on the Group's premises and whilst in transit; forgery of cheques, securities and other documents; and employee frauds, errors and negligence. The Group believes that these insurance policies provide it with adequate insurance coverage against the various risks to which the Group is exposed.

## **Sustainability Policy**

The Group 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 Group'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 Group.

In 2021, the Group launched its new Group Environmental, Social and Governance (**ESG**) Strategy designed to accelerate growth in areas that are most pertinent to emerging sustainability opportunities and challenges. The Group has committed to sustainable financing <sup>6</sup> of U.S.\$75 billion by 2030, and in 2022, the Group is working to define clear steps and immediate goals to achieve a net zero target. These targets are vital to the long-term economic interests of the Group's stakeholders and the communities in which it operates. At the heart of the Group's strategy lies its commitment to transitioning to a net zero economy in line with the UAE 2050 Strategic Initiative for Net Zero. In 2022, FAB became the first bank in the UAE and the GCC to join the United Nations Environment Programme Finance Initiative's (**UNEP FI**) Net Zero Banking Alliance (**NZBA**).

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<sup>6</sup> This commitment includes FAB's sustainable finance lending, investments, and facilitation of business.

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

- UAE Vision 2021;
- UAE Net Zero by 2050 strategic initiative;
- UAE Green Agenda 2015-2030;
- Abu Dhabi Economic Vision 2030; and
- United Nations Sustainable Development Goals (**SDGs**) 2030.

The Group focuses its sustainability efforts on the issues that it considers most material and implements international frameworks and recognised standards to ensure strong sustainability management and impact reduction across its sustainability priorities. The Group references the United Nations SDGs and aligns its business practices and sustainability performance to the relevant SDGs.

In response to changing international requirements and the UAE federal government's commitment to adapt and mitigate climate change, the Group 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, FAB 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. FAB is the only UAE bank that is a signatory to the Equator Principles.

In the management of its own carbon disclosures, the Group submits an annual response to CDP (formerly the Carbon Disclosure Project).

The Group also discloses its alignment with the most widely adopted and accepted international sustainability frameworks and guidelines. These reports are available on FAB's website and include:

- *Corporate ESG Reports*: disclosures on FAB's ESG achievements and progress against ESG strategy implementation and targets for the reporting year. These reports are prepared in line with the Global Reporting Initiative (GRI) Standards and Sustainability Accounting Standards Board (SASB) standards and the United Nations Global Compact and the United Nations SDGs.
- *Principles for Responsible Banking (PRB) Reports*: details FAB's progress against the six main Principles for Responsible Banking (PRB). FAB became a signatory of PRB in 2021.
- *Sustainable Finance Reports*: prepared annually to provide an update on FAB's green bond issuances and other sustainable finance products. This includes a summary on the use of proceeds and the associated environmental impacts of FAB's outstanding green bonds and green private placements. This report is in line with FAB's latest sustainable finance framework's reporting requirements and ICMA's guidelines on green bond issuances.
- *Equator Principles Reports*: details FAB's implementation of the EP in lending to projects that are part of EP's scope for the reporting year. FAB has been a member of EP since 2015.
- *FAB's Pathway to Net Zero Report*: includes FAB's progress against the net zero commitments set out for 2050, as required by the Net Zero Banking Alliance (NZBA). FAB became a signatory of NZBA in 2021 and published its inaugural report in 2023. The report includes a

detailed explanation of the methodology used to estimate FAB's current financed emissions and targets.

The Group's recent ESG reports can be found at the following webpage: <https://www.bankfab.com/en-ae/about-fab/sustainability/reports-policy-frameworks#current-reports>.

The Group 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 UAE Private Sector Advisory Council on the SDGs;
- the Abu Dhabi Sustainable Finance Declaration;
- the ADGM 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;
- the Dubai Declaration on Sustainable Finance; and
- UNEP FI's NZBA.

The Group's approach to corporate social responsibility reflects what the Group 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 2020, the Group worked on strengthening the relationship with non-profits and non-governmental organisations and acted based on their needs. In 2020, FAB partnered with various non-profit organisations including Emirates Red Crescent, Emirates Foundation, the Special Olympics, the United Nations and SOS, with the aim of:

- supporting families and students affected by COVID-19;
- empowering women in the community to be financially independent and supported their families; and
- contributing in developmental programmes for people of determination.

Enhancing the Group's community partnerships with the aim of championing local causes, FAB also re-launched its volunteering programme in 2020, spreading awareness on the importance of volunteerism through different opportunities.

The Group is included in the MSCI Emerging Markets ESG Leaders Index and, in 2022, the Group was rated as 'A'. The Group is also the fourth largest MENA constituent on the FTSE4Good Emerging Markets Index.

Following FAB's issuance of the first public green bond out of the UAE in March 2017, the Group has continued to build its green financing platform and as at 30 June 2023, FAB had issued 15 green bonds across five different currencies, which includes one green bond that matured in 2022.

Additionally, FAB has also acted as the joint bookrunner and/or joint lead manager on several green sukuk and bonds issued by the Group's clients including the first socially responsible sukuk issued by International Finance Facility Immunisation Company. In 2019, in alignment with the Group's commitment to finance and support social projects, FAB led the structuring of the first sustainable development goals loan transaction within the MENA region and in the same year, the Group reached and exceeded its target to finance U.S.\$10 billion worth of sustainable projects over 10 years (six years ahead of schedule).

In the first half of 2023, the Group made significant progress to deliver its ESG agenda, including facilitating over U.S.\$10.7 billion in sustainable financing taking the Group's total to U.S.\$19.8 billion as at 30 June 2023 (achieving 26 per cent. of the Group's 2030 target). Furthermore, in 2023, it signed the UAE Climate Responsible Companies Pledge.

## 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 2023 (as extracted from the Interim Financial Information) and the financial years ended 31 December 2022 and 31 December 2021.

### *Consolidated Statement of Financial Position*

	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>	<b>As at 31 December 2021</b>
	<i>(AED millions)</i>		
<b>Assets</b>			
Cash and balances with central banks .....	245,868.4	228,368.8	258,732.8
Investments at fair value through profit or loss .....	41,646.0	31,816.8	45,572.3
Due from banks and financial institutions .....	22,347.7	24,887.0	19,318.8
Reverse repurchase agreements .....	57,217.3	69,106.1	46,260.6
Derivative financial instruments .....	56,660.0	58,873.8	24,273.8
Loans, advances and Islamic financing .....	482,538.3	459,593.3	409,589.9
Non-trading investment securities .....	167,957.5	172,349.8 <sup>(1)</sup>	145,411.7
Investment in associates .....	1,575.8	1,559.3 <sup>(1)</sup>	75.7
Investment properties .....	6,670.5	7,168.1	6,962.6
Property and equipment .....	5,898.5	5,795.2	5,965.3
Intangibles .....	20,234.6	20,332.2	20,535.1
Other assets .....	37,467.7	30,205.7	18,397.4
<b>Total assets .....</b>	<b><u>1,146,082.3</u></b>	<b><u>1,110,056.1</u></b>	<b><u>1,001,096.1</u></b>
<b>Liabilities</b>			
Due to banks and financial institutions .....	74,541.0	61,560.3	56,985.2
Repurchase agreements .....	29,232.2	39,004.5	55,074.5
Commercial paper .....	12,776.0	31,738.4	39,664.3
Derivative financial instruments .....	57,418.8	62,024.5	28,395.1
Customer accounts and other deposits .....	744,909.1	700,573.4	614,669.9
Term borrowings .....	64,393.7	62,635.1	71,643.8
Subordinated notes .....	375.9	420.6	448.9
Other liabilities .....	46,060.4	37,049.0	21,567.0
<b>Total liabilities .....</b>	<b><u>1,029,707.0</u></b>	<b><u>995,005.9</u></b>	<b><u>888,448.7</u></b>
<b>Equity</b>			
Share capital .....	11,047.6	11,047.6	10,920.0

	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>	<b>As at 31 December 2021</b>
	<i>(AED millions)</i>		
Share premium .....	53,557.6	53,557.6	53,557.6
Treasury shares.....	(6.5)	(6.5)	(6.4)
Statutory and special reserves .....	13,084.3	13,084.3	10,920.0
Other reserves.....	(1,615.7)	(835.5)	3,569.2
Tier 1 capital notes .....	10,754.8	10,754.8	10,754.8
Share based payment .....	249.8	249.8	249.8
Retained earnings .....	29,283.4	27,185.7	22,667.1
<b>Total equity attributable to shareholders of the Group.....</b>	<b>116,355.3</b>	<b>115,037.8</b>	<b>112,632.0</b>
Non-controlling interest .....	19.9	12.5	15.4
<b>Total equity .....</b>	<b>116,375.2</b>	<b>115,050.2</b>	<b>112,647.4</b>
<b>Total liabilities and equity .....</b>	<b>1,146,082.3</b>	<b>1,110,056.1</b>	<b>1,001,096.1</b>

Notes:

- (1) The balances as at 31 December 2022 for "Non-trading investment securities" and "Investment in associates" have been extracted from the unaudited comparative column of the Interim Financial Information, following the reclassification of these balances as set out in Note 32 in the Interim Financial Information.

### *Consolidated Statement of Profit or Loss*

	<b>Six months ended 30 June 2023</b>	<b>Six months ended 30 June 2022</b>	<b>Year ended 31 December 2022</b>	<b>Year ended 31 December 2021</b>
	<i>(AED millions)</i>			
Interest income .....	26,787.2	9,428.6	28,247.9	16,240.6
Interest expense.....	(18,172.2)	(3,435.0)	(14,788.1)	(5,561.2)
<b>Net interest income.....</b>	<b>8,615.0</b>	<b>5,993.6</b>	<b>13,459.8</b>	<b>10,679.4</b>
Income from Islamic financing and investing products .....	1,531.2	1,080.5	2,025.0	1,843.2
Distribution on Islamic deposits.....	(1,228.4)	(549.4)	(1,098.9)	(864.4)
<b>Net income from Islamic financing and investing products.....</b>	<b>302.8</b>	<b>531.1</b>	<b>926.1</b>	<b>978.8</b>
<b>Total net interest income and income from Islamic financing and investing products.....</b>	<b>8,917.8</b>	<b>6,524.7</b>	<b>14,385.9</b>	<b>11,658.1</b>
Fee and commission income .....	2,135.5	2,108.7	3,975.9	4,894.4
Fee and commission expense .....	(586.5)	(633.9)	(1,195.3)	(1,859.8)
<b>Net fee and commission income.....</b>	<b>1,549.0</b>	<b>1,474.8</b>	<b>2,780.5</b>	<b>3,034.5</b>
Net foreign exchange gain.....	1,436.8	23.2	1,776.7	692.3

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022	Year ended 31 December 2021
	<i>(AED millions)</i>			
Net gain on investment and derivatives.....	1,545.5	1,269.7	2,149.2	6,484.8
Other operating income/loss.....	113.7	142.9	(252.1)	(188.6)
<b>Operating income .....</b>	<b>13,562.8</b>	<b>9,435.2</b>	<b>20,840.2</b>	<b>21,681.3</b>
Gain on disposal of stake in subsidiary and fair value gain on retained interest .....	-	3,093.7	3,093.7	-
<b>Total income including gain on disposal of stake in subsidiary and fair value gain on retained interest.....</b>	<b>13,562.8</b>	<b>12,528.9</b>	<b>23,933.9</b>	<b>21,681.3</b>
General, administration and other operating expenses .....	(3,419.2)	(3,103.6)	(6,704.8)	(5,836.5)
<b>Profit before net impairment charge and taxation .....</b>	<b>10,143.6</b>	<b>9,425.3</b>	<b>17,229.1</b>	<b>15,844.8</b>
Net impairment charge .....	(1,474.0)	(1,039.2)	(2,839.4)	(2,658.2)
<b>Profit before taxation .....</b>	<b>8,669.6</b>	<b>8,386.1</b>	<b>14,389.7</b>	<b>13,186.5</b>
Income tax expense .....	(515.9)	(355.0)	(967.6)	(644.3)
<b>Profit for the period/year.....</b>	<b>8,153.7</b>	<b>8,031.1</b>	<b>13,422.1</b>	<b>12,542.3</b>

### ***Related Party Transactions***

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

As at 30 June 2023, the Group had financial liabilities to related parties totalling AED 42.3 billion and financial assets to related parties totalling AED 37.6 billion. The Group also had contingent liabilities with related parties in the amount of AED 13.4 billion as at 30 June 2023. See Note 29 (Related parties) to the Interim Financial Information.

## 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); (f) legal and compliance risk; and g) ESG risks.

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:

- 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;
- the Board Risk and ESG Committee (the **BRESGC**), 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;
- 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
- 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 a 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.

Other management committees include:

- the Group Risk Committee for overseeing the Group-wide risk strategy and exposures to enable integrated and effective risk management;
- the Group Compliance Committee for overseeing the Group's regulatory responsibilities and compliance with applicable laws and regulations issued by the various regulatory authorities;
- the Group Credit Committee, which has principal responsibility for the overall credit oversight of the Group;



- the Group Asset and Liability Committee, which has principal responsibility for the Group's asset and liability management process;
- the Human Resources Steering Committee for assisting the EXCO and the REMCO to implement strategic and operational HR initiatives;
- 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 BRESGC in its oversight of the Group IT governance framework;
- the Group Operational and Fraud Risk Committee for assisting the BRESGC in fulfilling its objective of overseeing the Group's operational and fraud risk management related responsibilities;
- the Group Technology Risk and Information Security Committee to assist the BRESGC in overseeing, reviewing and taking decisions on the implementation of the Group's technology and information security, data privacy and business continuity related risk responsibilities;
- the Group ESG Committee to oversee the Group's ESG strategy, risks and culture and promote awareness of ESG across the Group; and
- the Internal *Shari'a* Supervision Committee which has principal responsibility for ensuring compliance with the Islamic *Shari'a* related regulations.

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. 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, corporate governance, information security and data privacy, business continuity, credit recovery and Group ESG.

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, reputational risk

management policy, strategic risk management policy, ESG related framework and policies, capital management policy, corporate governance related policies and framework, credit risk related policies, market and liquidity risk related policies, operational risk management 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, model risk management policy and *Shari'a* governance framework. In addition to these risk management policies, the Group has also put in place detailed operational policies, procedures and programs wherever needed.

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 BRESGC and the Group Risk Committee on a quarterly basis. The information covers enterprise-wide 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 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, advances and Islamic financing extended 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 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 2023. This exposure does not take into account netting and collateral agreements that serve as credit risk mitigants. Where financial instruments are

recorded at fair value, the amounts shown in the table represent the then current credit risk exposure but not the maximum credit risk exposure that could arise in the future as a result of changes in values.

	<b><u>As at 30 June 2023</u></b>
	<i>(AED millions)</i>
Balances with central banks.....	244,186.3
Due from banks and financial institutions .....	22,417.9
Reverse repurchase agreements .....	57,251.4
Loans, advances and Islamic financing (gross) .....	504,230.1
Non-trading investments <sup>(1)</sup> .....	166,900.2
Other assets .....	19,060.4
Unfunded exposure .....	226,189.5
	<b>1,240,235.8</b>

<sup>(1)</sup> Comprises amortised cost and fair value through other comprehensive income (**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 gross loans, advances and Islamic financing by counterparty and industry sector, in each case as at 30 June 2023.

	<b>As at 30 June 2023</b>
	<i>(AED millions)</i>
<b>Counterparty</b>	
Government sector .....	61,182.1
Public sector .....	83,222.7
Banking sector .....	21,810.5
Corporate/private sector .....	259,317.3
Personal/retail sector .....	78,697.5
<b>Gross loans, advances and Islamic financing .....</b>	<b>504,230.1</b>

	<b>As at 30 June 2023</b>
	<i>(AED millions)</i>
<b>Industry</b>	
Agriculture .....	2,501.0
Energy .....	38,578.3
Manufacturing .....	20,283.1
Construction .....	11,291.3
Real estate .....	88,730.8
Trading .....	26,712.3
Transport and communication .....	35,642.5
Banks .....	21,810.5
Other financial institutions .....	81,812.2
Services .....	36,988.4
Government .....	61,182.1
Personal – Loans and Credit Cards .....	50,245.3
Personal – Retail Mortgage .....	28,452.1
<b>Gross loans, advances and Islamic financing .....</b>	<b>504,230.1</b>

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 2023.

	<b>As at 30 June 2023</b>
	<i>(AED millions)</i>
<b>Counterparty type</b>	
Government sector .....	120,345.7
Supranational .....	326.1

	<b>As at 30 June 2023</b>
	<i>(AED millions)</i>
Public sector.....	13,686.3
Banking sector .....	24,528.8
Corporate/private sector.....	9,071.3
Less: allowance for impairment (expected credit loss) on amortised cost securities .....	(0.5)
<b>Total non-trading investments.....</b>	<b>167,957.5</b>

	<b>As at 30 June 2023</b>
	<i>(AED millions)</i>
<b>External credit rating</b>	
AAA.....	49,816.9
AA to A.....	85,547.5
BBB and below.....	27,552.1
CCC and below.....	184.2
Unrated.....	4,857.3
Less: allowance for impairment (expected credit loss) on amortised cost securities .....	(0.5)
<b>Total non-trading investments.....</b>	<b>167,957.5</b>

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

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

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

The table below sets out the Group's categorisation by credit quality of its exposure based on IFRS 9 to the following asset classes as at 30 June 2023.

	<b>As at 30 June 2023</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Purchased or originally credit impaired<sup>(1)</sup></b>	<b>Total</b>
	<i>(AED millions)</i>				
Balances with central banks.....	243,155.4	1,030.9	-	-	244,186.3
Due from banks and financial institutions.....	21,032.6	1,385.3	-	-	22,417.9
Reverse repurchase agreements .....	57,251.4	-	-	-	57,251.4
Gross loans, advances and Islamic financing .....	463,917.5	14,622.4	21,603.7	4,086.4	504,230.1
Non-trading investments <sup>(2)</sup> .....	166,815.5	84.7	-	-	166,900.2
Other assets .....	19,041.2	18.4	0.8	-	19,060.4
Unfunded exposure .....	220,959.7	4,091.7	1,130.8	7.3	226,189.5
	<b><u>1,192,173.2</u></b>	<b><u>21,233.5</u></b>	<b><u>22,735.3</u></b>	<b><u>4,093.8</u></b>	<b><u>1,240,235.8</u></b>

(1) The Group, from an internal credit quality point of view, considers AED 3,987 million as par to non-performing loans, advances and Islamic financing.

(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, advances and Islamic financing;
- 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 in Stage 1 and are determined to have low credit risk at the reporting date; and
- other financial instruments that are in Stage 1 and on which credit risk has not increased significantly since their initial recognition.

### ***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 2023, interest suspended amounted to AED 7.2 billion (equal to 1.4 per cent. of total gross loans, advances and Islamic financing as at 30 June 2023).

As at 30 June 2023, total provisions amounted to AED 16.5 billion representing 64.1 per cent. of all NPLs. The NPL ratio was 3.7 per cent. as at 30 June 2023.

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 2023, the Group's write-off of impaired financial assets amounted to AED 100.1 million.

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, advances and Islamic financing 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 regular 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 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 2023, the Group held a portfolio of net HQLAs valued at AED 377.9 billion and had a LCR of 159 per cent.

Liquidity risk arises in the general funding of the Group's financing, trading and investment activities and in the management of liquidity positions. This risk involves the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner on reasonable terms and the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain.

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

The following table sets out the percentage of cash and balances with central banks, repurchase agreements and due from financial institutions compared to total assets as at 30 June 2023.

	<b>As at 30 June 2023</b>
	<i>(per cent.)</i>
Cash and balances with central banks, reverse repurchase agreements and due from banks and financial institutions .....	28.4

	<b>As at 30 June 2023</b>
	<i>(per cent.)</i>
Loans, advances and Islamic financing .....	42.1
Investments at fair value through profit or loss, derivative financial instruments, non-trading investments, Investments in associates and Investment properties .	24.0
Property and equipment, intangibles and other assets .....	5.5
<b>Total assets</b> .....	<b>100.0</b>

The day-to-day management of liquidity within the framework of the Group's liquidity risk policy is the responsibility of the 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, advances and Islamic financing, 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 FAB 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 2023 was AED 2,549 billion (with a net mark-to-market of negative AED 0.76 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 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 the Foreign Account Tax Compliance Act (**FATCA**). In line with the inter-governmental agreement finalised by the UAE federal government with the government of the United States, the Group has completed its FATCA registration and obtained its Global Institution Identification Number for FAB 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 11 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 their 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.

<b>Name</b>	<b>Position</b>
H.H. Sheikh Tahnoon Bin Zayed Al Nahyan .....	Chairman
H.E. Sheikh Mohamed Bin Saif Bin Mohamad Al Nahyan .....	Vice-Chairman
H.E. Jassem Mohammed Bu Atabh Al Zaabi .....	Board Member
H.E. Dr. Sultan Ahmed Al Jaber.....	Board Member
H.E. Mariam Bint Mohammed Saeed Hareb Almheiri.....	Board Member
H.E. Sheikh Ahmed Mohammed Sultan S. Al Dhaheri.....	Board Member
H.E. Mohammed Thani Murshed Ghannam Al Rumaithi .....	Board Member
H.E. Mohammed Saif Al Suwaidi .....	Board Member
H.E. Waleed Al Mokarrab Al Muhairi .....	Board Member
H.E. Homaid Abdulla Al Shimmari.....	Board Member
H.E. Khalifa Ateeq Al Mazrouei .....	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. H.H. also serves as an Adviser to the Council for National Security of the UAE and as the Chairman of Royal Group. In addition, H.H. is the chairman of Abu Dhabi Investment Authority (ADIA) and ADQ.

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

H.E. Sheikh Mohamed Bin Saif Bin Mohamad Al Nahyan is a non-executive director of the Board and a former NBAD board member. With more than 17 years' worth of experience as a business professional, H.E. is the Chairman of the Abu Dhabi National Insurance Company as well as the Chairman of Abu Dhabi National Insurance Company's risk management committee. H.E. holds a degree in international economics and history from the American University of Paris, France.

***H.E. Jassem Mohammed Bu Atabh Al Zaabi – Board Member***

H.E. Jassem Mohammed Bu Atabh 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. H.E. is also the Director General of the National Electronic Security Authority (NESAs), the Vice President of the Abu Dhabi Development Holding Company, the Chairman of the Abu Dhabi Retirement Pensions and Benefits Fund, the Chairman of Injazat Data Systems Company, the Chairman of Al Yahsat Satellite Communications Company (**Yahsat**), 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. has previously served as the Chairman of the Abu Dhabi Executive Office (which is the local executive authority of Abu Dhabi) and the Chairman of the Executive Committee of the Executive Council of Abu Dhabi.

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. is also the Group Chief Executive Officer of the Abu Dhabi National Oil Company (**ADNOC**), the Chairman of Masdar, the Chairman of the Board of Trustees of the Mohamed bin Zayed University of Artificial Intelligence and a board member of Emirates Global Aluminium.

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

Previously, H.E. was the Chief Executive Officer of the "energy" platform at MIC. Whilst at MIC, H.E. established Masdar, Abu Dhabi's renewable energy initiative. H.E. also served as the Chairman of the Abu Dhabi Ports Company from 2009 to 2019. H.E. has also previously served on the United Nations Secretary General's High-Level Group on Sustainable Energy for All.

***H.E. Mariam Bint Mohammed Saeed Hareb Almheiri***

H.E. Mariam Bint Mohammed Saeed Hareb Almheiri is a non-executive director of the Board.

Her Excellency Mariam Bint Mohammed Saeed Hareb Almheiri has been the Minister of Climate Change and Environment since September 2015. In this capacity, she leads the Ministry of Climate Change and Environment's mission of spearheading the UAE's drive to mitigate and adapt to the impacts of climate change, protect the country's ecosystems, and enhance its food and water security through developing and implementing effective measures, policies, and initiatives.

Prior to her current role, H.E. was Minister of State for Food and Water Security. Her responsibilities included monitoring national food stocks and water supply, channelling investments in food and water technology innovation, and building international partnerships in this area.

Previously, H.E. held the post of Minister of State for Food Security, where she oversaw the development of the necessary infrastructure to achieve the country's food security objectives in line with the United Arab Emirates Centennial 2071.

H.E. has also been appointed as Chairman of the Committee of Show Jumping and Dressage Competitions, board member of the Emirates Equestrian Federation and board member of Zayed International Foundation for the Environment.

H.E. holds a bachelor's and master's degree in mechanical engineering from the Rheinisch-Westfälische Technische Hochschule (RWTH) in Aachen, Germany.

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

H.E. Sheikh Ahmed Mohammed Sultan S. Al Dhaheri is a non-executive director of the Board, having previously served as a non-executive director on NBAD's board. H.E. is also the Chairman of Bin Srou Engineering. H.E. is also a board member of the National Consultative Council, a board member of Emirates Communication (Etisalat), the Vice Chairman of Abu Dhabi National Hotels Company and the Vice Chairman of Abu Dhabi Aviation. H.E. is a board member of Al Dhafra Insurance and a board member of Al Dhaheri Group. H.E. has previously served as Undersecretary of the Department of Social Services and Commerce Building from 1996 until 2009. H.E. holds a bachelor's degree in civil engineering science.

***H.E. Mohammed Thani Murshed Ghannam Al Rumaithi – Board Member***

H.E. Mohammed Thani Murshed Ghannam Al Rumaithi is a non-executive director of the Board, having previously served as a non-executive director on FGB's board. H.E. is the Chairman of National Marina Dredging Co. and Thani Murshed Unilever. H.E. is also the Vice President of Abu Dhabi Sports Council and chairman of Alfa Dhabi Holding.

***H.E. Mohammed Saif Al Suwaidi – Board Member***

H.E. Mohammed Saif Al Suwaidi is a non-executive director of the Board, having previously served as a non-executive director on FGB's board. H.E. is the Director General of the Abu Dhabi Fund for Development and also serves as Vice Chairman of the Arab Bank for Investment and Foreign Trade (Al Masraf) and Deputy Governor at the Board of Governors of the Asian Infrastructure Investment Bank (AIIB). Vice Chairman of Emirates Steel Company, Board member of Emirates Development Bank (EDB), Board member of DP World. Board member of Al Jazira Sports and Cultural Club. Chairman of the Board of Directors of Abu Dhabi Tourism Investments Company (ADTIC). Head of the Abu Dhabi Uzbek Investment Company (ADUI). H.E. 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 the Deputy Group Chief Executive Officer of MIC and has strategic oversight of MIC's broad investment portfolio and special projects at the group level while ensuring that the company's four platforms are coordinating efficiently. H.E. is also the Chief Executive Officer of MIC's "alternative investments and infrastructure" platform and leads MIC's healthcare, real estate and infrastructure, and capital investment portfolios. H.E. is also a member of MIC's investment committee.

H.E. was one of the principal architects behind the Abu Dhabi 2030 Economic Vision. Prior to joining MIC, H.E. 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, the Chairman of Waha Capital, the Chairman of Global Institute for Disease Elimination, the Chairman of the U.S.-UAE Business Council, the Chairman of Mubadala Health, a member of the Board of Trustees of Cleveland Clinic in the United States, a board member of Aldar Properties, a board member of Abu Dhabi Global Market and a board member of Investcorp Holdings (Bahrain). H.E. is also a board member of Noon.com and board member of Hub 71. H.E. holds a master's degree in public policy from Harvard University, United States and a bachelor's degree in foreign service from Georgetown University, United States.

***H.E. Homaid Abdulla Al Shimmari***

H.E. Homaid Abdulla Al Shimmari is a non-executive member of the Board.

H.E. Homaid Abdulla Al Shimmari is the Deputy Group CEO and Chief Corporate and Human Capital Officer at Mubadala Investment Company. He has an oversight of Mubadala's business services, enterprise technology services, government affairs, construction management service, employee career growth, talent acquisition, learning and development, performance management and Emiratisation.

Prior to the merger of Mubadala Development Company and International Petroleum Investment Company (IPC), H.E. was the CEO of the Aerospace and Engineering Services platform at Mubadala.

H.E. is Chairman of Maximus Air Cargo, board member of Abu Dhabi Aviation and on the board of trustee of UAE University and Khalifa University of Science, Technology and Research.

H.E. hold a bachelor's degree in aeronautical engineering from Embry Riddle Aeronautical University and holds a black belt in Six Sigma from General Electric, a leadership programme.

***H.E. Khalifa Ateeq Al Mazrouei***

H.E. Khalifa Ateeq Al Mazrouei is a non-executive member of the Board.

H.E. Khalifa Ateeq Al Mazroeu is a Senior Manager at the Internal Equities Department – Active Europe at the ADIA. Since he joined ADIA in 2008, he has held leading positions in the international equities department and internal audit.

H.E. is also a board member of the Abu Dhabi Capital Group (ADCG).

H.E. holds a bachelor's degree of science from the Higher Colleges of Technology, Abu Dhabi and is a certificated internal auditor and chartered financial analyst.

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 29 (*Related parties*) to the Interim Financial Information.

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 (REMCO)***

The REMCO recommends and oversees the appointment of and termination of the Group's Board and succession planning for the Group Executive Committee members. This includes an assessment of the skills, knowledge and expertise needed to ensure they are positioned to discharge their responsibilities in the interests of the shareholders and the Group. The REMCO also reviews and recommends to the Board the Group's reward policy framework, approves and oversees reward design and ensures that it is appropriate and consistent with the Group's culture, values, business, performance and risk strategy. The REMCO meets at least twice a year or more frequently as deemed necessary.



As at the date of this Prospectus, the members of the REMCO are: H.E. Sheikh Mohammed Bin Saif Al Nahyan – Chairman, H.E Waleed Al Mokarrab Al Muhairi, and H.E Mohammed Thani Murshed Ghannam Al Rumaithi.

A quorum of a majority of the members is required to convene a meeting of the REMCO. Only members of the REMCO are entitled to attend the committee's meetings. With the Chair's approval, the Group Chief Executive Officer may act as a permanent invitee along with the Group Human Resources Officer who is a permanent attendee at the REMCO. Other senior members of staff at FAB or external advisers may be invited as deemed necessary to facilitate the duties and objectives of the committee.

#### ***Board Management Committee (BMC)***

The BMC approves and oversees execution of the Group's business plan as per the strategy approved by the Board, and oversees and reviews material aspects of the business of the Group. The BMC meets quarterly or more frequently as deemed necessary.

As at the date of this Prospectus, the members of the BMC are: H.E. Sheikh Mohamed Bin Saif Bin Mohamad Al Nahyan – Chairman, H.E Mohammed Saif Al Suwaidi and 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. With the Chair's approval, the Group Chief Executive Officer will act as a permanent invitee. Other senior management or external advisers may be invited as and when deemed necessary to facilitate the duties and objectives of the committee.

#### ***Board Risk and ESG Committee (BRESGC)***

The BRESGC provides oversight and advice to the Board in relation to current and potential future risk. It also considers and helps direct future risk and ESG strategies, including determination of risk appetite and tolerance as well as promote a risk and ESG awareness culture within the Group. The BRESGC meets quarterly or more frequently as deemed necessary.

As at the date of this Prospectus, the members of the BRESGC are: H.E. Dr. Sultan Ahmed Al Jaber– Chairman, H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri, H.E Homaid Abdulla Al Shimmari, H.E Mariam Bint Mohammed Saeed Hareb Almheiri and H.E Mohammed Thani Murshed Ghanem AL Rumaithi).

A quorum of a majority of the members is required to convene a meeting of the BRESGC. Only members of the BRESGC are entitled to attend the committee's meetings. Subject to the Chair's approval, the Group Chief Executive Officer and the Group Chief Risk Officer will act as permanent invitees. Other senior members of staff or external advisers may be invited as and when deemed necessary to facilitate the duties and objectives of the committee.

#### ***Board Audit Committee (BAC)***

The BAC ensures quality and integrity of financial statements and financial reporting. It also ensures the effectiveness of the Group's: (i) internal control, risk management, and governance systems; (ii) compliance functions; (iii) internal audit function; and (iv) the Islamic financial institution's governance systems and policies. The BAC also seeks to ensure the Group's general compliance with applicable laws and regulations. The BAC meets quarterly or more frequently as deemed necessary.

As at the date of this Prospectus, the members of the BAC are: H.E. Jassim Mohammed Buatabh Al Zaabi – Chairman, H.E. Mohammed Saif Al Suwaidi, H.E. Homaid Abdulla Al Shimmari, H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri and H.E. Khalifa Ateeq AL Mazrouei.

A quorum of at least three members (inclusive of the Chairman) is required to convene a meeting of the BAC. The Committee may invite any director, members of senior management or other person to attend any meeting of the BAC, as it may from time to time consider desirable to assist it in the attainment of its objectives.

### ***Executive Management Team***

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

<b>Name</b>	<b>Position</b>
Ms. Hana Al Rostamani.....	Group Chief Executive Officer
Mr. Lars Kramer.....	Group Chief Financial Officer
Mr. Suhail Bin Tarraf.....	Group Chief Operating Officer
Ms. Sara Al-Binali.....	Group Head of Corporate, Commercial and Acting Head of International Banking
Mr. Pradeep Rana.....	Group Chief Risk Officer
Mr. Nizar Qaiser Luqman.....	Group Head of Compliance
Ms. Futoon AlMazrouei.....	Group Head of Consumer Banking UAE
Mr. Gareth Powell.....	Group Chief Human Resources Officer
Mr. Martin Tricaud.....	Group Head of Investment Banking
Mr. Michel Longhini.....	Group Head of Global Private Banking
Mr. Rajesh Deshpande.....	Acting Group Chief Credit Officer (subject to UAE Central Bank approval)
Ms. Tracy S. Faulkner.....	Chief Communications and External Relations Officer
Mr. Eric Shehadeh.....	Group Head of Mergers and Acquisitions and Corporate Development
Mr. Sameh Al Qubaisi.....	Group Head of Global Markets
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.

#### ***Ms. Hana Al Rostamani – Group Chief Executive Officer***

Ms. Rostamani is the Group Chief Executive Officer (**GCEO**). Ms. Rostamani is the first female CEO of a UAE-based bank.

Ms. Rostamani has more than 25 years' worth of experience in banking and financial services. Prior to being named GCEO in January 2021, she was Deputy Group Chief Executive Officer and Group Head of Personal Banking, responsible for leading the transformation of the Group's consumer bank. Prior to joining the Group, Ms. Rostamani held various roles at First Gulf Bank, Citibank and AW Rostamani Group.

Ms. Rostamani is currently Chair of the Global Council on the Sustainable Development Goals. She is a board member of several entities, including: Buna, the Institute of International Finance (**IIF**), the International Institute for Management Development (**IMD**) and the Executive Board of the US-UAE Business Council.

Ms. Rostamani is a graduate of George Washington University in the United States, where she earned a Bachelor of Science in Business Administration and a Master of Science in Information Management. Ms. Rostamani's most recent accolade includes her first-place ranking in Forbes Middle East's list of the region's most powerful businesswomen.

***Mr. Lars Kramer – Group Chief Financial Officer***

Mr. Kramer is the Group Chief Financial Officer (CFO). Mr. Kramer joined the Group from ABN AMRO where he was CFO from June 2021. He has extensive banking industry experience across several senior leadership positions including as Group CFO at Hellenic Bank. For almost 20 years he worked with ING, where he was CFO for ING Direct, ING Retail Banking Direct and International, and ING Commercial Bank.

Mr. Kramer is a Chartered Accountant and holds a Bachelor of Science in Accounting from the University of South Africa and a Master of Business Administration (MBA) from the University of Cape Town, specialising in finance, markets, and strategy.

***Mr. Suhail Bin Tarraf – Group Chief Operating Officer***

Mr. Bin Tarraf is the Group Chief Operating Officer. Prior to joining FAB, Mr. Bin Tarraf was the Chief Operating Officer at Emirates Islamic Bank and previously held the position of Chief Executive Officer at Tanfeeth, the shared services subsidiary at the Emirates NBD Group.

Mr. Bin Tarraf is a graduate of the American University in Dubai with a bachelor's degree in Business Administration and holds a specialized post-graduate certification from several global business schools.

***Ms. Sara Al-Binali– Group Head of Corporate, Commercial and Acting Head of International Banking***

Ms. Al-Binali is the Group Head of Corporate, Commercial and International Banking.

Ms. Al-Binali has over 24 years' worth of experience in financial services, investment, and banking. In her role at the Group, Ms. Al-Binali is responsible for leading and growing the Corporate, Commercial, and International Banking division.

Prior to this role, Ms. Al-Binali served as the Head of Business Banking, responsible for driving the SME business for FAB. Ms. Al-Binali also headed Strategic Planning for FAB and First Gulf Bank. Before this, she was Deputy Head of First Gulf Bank's International Business Group.

Ms. Al-Binali started her career at ADIA working across several investment management roles that were specifically focused on Far East Equities.

Ms. Al-Binali sits on number of boards including First Abu Dhabi Bank Securities, FAB Capital KSA, and Reem Finance.

Ms. Al-Binali graduated from Northwestern University in the United States with a degree in economics, and holds an Excellence and Awareness certification that she obtained at INSEAD's Singapore campus.

***Mr. Pradeep Rana – Group Chief Risk Officer***

Mr. Rana is the Group Chief Risk Officer and is responsible for implementing the Group's risk framework and corporate governance globally.

Mr. Rana is an international banker with over 20 years' worth of experience in roles that have spanned global and regional leadership positions. Prior to joining the Group, he served as the Group Head of Corporate Credit Risk Management & Chief Risk Officer of Wholesale Banking for Danske Bank in Denmark.

Mr. Rana previously worked at ABN AMRO and Standard Chartered Bank in several international locations, namely India, Hong Kong, South Korea, Singapore, The Netherlands and the UK. In these roles, Mr. Rana covered a variety of leadership roles in Fixed Income Syndication, Wholesale Credit, Strategic and Reputational Risk, Trading Risk Management, Market, Liquidity and Operational Risk, Retail Credit, Compliance and Enterprise Risk Management.

Mr. Rana holds a B.Eng. (Hons) in Mechanical Engineering from University of Surrey, United Kingdom and an MBA from Erasmus University School of Management, The Netherlands.

***Nizar Qaiser Luqman – Acting Group Chief Compliance Officer***

Mr. Luqman is the Group's Acting Chief Compliance Officer. In this role, he is responsible for overseeing compliance within the Group both domestically and internationally.

Mr. Luqman has over 26 years' worth of experience in the banking sector. Before taking up his current post, he was Executive Vice President, Group Internal Audit at FAB.

Mr. Luqman has obtained numerous certifications including Certified Internal Auditor, Certified Anti-Money Laundering Specialist, Certified Fraud Examiner, Certified Financial Services Auditor and CIMA Certificate in Islamic Finance.

***Mr. Luqman has completed several specialised post-graduate certifications from several global business schools. Ms. Futoon AlMazrouei – Group Head of Consumer Banking – UAE***

Ms. AlMazrouei is the Group Head of Consumer Banking, with over 15 years' worth of experience in the banking sector and financial sector.

Ms. AlMazrouei previously held leadership positions within FAB's consumer banking business, including her role as Head of Elite Banking.

Ms. AlMazrouei has been named one of the Middle East's Top Women in Banking by Global Money Monitor in 2022 and is the first woman to sit on the board of the Abu Dhabi National Insurance Company (ADNIC). Ms. AlMazrouei is the Council Member for Visa and Member for Mastercard MENA Executive Council (MMEC). She also sits on the boards of several companies in the GCC and North Africa such as FAB Islamic, WIO Bank and Bank FABMISR.

Ms. AlMazrouei holds a Bachelor of Science and Mathematics degree from Al Ain University and graduated from the Executive Program in International Management at Stanford Graduate School of Management in Singapore.

***Mr. Gareth Powell – Group Chief Human Resources Officer***

Mr. Powell is the Group Chief Human Resources Officer, where he is responsible for leading and developing FAB's people and human resources proposition.

Mr. Powell was the Chief Human Resources Officer at Commercial Bank of Dubai, and prior to that, he was Chief Human Resources Officer for First Gulf Bank from 2011 to 2016.

During the 20 years he spent working at HSBC, Mr. Powell held senior roles across the group in locations such as Hong Kong, London, the United States, Latin America and the UAE.

He holds a Bachelor of Arts degree in Spanish and French from King's College, University of London, as well as professional qualifications from the Graduate Institute of Personnel Management at Thames University. Mr. Powell is also Fellow of the Chartered Institute of Personnel & Development and is accredited by the British Psychological Society in Psychometric Assessment.

***Mr. Rajesh Deshpande – Acting Group Chief Credit Officer***

Mr. Deshpande has over 23 years' worth of experience in the banking sector and is currently serving as FAB's Acting Group Chief Credit Officer.

Before transitioning into Credit Risk, Mr. Deshpande covered roles in relationship management, corporate finance; focusing on project and asset backed finance, leverage finance and private equity.

Prior to joining FAB, Mr. Deshpande worked with National Commercial Bank, Gulf International Bank and Abu Dhabi Commercial Bank.

Mr. Deshpande holds a Chartered Accountancy degree from The Institute of Chartered Accountants of India and completed his MBA from the Manchester Business School, UK.

***Mr. Martin Tricaud – Group Head of Investment Banking***

Mr. Tricaud is the Group Head of Investment Banking, serving as a member of the Executive Committee.

Mr. Tricaud has over 30 years' worth of banking and corporate finance experience across institutional businesses. In his role at FAB, Martin has the responsibility for leading and growing FAB's group-wide Investment Banking business, overseeing Global Corporate and FI Coverage, Global Corporate Finance and Global Markets.

Prior to joining FAB, Mr. Tricaud held several senior positions with HSBC group, including Deputy Chairman and CEO for the Middle East, North Africa and Turkey, and was Group General Manager at HSBC. He was also the CEO for HSBC Australia and for HSBC Korea and held senior leadership positions over two decades at HSBC Global Banking and Markets across the Middle East, the UK and Europe.

Mr. Tricaud is Vice Chairman for the FAB Capital Saudi Arabia Board. He is a trustee of the Université Paris II Assas, Sorbonne. He was appointed by French Prime Minister decree a Conseiller du Commerce Extérieur de la France in 2001. Mr. Tricaud graduated from the Institut d'Études Politiques de Paris, holds a Master's in Law from La Sorbonne University, Paris, and a bachelor's degree in History from Paris Nanterre University.

***Mr Michel Longhini – Group Head of Global Private Banking***

Mr. Longhini is the Group Head of Global Private Banking. Mr. Longhini has three decades' worth of experience in private banking and prior to joining FAB he was the CEO of Private Banking at Edmond de Rothschild in Switzerland. Before this, he was the CEO of Private Banking at Union Bancaire Privée

(UBP SA) in Geneva. Mr. Longhini spent a substantial part of his career in positions across BNP Paribas wealth management. He is a graduate from the Emlyon Business School in Lyon, France.

***Ms. Tracy S Faulkner – Group Chief Communications and External Relations Officer***

Ms. Faulkner is the Chief Communications and External Relations Officer for FAB. Ms. Faulkner is a member of the Executive Committee and is responsible for leading the strategy to strengthen and protect FAB's image, brand and reputation in local, regional and international markets. She oversees Communications, Brand, Marketing, Strategic Partnerships, Corporate Social Responsibility and live event experiences.

With over 30 years' worth of multi-industry and cross functional experience across six continents, Ms. Faulkner joined FAB from Majid Al Futtaim where she was Chief Communications and Public Affairs Officer. Prior to this role, Ms. Faulkner was Vice President, Global Communications, at Shell. Before joining Shell, she held senior roles in the US Federal Government and General Motors. Ms. Faulkner received a bachelor's degree in Mass Communications Management from Clark-Atlanta University in Atlanta, Georgia. She completed the Harvard Business School Executive Education Program and Center for Creative Leadership Development Program. She is a Board member of the Arthur W. Page Society and Institute for Public Relations, and Vice President of Alpha Kappa Alpha Sorority, Incorporated, Omega Theta Omega Chapter.

***Mr. Eric Shehadeh – Group Head of Mergers & Acquisitions and Corporate Development***

Mr. Shehadeh is the Group Head of Mergers & Acquisitions and Corporate Development at FAB. With over 25 years as a global executive, Mr. Shehadeh has held senior positions in management, finance, M&A, capital markets and credit risk in large corporates.

Prior to joining FAB, Mr. Shehadeh was the President and chief executive officer of My Money Group in Paris, France. He was also the chief executive officer of General Electric (GE) Money Bank in France. Mr. Shehadeh was also the chief finance officer and chief operating officer of Mubadala GE capital in Abu Dhabi.

Mr. Shehadeh holds a bachelor's degree in political science from Point Park University in the United States, as well as post-graduate qualifications in Finance and Management Control from ESCP Business School in France.

***Sameh Al Qubaisi – Group Head of Global Markets***

Mr. Al Qubaisi is the Group Head of Global Markets.

Mr. Al Qubaisi previously served as Director General of Economic Affairs at the Abu Dhabi Department of Economic Development.

He was also Executive Director of Business Enterprise at the Abu Dhabi Investment Office (**ADIO**) where he was primarily responsible for investments and Public Private Partnerships.

Mr. Al Qubaisi spent more than a decade at the National Bank of Abu Dhabi and has held a number of leadership roles at CAPM Investments, Finance House, Standard Chartered Bank, HSBC, and National Bank of Dubai.

Mr. Al Qubaisi holds a Bachelor's degree in International Relations with minors in Political Science and Economics from Rollins College, USA.

### ***Mr. Nurendra Perera – Group Chief Audit Officer***

Mr. Perera is the Group Chief Audit Officer. Mr. Perera is responsible for providing independent assurance to FAB's Board and senior management on the quality and effectiveness of the Group's Internal Control environment covering its Systems & Processes, Risk Management, Compliance & Corporate Governance Framework. Mr. Perera has more than 30 years' worth of banking experience and has held senior positions in Governance, Risk Management, Compliance and Internal Audit in UAE and international banks. Mr. Perera holds a Master's Degree in Business Administration, having majored in Finance Honours from University of Leicester, a Post Graduate Diploma in Consortium Executive Leadership & Organisation Design from University of INSEAD, including the following internationally accredited qualifications: CIA, CFSA and CRMA from the Institute of Internal Auditors (USA), CISA and CRISC from ISACA (USA), CIB from The Chartered Institute of Bankers (UK).

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.

### ***Group Management Committees***

Brief descriptions of the Group's executive management committees are set out below.

#### ***Group Executive Committee (EXCO)***

The EXCO is the Group's most senior management level committee and it operates under a delegated authority from the Board. The EXCO supports the GCEO to determine and implement the Group's strategy as approved by the Board.

As at the date of this Prospectus, the EXCO has 14 voting members with one non-voting member (the Group Chief Audit Officer).

#### ***Group Risk Committee***

The Group Risk Committee operates under a delegated authority from the EXCO and also assists the BRESGC. 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 EXCO and, as appropriate, the BRESGC, 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 nine voting members.

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

#### ***Group Compliance Committee***

The Group Compliance Committee operates under a delegated authority from the EXCO. It also assists the BAC in fulfilling its objective of overseeing the Group's regulatory responsibilities as well as ensuring the Group's compliance with the applicable laws and regulations issued by various regulatory authorities.

As at the date of this Prospectus, the Group Compliance Committee has eight voting members, with the GCEO serving as chair of the committee.

#### ***Group Credit Committee***

The Group Credit Committee operates under a delegated authority from the EXCO and supports the work of the BMC (and the BRESGC) in assisting in the development and implementation of the Group's credit strategy and related policies and procedures.

As at the date of this Prospectus, the Group Credit Committee has six voting members, with the Group Chief Credit Officer serving as vice chair of the committee and a member representing each business unit fills the chair position based on the relevant agenda of the meeting.

#### ***Group Asset and Liability Committee***

The Group Asset and Liability Committee operates under a delegated authority from the EXCO 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 BRESGC 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 11 voting members.

#### ***Human Resources Steering Committee***

The principal role of the Human Resources Steering Committee is to assist the EXCO and the REMCO in fulfilling their respective duties with regard to implementing strategic as well as operational human resources 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 seven members.

#### ***Group Technology Steering Committee***

The Group Technology Steering Committee operates under a delegated authority from the EXCO. It assists in fulfilling EXCO's governance and oversight responsibilities of all technology and information systems across the Group and supports the BRESGC 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 seven voting members.

#### ***Group Operational and Fraud Risk Committee***

The Group Operational and Fraud Risk Committee operates under a delegated authority from the EXCO to assist the EXCO in fulfilling its objective of overseeing the Group's operational risk management, business continuity and information security responsibilities. The Group Operational and Fraud Risk Committee is responsible for managing and reporting the Group's operational risk profile, ratifying the



Group's procedures and integrating the Group's business continuity management policy and business recovery strategy.

As at date of this Prospectus, the Group Operational and Fraud Risk Committee had seven voting members.

#### ***Group Technology Risk and Information Security Committee***

The Group Technology Risk and Information Security Committee operates under a delegated authority from the EXCO to assist the BRESGC and the Group Risk Committee. The main objectives of the Group Technology Risk and 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 the date of this Prospectus, the Group Technology Risk and Information Security Committee has eight voting members.

#### ***Group ESG Committee***

The Group ESG Committee is the senior authority at management level for decision making on all ESG related matters in the Group. The primary objective of the Group ESG Committee is to oversee the Group's ESG strategy and culture and to promote awareness.

As at the date of this Prospectus, the Group ESG Committee has twelve voting members.

#### ***Corporate Governance***

In September 2019, the UAE Central Bank issued regulations and standards on corporate governance (the **Corporate Governance Regulations**). FAB is in full compliance with these regulations that assists the Board in shaping and monitoring corporate governance policies and practices as well as evaluating compliance with existing policies to enable the Board to fulfil their duties. 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 30 June 2023, there were a total of 50 commercial banks (22 locally incorporated commercial banks and 28 foreign commercial banks) licensed to operate in the UAE (*source*: UAE Central Bank Statistical Bulletin April 2023). 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 preliminary estimates published by the Statistics Centre (*source*: Statistical Yearbook of Abu Dhabi 2020), the financial and insurance sectors in Abu Dhabi contributed approximately AED 70.5 billion (or 7.7 per cent.) to Abu Dhabi's nominal GDP in 2019. Within the UAE as a whole, the financial sector was estimated to have contributed approximately 8.2 per cent. of real GDP in 2020 (*source*: FCSA National Account information for 2010-2020).

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 of the marginal lending facility (**Marginal Lending Facility**) 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 "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Liquidity*" below).

### COVID-19

In response to the COVID-19 outbreak, effective from 15 March 2020, the UAE Central Bank implemented the TESS, which included a range of measures aimed at mitigating the economic effects of COVID-19 on the UAE economy (see "*Risk Factors – Factors that may affect FAB'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 FAB's business, results of operations, financial condition and prospects*"). The measures introduced by the TESS expired on 30 June 2022. The TESS was accompanied by other stimulus measures, including the reduction of interest rates and the following measures:

- 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 in a phased manner from 30 June 2021 to 30 June 2022; 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 50 banks (comprising 22 locally incorporated banks and 28 foreign banks) licensed to operate inside the UAE as at 30 June 2023 (*source*: UAE Central Bank Statistical Bulletin April 2023), serving a population estimated to be in the region of approximately 9.9 million people at the end of 2022 (*source*: OPEC Annual Statistical Bulletin 2023).

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, during the period 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 and 2017 there was very limited merger activity domestically in the sector. However, following the Merger and the acquisition of Noor Bank P.J.S.C by Dubai Islamic Bank P.J.S.C in January 2020, commentators have suggested that the UAE may see more consolidation of the banking sector in order to improve profitability and reduce inefficiencies.

While the anticipated attempts at consolidation would further 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 IT system development.

Going forward, the advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, with the possibility of creating banks with pan-Gulf franchises.

### *Domestic focus*

The UAE incorporated banks are predominantly focused on the UAE 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 (ATM) networks, kiosks and telephone and internet banking services. As a consequence, IT costs have been a prominent feature of many UAE banks' expenses in addition to employee costs.

### ***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 marketplace.

In 2013, the Government sought to replicate the success of the DIFC by announcing its intention to establish the ADGM in Abu Dhabi, 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 remains 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 **2018 Federal Law**) amended the minimum permissible shareholding by UAE nationals in UAE banks to 60 per cent. Further to this, FAB, 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. FAB 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. FAB 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 "*Risk Factors – Factors that may affect FAB's ability to fulfil its obligations under 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, the hydrocarbon sector (mining and quarrying, including crude oil and natural gas) contributed 40.8 per cent. to Abu Dhabi's nominal GDP in 2019 as compared with a contribution of 49.3 per cent. in 2010 (*source: Statistics Centre Statistical Yearbook 2020*).

### ***Islamic banking***

*Shari'a* (Islamic) law forbids the charging of interest on any financial transaction as one of the key Islamic financial rules (**Shariah Principles**). A number of banks have developed in the Islamic world to serve customers who wish to observe such Shariah Principles. 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 and adhere to Shariah Principles. 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, Ajman Bank, Sharjah

Islamic Bank PJSC, Dubai Islamic Insurance & Reinsurance Company (AMAN), Islamic Arab Insurance Co. (PSC) (Salama), Tamweel and Amlak Finance. In addition, the majority of local and international conventional financial institutions that operate in the UAE offer *Shari'a*-compliant products through their Islamic windows. The number of Islamic banks continues to increase, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks.

### ***Legal environment***

There are three primary sources of law in the UAE: (i) federal laws and decrees; (ii) local laws; and (iii) *Shari'a* (Islamic) law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler of a given Emirate or local government will apply his or its own rules, regulations and practices.

### ***Supervision of banks***

The main piece of legislation applicable to the banking system is the 2018 Federal Law which repeals Federal Law No. 10 of 1980 concerning the status of the UAE Central Bank. The UAE Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the UAE, although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the UAE federal government would ultimately stand as de facto defender of the currency and the "lender of last resort".

The 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 the credit condition 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 Monetary Bills (**M-Bills**) to UAE banks via auction, denominated in UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. The M-Bills programme was launched in January 2021 to replace UAE Central Bank Certificates of Deposit. The secondary market

in M-Bills is currently developing but they can be used as collateral for UAE dirham funding from the UAE Central Bank at any time.

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 FAB'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 FAB 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 to Counter Money Laundering, Combating the Financing of Terrorism and Financing of Illegal Organisations which is responsible for co-ordinating policy 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.

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 83.3 per cent. of the workforce (*source*: FCSA Labour Force Survey 2019). The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the UAE has been an increasing concern for the UAE federal government and as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase the percentage of UAE nationals on their payroll by at least 4 per cent. per annum. This policy has now been replaced by the Emiratisation Circular, which has introduced a scoring system which takes into account the employment and progression of Emirati employees in the organisation. The minimum threshold for Emirati employees for each institution is dependent on a number of factors. The Emiratisation Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties to be computed in accordance with a specific formula set out in the Emiratisation Circular.

### ***Accounting standards***

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (IAS)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

### ***Structure of the banking system***

Banking institutions in the UAE fall into a number of categories. Domestic commercial banks, also known as "national" banks, of which there were 22 as at 30 June 2023 (*source*: UAE Central Bank Statistical Bulletin April 2023), are required to be public shareholding companies with a minimum share capital of AED 40 million and must be majority owned by UAE nationals. Licensed foreign banks, of which there were 28 as at 30 June 2023 (*source*: UAE Central Bank Statistical Bulletin April 2023), need to demonstrate that at least AED 40 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 performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the 2008 global financial crisis, represented a significant risk to the UAE banking system. Equity prices declined generally in the UAE from 2008 to 2011 in response to the global 2008 financial crisis but rebounded between 2012 and 2020, with the ADX's General Index increasing from 2,630.9 at 31 December 2012 to 10,211.1 at 31 December 2022, and the Dubai Financial Market index increasing from 1,662.5 at 31 December 2012 to 3,336.1 at 31 December 2022 (*source*: Bloomberg).

## *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, advances and Islamic financing to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time-based customer deposits made by private individuals or private sector companies. As at 30 June 2023, according to preliminary data made available by the UAE Central Bank;

- demand and time deposits constituted approximately 85.1 per cent. of total resident and non-resident deposits of national banks (excluding government deposits, commercial prepayments and borrowings under repurchase agreements);
- resident corporate and individual deposits constituted approximately 59.2 per cent. of total deposits of national banks (excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements);
- resident government deposits (including GRE deposits) and non-banking financial institutions constituted approximately 32.2 per cent. of total deposits of national banks (excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements); and
- non-resident sources constituted approximately 8.6 per cent. of total deposits of national banks with approximately 4.0 per cent. of such deposits being from corporate non-residents (in each case, excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements).

(source: UAE Central Bank Statistical Bulletin April 2023).

In response to the global 2008 financial crisis, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The UAE Central Bank also established a M-Bill repo facility under which banks can use M-Bills as collateral for UAE dirham funding from the UAE Central Bank.

In addition to these measures, the UAE federal government also provided AED 50 billion in deposits to UAE banks (as part of a larger AED 70 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the 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 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 UAE Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015) (the **Liquidity Notice**) 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 enable 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 FAB'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) as per the below.

	<u>Ratio</u>	<u>Applicability Period</u>
Basel III ratios.....	LCR (LCR $\geq$ 100%)	1 January 2019 onwards
	NSFR (NSFR $\geq$ 100%)	1 January 2018 onwards

The LCR represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with HQLAs at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible HQLAs for this purpose. See "*Risk Factors – Factors that may affect FAB's ability to fulfil its obligations in respect of the Capital Securities – Liquidity risks – FAB'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.

NSFR is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE banks contingent liabilities. The NSFR 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 (**RSF**) (usage) factors to asset classes and off-balance sheet contingent exposures. The assigned RSF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III standards. The NSFR minimum is 100 per cent.

#### *Marginal Lending Facility*

On 15 April 2014, the UAE Central Bank introduced an Interim Marginal Lending Facility which allowed non-Islamic UAE banks to use certain assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

On 1 March 2022, this was replaced with the Marginal Lending Facility, which performs the same function.

The UAE Central Bank accepts a range of tradeable securities and foreign exchange as eligible collateral for the purposes of accessing the Marginal Lending Facility, including securities issued by sovereigns (originating in the UAE and outside the UAE) and securities issued by corporates and financials or supranational, municipal, or public sector issuers. In order to be eligible, collateral must meet minimum credit rating requirements specified in the terms and conditions of the Marginal Lending Facility. Banks accessing the Marginal Lending Facility must borrow a minimum of AED 10 million.

### ***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 at the date of this Prospectus, the UAE Central Bank has adopted a policy of a gradual, phased introduction of Basel III. As part of this gradual introduction of Basel III in the UAE, and pursuant to the February 2017 Regulations and the Capital Standards, FAB 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, FAB, as a D-SIB, is required from 1 January 2019 to maintain a Common Equity Tier 1 buffer of 1.50 per cent.

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 denominated in their respective domestic currencies 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 Basel III, 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 FAB 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).

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 Basel III Regulations and the Accompanying Standards (as defined below) confirm that the Non-Viability Requirement is a pre-requisite for any capital instruments issued by UAE banks to achieve Regulatory Capital (as defined below) 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.

In May 2016, the UAE Central Bank published a draft consultation document entitled "Capital Adequacy Regulation" (the **Consultation Document**), detailing the Basel III requirements expected to be followed by banks operating in the UAE, once the applicable legislation has been implemented in the UAE. In particular, the Consultation Document outlines the general quantitative requirements expected to be followed by UAE banks, with regards to Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (together, **Regulatory Capital**). It also outlines, amongst other things, the Regulatory Capital ratios that UAE banks will be expected to follow and adhere to, the individual UAE bank minimum capital conservation standards and the required disclosure standards expected to be made available by UAE banks with respect to Regulatory Capital.

On 23 February 2017, the UAE Central Bank published the "Regulations re Capital Adequacy" (the **Basel III Regulations**) in the Official Gazette issue 612, which were effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating

in the UAE is in line with the Basel III requirements, whilst implementing the measures contained in the Consultation Document. The Basel III Regulations are supported by the accompanying standards entitled "Standards for Capital Adequacy of Banks in the UAE" which were published by the UAE Central Bank on 12 November 2020 by virtue of Notice No. CBUAE/BSN/2020/4980 (the **Accompanying Standards**). The Accompanying Standards elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements. Banks which are classified as D-SIBs by the UAE Central Bank will be required to hold additional capital buffers as notified to it by the UAE Central Bank. In addition, a bank may also be subject to additional capital add-on requirements following a supervisory review and evaluation process of the UAE Central Bank (see "*Risk Factors – Factors that may affect FAB's ability to fulfil its obligations in respect of the Capital Securities – Regulatory risks – FAB 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 FAB'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 are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

### ***Credit controls***

Banks are required by the UAE Central Bank to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

The UAE Central Bank circular dated 23 February 2011 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.

### ***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.

On 22 May 2023, the UAE Central Bank published Circular No. 01/2023 on large exposures (the **Large Exposures Regulation**) superseding the large exposure circular No. 32/2013. The Large Exposures Regulations list down the large exposure limit for various types of counterparties. Violation of any provision of the Large Exposures Regulations shall be subject to supervisory action, administrative and financial sanctions, as deemed appropriate by the UAE Central Bank. Set out below is a table showing a summary of the limits introduced by the Large Exposures Regulations (defined as a percentage of FAB's Tier 1 capital base calculated under Basel II):

	<b>Cap as percentage of Tier 1 capital base</b>	
	<b>Aggregate percentage</b>	<b>Individual percentage</b>
UAE federal government and their non-commercial PSEs treated as Sovereign .....	Not applicable	Not applicable
Foreign Sovereign rated AA- or above	Not applicable	Not applicable
UAE local governments and their non-commercial entities .....	150%	No cap for UAE local governments; 25% for each non-commercial entity
Commercial entities of UAE federal government and UAE local governments.....	100%	25%
Self Sustainable Commercial entities of UAE federal and local Governments	Not applicable	25%
A single borrower or a group of related borrowers .....	Not applicable	25%
Shareholders who own 5 per cent. or more of FAB's capital and their related entities.....	50%	20%
G-SIB's exposure to another G-SIB....	Not applicable	15%
UAE incorporated bank's exposure to its foreign branches	30%	Not Applicable
Bank's non-bank subsidiaries and affiliates .....	25%	10%
Board members .....	25%	5%
Bank's external auditors	Prohibited	Prohibited

### ***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).

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.

### ***Establishing a credit bureau in the UAE***

Al Etihad Credit Bureau (**AECB**) is a public joint stock company wholly owned by the UAE federal government. As per UAE Federal law No. (6) of 2010 concerning credit information and amendments, the AECB is mandated to regularly collect credit information from financial and non-financial institutions in the UAE. The AECB aggregates and analyses this data to calculate credit scores and produce credit reports. FAB has entered into a data and credit information supply agreement with the AECB. The availability of credit reports reduces the risk involved in the origination of customer lending and banking business generally.

### ***Shari'a compliance***

UAE law requires financial institutions licensed by the UAE Central Bank to operate their Islamic banking 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.

### ***Corporate governance***

Banks in the UAE are subject to the Corporate Governance Regulations and the Corporate Governance Standards which were issued by the UAE Central Bank in 2019 to a view to ensuring banks have a comprehensive approach to corporate governance.

## 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, whether in those countries or elsewhere. Prospective purchasers of Capital Securities should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Capital Securities and receiving payments of interest, principal and/or other amounts under the Capital Securities and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### **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, redeeming or disposing of Capital Securities and the receipt of any payments with respect to such Capital Securities under the laws of the jurisdictions in which they may be liable to taxation.*

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 made by the Issuer under the Capital Securities. In the event of such imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject to certain limited exceptions.

### **The 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 certain provisions of the U.S. Internal Revenue Code of 1986, as amended, 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. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Capital Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Capital Securities characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Capital Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Capital Securities, no person will be required to pay additional amounts as a result of the withholding.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Capital Securities.**

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the **Subscription Agreement**) dated 2 October 2023 between the Issuer and the Joint Lead Managers, the Issuer has agreed to issue U.S.\$1,000,000,000 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, except as permitted by the Subscription Agreement, it has not offered or sold any Capital Securities, and will not offer or sell any Capital Securities: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of all Capital Securities, other than in accordance with 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.

### ***Prohibition of Sales to EEA 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. 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.

### **United Kingdom**

### ***Prohibition of Sales to 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 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 (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of EUWA; or

- (b) a customer within the meaning of the provisions of FSMA and any rules and regulations made under FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

#### ***Other regulatory restrictions***

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 FSMA) received by it in connection with the issue or sale of the Capital Securities in circumstances in which Section 21(1) of the FSMA does not 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 the Capital Securities in, from or otherwise involving the UK.

#### **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).

This Prospectus: (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

## **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 8 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 Capital Market Authority resolution number 8-5-2023 dated 18 January 2023 (the **KSA Regulations**), made through a capital market institution licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 10 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 "institutional and qualified clients" under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9 of, or as otherwise required or permitted by the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Capital Securities to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 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 14 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 DIFC 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 and the Abu Dhabi Global Market)**

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(WUMP)O) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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)) and Schedule 8 or Section 257(3), read together with Schedule 9 (or Section 257(3)) of the CMSA 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 and will not be 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 such 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 such Capital Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the 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 (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Capital Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(C)(ii) 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 Act (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## **Switzerland**

Each Joint Lead Manager has acknowledged, that this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Capital Securities and has represented and agreed that the Capital Securities may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (**FinSA**) and no application has or will be made by it to admit the Capital Securities to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Capital Securities constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Capital Securities may be publicly distributed or otherwise made publicly available in Switzerland.

## **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 1 September 2023 and by the shareholders of the Issuer on 28 February 2023.

### Listing of the Capital Securities

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 London Stock Exchange's main market.

### Documents Available

For as long as the Capital Securities are outstanding, copies of the following documents will, when published, be available for inspection during normal business hours at the specified offices of the Fiscal Agent for the time being in London and, in the case of the document listed in paragraph (a) to (c) below, at <https://www.bankfab.ae/>:

- (a) the memorandum and articles of association of the Issuer (together with direct and accurate English translations thereof);
- (b) this Prospectus; and
- (c) 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 XS2676777605 and the common code is 267677760. The Financial Instrument Short Name (**FISN**) is FIRST ABU DHABI/6.32 BD 20340404 and the Classification of Financial Instruments (**CFI**) Code is DBFXFR, each as may be updated, each as set out on the website of the Association of National Numbering Agencies (**ANNA**) as updated or alternatively sourced from the responsible 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, 42 Avenue JF Kennedy, LI1855 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 2022, there has been no material adverse change in the prospects of the Issuer or the Issuer and its subsidiaries.

Since 30 June 2023, there has not been any significant change in the financial performance or financial position of the Issuer or the Issuer and its subsidiaries.

### **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 independent auditors of the Issuer are PricewaterhouseCoopers Limited Partnership Abu Dhabi (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 25th Floor, Al Khatem Tower, Abu Dhabi Global Market, P.O. Box 45263, Abu Dhabi, United Arab Emirates, who have reviewed the condensed consolidated interim financial information of the Issuer as at and for the six-month period ended 30 June 2023.

The consolidated financial statements of FAB for the years ended 31 December 2022 and 31 December 2021 have been audited without qualification in accordance with International Standards on Auditing by 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, P.O. Box 7613, United Arab Emirates, 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  
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