

BASE PROSPECTUS DATED 7 DECEMBER 2011



**ABU DHABI COMMERCIAL BANK PJSC**  
(incorporated with limited liability in Abu Dhabi, United Arab Emirates)

and

**ADCB FINANCE (CAYMAN) LIMITED**  
(incorporated with limited liability in the Cayman Islands)

**in the case of Notes issued by ADCB FINANCE (CAYMAN) LIMITED**  
**unconditionally and irrevocably guaranteed by**

**ABU DHABI COMMERCIAL BANK PJSC**  
(incorporated with limited liability in Abu Dhabi, United Arab Emirates)

**U.S.\$7,500,000,000**

**Global Medium Term Note Programme**

Under this U.S.\$7,500,000,000 Global Medium Term Note Programme (the “**Programme**”), Abu Dhabi Commercial Bank PJSC (“**ADCB**” or the “**Bank**”) and ADCB Finance (Cayman) Limited (“**ADCB Finance Cayman**”, and together with ADCB each an “**Issuer**” and together the “**Issuers**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below).

The obligations of ADCB Finance Cayman in respect of Notes issued by it will be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by ADCB (in such capacity, the “**Guarantor**”). References in this Base Prospectus to the Obligors are to ADCB and ADCB Finance Cayman and to the **relevant Obligors** shall, in the case of an issue of Notes, mean the relevant Issuer and, if the relevant Issuer is ADCB Finance Cayman, the Guarantor.

Notes may be issued in bearer or registered form (respectively “**Bearer Notes**” and “**Registered Notes**”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$7,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to any increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Description of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuers (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Issuer** shall, in the case of an issue of Notes, be to the Issuer issuing those Notes as specified in the applicable Final Terms (as defined below) and to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks, see “Risk Factors” on page 1.**

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market.

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

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s Regulated Market and have been admitted to the Official List. The London Stock Exchange’s Regulated Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the “**Final Terms**”) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Obligors and the relevant Dealer. The Issuers may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes and any guarantee thereof have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or any U.S. state securities laws and the Notes may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons unless an exemption from the registration requirements of the Securities Act is available and the offer or sale is made in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Notes are being offered and sold outside the United States to persons that are not U.S. persons in reliance on Regulation S (“**Regulation S**”) under the Securities Act and within the United States only to persons who are “qualified institutional buyers” (“**QIBs**”) in reliance on Rule 144A (“**Rule 144A**”) under the Securities Act. See “*Form of the Notes*” for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

The relevant Obligors may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Base Prospectus, in the case of listed Notes only, if appropriate, will be made available, which will describe the effect of the agreement reached in relation to such Notes.

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

Each of Fitch Ratings Limited (“**Fitch**”), Moody’s Investors Service Ltd. (“**Moody’s**”) and Standard & Poor’s Credit Market Services Europe Limited (“**Standard & Poor’s**”) has rated ADCB, see page 22.

Each of Fitch, Moody’s and Standard & Poor’s is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch, Moody’s and Standard & Poor’s is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

**Arrangers**

**HSBC**

**Standard Chartered Bank**

**Dealers**

**Abu Dhabi Commercial Bank**  
**BNP Paribas**  
**Commerzbank**  
**Deutsche Bank**  
**J.P. Morgan**

**BofA Merrill Lynch**  
**Citigroup**  
**Daiwa Capital Markets Europe**  
**HSBC**  
**Standard Chartered Bank**

The date of this Base Prospectus is 7 December 2011.

**This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”). The Obligors accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Obligors (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.**

**This Base Prospectus is to be read in conjunction with any amendments or supplements hereto and with any documents incorporated herein by reference (see “*Documents Incorporated by Reference*”) and, in relation to any Tranche of Notes, should be read in conjunction with the applicable Final Terms.**

**The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Obligors in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Obligors in connection with the Programme.**

**Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.**

**No person is or has been authorised by the Obligors to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Obligors or any of the Dealers.**

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

**Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Obligors is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Obligors since the date of this Base Prospectus. The Dealers expressly do not undertake to review the financial condition or affairs of the Obligors during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.**

**This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Obligors and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes 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 Obligors or the Dealers which is intended to**

permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base 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 Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), the Cayman Islands, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, Qatar (excluding the Qatar Financial Centre), Singapore, Hong Kong, Malaysia and Kuwait, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely on their own examination of the Obligors and the terms of the Notes being offered, including the merits and risks involved. The Notes and any guarantee thereof have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

None of the Dealers or the Obligors makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

## U.S. INFORMATION

This Base Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to persons who are QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A or any other applicable exemption. Prospective purchasers are hereby notified that sellers of Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together "Legended Notes") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

## NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO

**ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

**AVAILABLE INFORMATION**

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, each Obligor has undertaken in a deed poll dated 7 December 2011 (the “**Deed Poll**”) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the relevant Obligor is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

**SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

ADCB Finance Cayman is a corporation organised under the laws of the Cayman Islands and ADCB is a corporation organised under the laws of the United Arab Emirates (the “**UAE**”). All of the officers and directors of the Obligors named herein reside outside the United States and all or a substantial portion of the assets of each Obligor and its officers and directors are located outside the United States. As a result:

- it may not be possible for investors to effect service of process outside the Cayman Islands upon ADCB Finance Cayman or its officers and directors, or to enforce judgments against them predicated upon United States federal securities laws; and
- it may not be possible for investors to effect service of process outside the UAE upon ADCB or its officers and directors, or to enforce judgments against them predicated upon United States federal securities laws.

The Notes and the Guarantee are governed by English law and disputes in respect of them may be settled by arbitration under the London Court of International Arbitration (“**LCIA**”) Rules in London, England. In addition, actions in respect of the Notes and the Guarantee may be brought in the English courts.

In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, the Abu Dhabi courts are unlikely to enforce an English judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Notes and the Guarantee. Investors may have difficulties in enforcing any English judgments or arbitration awards against the Obligors in the courts of Abu Dhabi, see “*Risk Factors – Risks Relating to the UAE and the Middle East*”.

**NOTICE TO BAHRAIN RESIDENTS**

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



to, Ministerial Order No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering.

### **KINGDOM OF SAUDI ARABIA NOTICE**

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

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

### **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

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

### **STABILISATION**

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

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Presentation of financial information

ADCB prepared its audited consolidated financial statements as of and for the financial years ended 31 December 2010 and 2009 (the “**Year-End Financial Statements**”), which are incorporated by reference in this document, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“**IFRS**”).

ADCB prepared its unaudited condensed consolidated interim financial information as of and for the nine months ended 30 September 2011, which are incorporated by reference in this document, in accordance with International Accounting Standard (“**IAS**”) No. 34, “Interim Financial Reporting” (“**Interim Financial Statements**”) and, together with the Year End Financial Statements, the “**Financial Statements**”).

Currently, ADCB prepares its consolidated financial statements on an annual basis and its condensed interim financial information on a quarterly basis. Financial information for the nine months ended 30 September 2011 and 30 September 2010 are derived from the Interim Financial Statements.

### Certain defined terms

In this Base Prospectus, unless otherwise defined, the following words have the following meanings:

“**Abu Dhabi**” means the Emirate of Abu Dhabi;

“**Central Bank**” means the Central Bank of the United Arab Emirates;

“**Government**” means the Government of Abu Dhabi;

“**Member State**” means a Member State of the European Economic Area; and

“**UAE**” means the United Arab Emirates.

### Certain conventions

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

All references in this Base Prospectus to “**U.S. dollars**”, “**U.S.\$**” and “**\$**” refer to United States dollars being the legal currency for the time being of the United States of America, all references to “**dirham**” and “**AED**” refer to UAE dirham being the legal currency for the time being of the UAE, all references to “**euro**” and “**€**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended and all references to “**CNY**”, “**Renminbi**” and “**RMB**” are to the lawful currency of the People’s Republic of China (the “**PRC**”) which, for the purposes of this Base Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan.

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

## FORWARD LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning ADCB's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of ADCB*" and other sections of this Base Prospectus. ADCB has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although ADCB believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those which ADCB has identified in this Base Prospectus, or if any of ADCB's underlying assumptions prove to be incomplete or inaccurate, ADCB's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions and, in particular, the global financial crisis which has materially adversely affected and may continue to materially adversely affect ADCB's business, results of operations, financial condition and prospects;
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, ADCB's ability to successfully re-price and restructure loans, the impact of provisions and impairments and concentration of ADCB's loan portfolio;
- liquidity risks, including the inability of ADCB to meet its contractual and contingent cash flow obligations or the inability to fund its operations;
- changes in interest rates and other market conditions, including changes in LIBOR, EIBOR, spreads and net interest margins;
- neither the Government nor the UAE federal government is under any obligation to continue to invest in, or otherwise engage in business with, ADCB and either or both may alter their respective relationships with ADCB at any time and for any reason;
- the interests of ADCB's controlling shareholder may conflict with the commercial interests of ADCB, which may also conflict with the interests of the Noteholders; and
- ADCB is subject to political and economic conditions in Abu Dhabi, the UAE and the Middle East.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*".

These forward looking statements speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, ADCB expressly disclaims any obligations or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.



## PRESENTATION OF STATISTICAL INFORMATION AND OTHER DATA

Certain statistical information in this Base Prospectus has been derived from a number of publicly available sources. Each of the Obligors confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, it accepts no further or other responsibility in respect of the accuracy or completeness of such information nor has it independently verified any such information.

In particular, the statistical information in the sections entitled “*Overview of the UAE and Abu Dhabi*” has been derived from a number of different identified sources. All statistical information provided in that section may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. The data set out in that section relating to Abu Dhabi’s gross domestic product (“GDP”) for 2010 is preliminary and subject to change.

Certain information under the headings “*Risk Factors*”, “*Description of ADCB*”, “*Overview of the UAE and Abu Dhabi*”, “*The United Arab Emirates Banking Sector and Regulations*” and “*Book-entry Clearance Systems*” has been extracted from information provided by:

- The International Monetary Fund (the “IMF”), the Organisation of the Petrol Exporting Countries (“OPEC”), the Central Bank and Abu Dhabi Statistics Centre, in the case of “*Risk Factors*”;
- the UAE, Abu Dhabi and Dubai governments and the Central Bank, in the case of “*Description of ADCB*”;
- the IMF, OPEC, the Abu Dhabi Statistics Centre, Abu Dhabi National Oil Company (“ADNOC”), the UAE National Bureau of Statistics, the UAE and Abu Dhabi governments, in the case of “*Overview of the UAE and Abu Dhabi*”;
- the Central Bank, in the case of “*The United Arab Emirates Banking Sector and Regulations*”; and
- the clearing systems referred to therein, in the case of “*Book-entry Clearance Systems*”.

## CONTENTS

|   | <b>Page</b> |
|---|-------------|
| RISK FACTORS .....  | 1           |
| DESCRIPTION OF THE PROGRAMME .....                                | 23          |
| DOCUMENTS INCORPORATED BY REFERENCE.....                          | 29          |
| FORM OF THE NOTES .....   | 30          |
| APPLICABLE FINAL TERMS .....                                      | 33          |
| TERMS AND CONDITIONS OF THE NOTES .....                           | 48          |
| USE OF PROCEEDS.....  | 85          |
| DESCRIPTION OF ADCB FINANCE CAYMAN.....                           | 86          |
| DESCRIPTION OF ADCB .....   | 87          |
| SELECTED FINANCIAL INFORMATION OF ADCB .....                      | 107         |
| GOVERNANCE .....  | 112         |
| RISK MANAGEMENT.....  | 122         |
| CAPITAL MANAGEMENT .....  | 134         |
| OVERVIEW OF THE UAE AND ABU DHABI .....                           | 135         |
| THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS .....     | 141         |
| BOOK-ENTRY CLEARANCE SYSTEMS .....                                | 148         |
| TAXATION .....  | 152         |
| SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS ..... | 154         |
| GENERAL INFORMATION .....   | 165         |

## **RISK FACTORS**

*Any investment in the Notes is subject to a number of risks and uncertainties. Prospective investors should consider carefully the risks and uncertainties associated with each Obligor's business and any investment in the Notes, together with all of the information that is included in this Base Prospectus, and should form their own view before making an investment decision with respect to the Notes. In particular, prospective investors should evaluate the risks and uncertainties referred to or described below, which may have a material adverse effect on each Obligor's business, results of operations, financial condition and prospects. Should one or more of the following events or circumstances occur at the same time or separately, the value of the Notes could decline and an investor might lose part or all of its investment.*

*Each of the Obligors believe that the factors described below represent the principal risks inherent in investing in the Notes, but the Obligors' inability to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Obligors do not represent that the statements below regarding the risks of holding the Notes are exhaustive. Additional risks not presently known to the Obligors or that the Obligors currently deem immaterial may also impair each Obligor's ability to pay interest, principal or other amounts on or in connection with the Notes.*

*This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. The Obligors' actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Obligors described below and elsewhere in this Base Prospectus. See "Forward Looking Statements".*

### **FACTORS THAT MAY AFFECT ADCB'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME AS ISSUER OR GUARANTOR**

#### **Risks relating to ADCB's business**

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

Since early 2008, global credit markets, particularly in the United States and Europe, have experienced difficult conditions. These challenging market conditions have resulted in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit and capital markets. As at the date of this Base Prospectus, economic conditions in sovereign states including, in particular, certain euro-zone member states (for example Greece, Portugal and Spain) could possibly lead to such euro-zone member states re-negotiating their existing debt obligations or, in extreme circumstances, restructuring their existing debt obligations which may lead to a material change in the current political and/or economic framework of the European Monetary Union. The financial performance of ADCB has been materially adversely affected by these trends and may be further materially adversely affected by a worsening of general economic conditions in the markets in the other countries of the Gulf Cooperation Council (the "GCC"), as well as by United States, European and international trading market conditions and/or related factors.

The global financial crisis had a significant adverse effect on the countries in the GCC in the second half of 2008. The global financial crisis resulted in a significant slowdown or reversal of the high rates of growth that had been experienced by many countries within the GCC and the UAE, especially in Dubai and to a lesser extent in Abu Dhabi. Consequently, certain sectors of the GCC economy that had benefited from the high rate of growth, such as real estate, construction and financial institutions, have been materially adversely affected by the crisis. While the UAE economy has shown resilience, with real GDP increasing in the UAE by 3.2 per cent. in 2010 (source: IMF World Economic Outlook (September 2011)), a worsening of current financial market conditions could lead to further decreases in investor and consumer confidence, further market volatility and decline, further economic disruption and, as a result, could have an adverse effect on ADCB's business, results of operations, financial condition and prospects.

As a result of market conditions experienced since 2008, companies to which ADCB directly extends 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 ADCB. As a result, ADCB has experienced an increase in non-performing loans (“NPLs”) and impairment allowances for doubtful loans and advances. Such impairment allowances totalled AED 1,787.8 million for the nine months ended 30 September 2011, AED 3,143.0 million for the year ended 31 December 2010 and AED 3,077.6 million for the year ended 31 December 2009. Further, if current market conditions deteriorate, ADCB may incur further impairment charges and experience increases in defaults by its debtors. No assurance can be given that market conditions will remain stable, and if they do not, this could have a material adverse effect on ADCB’s business, results of operations, financial condition and prospects.

***ADCB’s business, results of operations, financial condition and prospects have been adversely affected by credit risks and will likely continue to be affected by credit risks if economic conditions do not improve***

Credit risks have materially adversely affected and could continue to materially adversely affect ADCB’s business, financial condition, results of operations and prospects. Some of the credit risks currently facing ADCB are described in more detail below.

*ADCB may experience a higher level of customer defaults arising from adverse changes in credit and recoverability that are inherent in ADCB’s business*

As a result of the global financial crisis and other adverse economic and political developments, adverse changes in consumer confidence levels, consumer spending, liquidity levels, bankruptcy rates and commercial and residential real estate prices, among other factors, have impacted ADCB’s customers and counterparties, and, in certain cases, adversely affected their ability to repay their loans or other obligations to ADCB. This, in turn, along with increased market volatility and decreased pricing transparency, has adversely affected ADCB’s credit risk profile. The percentage of ADCB’s loan portfolio classified as NPLs (excluding Dubai World, as discussed below) was 5.2 per cent., 5.8 per cent. and 5.4 per cent. as at 31 December 2009 and 2010 and 30 September 2011, respectively.

Although ADCB regularly reviews its credit exposures and has re-priced a major portion of its loan portfolio and restructured some of its loans under stress, events of default may continue to occur. The occurrence of these events has affected, and could continue to materially adversely affect, ADCB’s business, results of operations, financial condition and prospects.

*If ADCB is unable to effectively control the level of, or successfully restructure, its non-performing loans with debtors in financial distress, or its allowances for loan impairment are insufficient to cover loan losses, ADCB’s financial condition and results of operations could be adversely affected*

As at 30 September 2011, ADCB had AED 7,026.0 million of NPLs (excluding Dubai World) and, in the nine months ended 30 September 2011, incurred impairment allowances of AED 1,787.8 million to cover potential loan losses. As a consequence of adverse market conditions, ADCB has increasingly focused on restructuring its loans with debtors in financial distress and has provided for impaired loans by way of loan impairment allowances. In accordance with IFRS, ADCB is required to reflect the impairment calculated as an upfront charge to the income statement. This will be written back to the income statement as and when interest or principal (as appropriate) on the debt is received. However, the actual loan losses could be materially different from the loan impairment allowances. ADCB’s management believes that the systems in place to implement ADCB’s loan restructuring and loan loss impairment allowances are adequate and that the levels of impairment allowances for loans under stress as at 30 September 2011 are sufficient to cover ADCB’s potential loan losses as at that date.

Following the successful restructuring of the Dubai World group in March 2011, ADCB has recorded a carrying impairment provision of AED 921 million of its outstanding exposure to the Dubai World group. This amount was included in ADCB’s accounts for the nine months ended at 30 September 2011. The above provisions represent that, as per the terms of the restructuring, the principal amount will be paid in full but at a lower interest rate and over a longer period than the terms of the original loan. The amount of ultimate losses may significantly vary from the impairment allowance recorded at 30 September 2011.

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

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

In connection with lending activities, ADCB periodically establishes impairment allowances for loan losses, which are recorded in its income statement. ADCB's overall level of impairment allowances is based upon its assessment of prior loss experience, the volume and type of lending being conducted, collateral held, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although ADCB endeavours to establish an appropriate level of impairment allowances based on its best estimate of the amount of expected loss, it may have to significantly increase its impairment allowances for loan losses in the future as a result of increases in non-performing assets, deteriorating economic conditions leading to increases in defaults and bankruptcies, or for other reasons.

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

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

ADCB's loan portfolio is concentrated, geographically, in the UAE. The global financial crisis had a material adverse effect on certain areas of this portfolio, in particular, ADCB's exposure to Dubai based companies and the real estate and construction sectors. See “– *Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect ADCB's business, results of operations, financial condition and prospects*”.

Of ADCB's total loans as at 30 September 2011, the borrowers in respect of 64 per cent. of the outstanding loans are located in Abu Dhabi, 26 per cent. are located in Dubai, 6 per cent. are located in the other Emirates of UAE and the remaining 4 per cent. are located outside the UAE. ADCB's concentration of loans within the real estate investment and development and construction sectors is increased when each of these sectors is considered in the aggregate with related sectors. Of ADCB's total loans at 30 September 2011, real estate investment accounted for 10 per cent. and development and construction accounted for 19 per cent. Almost all of ADCB's customer deposits were located within the UAE as at 30 September 2011.

ADCB's ten largest group exposures constituted approximately 34 per cent. of ADCB's total funded and unfunded exposures as at 30 September 2011. As at 30 September 2011, ADCB's ten largest group exposures (funded and unfunded), represented three times equity. ADCB's largest group exposure alone (although to a private entity/investment firm linked to prominent individuals in Abu Dhabi) represented 52 per cent. of equity as at 30 September 2011, which, although highly collateralised, is a material risk position for ADCB. In addition, as at 30 September 2011, the 10 and 20 largest depositors accounted for approximately 32 per cent. and 45 per cent., respectively, of ADCB's customer deposits.

As a result of the concentration of ADCB's loan and investment portfolios and deposit base in the UAE, any deterioration in general economic conditions in the UAE or any failure of ADCB to effectively manage its geographic and sectoral risk concentrations could have a material adverse effect on its business, results of operations, financial condition and prospects.

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

ADCB generates a significant proportion of its net operating income from certain key clients, including Government-controlled and Government-related entities, and members of the ruling family of Abu Dhabi and other high net worth individuals (“HNWIs”) (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 ADCB's business, results of operations, financial condition and prospects.

In addition, the financial condition and ongoing profitability of Government-controlled or Government-related entities largely depends upon Government spending and policy. Therefore ADCB is exposed to shifts in Governmental policy, over which it has no control, and which may have an adverse effect on its business, results of operations, financial condition and prospects.

*Credit bureaus in the UAE and GCC in general are under-developed and any incomplete, unreliable or inaccurate information about ADCB's debtors' and account holders' financial standing, credit history and ability to repay could impair ADCB's ability to assess credit quality*

Substantially all of ADCB's debtors are located in the GCC and, in particular, the UAE. At present, there is typically little public information or financial data available regarding the debtors' credit and payment histories in this region, primarily due to borrowers' limited credit histories and the fact that credit bureaus in the UAE are under-developed. In addition, such credit bureaus typically do not provide the quality and quantity of information sought by ADCB. Although ADCB requires regular disclosure of its debtors' financial information, some debtors, especially HNWI's (including the controlled/affiliated entities of these individuals) and small to medium-sized enterprises ("SMEs"), do not, or are unable to, provide the quality and quantity of information sought by ADCB. Furthermore, such financial data may not always present a complete and comparable picture of each such debtor's financial condition. For example, the financial statements of ADCB's debtors (including HNWI's) are not (unless publicly listed) required to be presented in accordance with IFRS or audited in accordance with International Standards on Auditing. Furthermore, statistical and other data on ADCB's debtors may also be less complete than those available in jurisdictions with more mature financial markets. In the absence of meaningful statistical data on its existing and potential debtors, there can be no assurance as to ADCB's ability to accurately assess the credit quality of its loan portfolios.

Accordingly, ADCB's failure to accurately assess the financial condition and creditworthiness of its debtors may result in an increase in the rate of default for ADCB's loan portfolio, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

*Security interests or loan guarantees provided in favour of ADCB may not be sufficient to cover any losses and may not be legally enforceable*

The practice of pledging assets (such as share portfolios in margin lending and real estate assets) to obtain a bank loan is subject to certain limitations and administrative restrictions under UAE law. In particular, such security may not be enforced without a court order. As a result, security over certain pledged assets may not be enforced. Accordingly, ADCB may have difficulty foreclosing on collateral (including any real estate collaterals) or enforcing guarantees or other third party credit support arrangements when debtors default on their loans and would likely face further such difficulties if any of ADCB's key clients or shareholders were to default on their loans. ADCB may also be materially adversely affected by a loss of business from key clients that represent a significant portion of its loans and deposits.

In addition, even if such security interests are enforceable in UAE courts, the time and costs associated with enforcing security interests in the UAE may make it uneconomical for ADCB to pursue such proceedings, adversely affecting ADCB's ability to recover its loan losses. As at 30 September 2011, ADCB had a loan portfolio totalling AED 124.2 billion, 10 per cent. of which was secured by share pledges governed by UAE law. 0.3 per cent. of such pledges were secured by general pledge documentation that may not be recognised by the UAE courts as perfecting security under UAE law and may thereby hinder or prevent ADCB from being able to exercise its rights over such shares.

ADCB typically requires additional collateral in the form of cash and/or other assets in situations where ADCB may not be able to exercise rights over pledged shares or where it enters into guarantees or other third party credit support arrangements for loans made to individuals and corporations. Any decline in the value or liquidity of such collateral may prevent ADCB from foreclosing on such collateral for its full



value or at all in the event that a borrower becomes insolvent and enters bankruptcy, and could thereby adversely affect ADCB's ability to recover any losses.

The occurrence of any of the foregoing could have a material adverse effect on ADCB's business, results of operations, financial condition and prospects.

***ADCB's business, results of operations, financial condition and prospects could be adversely affected by liquidity risks***

Liquidity risks could materially adversely affect ADCB's business, results of operations, financial conditions and prospects. Some of the liquidity risks currently facing ADCB are described in more detail below.

***ADCB relies on short-term demand and time deposits as a major source of funding but primarily has medium- and long-term assets, which may result in asset-liability maturity gaps***

In common with other banks in the UAE, many of ADCB's liabilities are demand and time deposits whereas its assets are generally medium to long-term (such as loans and mortgages). Although ADCB has accessed wholesale funding markets (through bilateral or syndicated loans and international bond markets) since 2005 in order to diversify and increase the maturity of its funding sources, such borrowings have not eliminated asset-liability maturity gaps. As at 30 September 2011, approximately 73.4 per cent. of ADCB's funding (which comprises total liabilities and equity) had remaining maturities of one year or less or were payable on demand. As at 30 September 2011, ADCB had a negative cumulative maturity gap (more short-term liability than short-term assets) of AED 48.9 billion for the 12 months ending 30 September 2011. See "Selected Financial Information of ADCB". If a substantial portion of ADCB's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity or ADCB fails to refinance some of its large short- to medium-term borrowings, ADCB may need to access more expensive sources to meet its funding requirements. No assurance can be given that ADCB will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. ADCB's inability to refinance or replace such deposits with alternative funding could materially adversely affect ADCB's liquidity, business, results of operations, financial condition and prospects.

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

If ADCB'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 ADCB'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 ADCB continues to receive new deposits from customers, proceeds from new financings or its future revenue streams. Such liquidity issues could also arise if there is an unexpected outflow of customer deposits, if there is a material decline in the value of ADCB's liquid securities portfolio or if ADCB is unable to secure short-term funding to bridge this funding gap. If ADCB defaults on any contractual or contingent payment obligation, such default would have a material adverse effect on its business, results of operations, financial condition and prospects.

***ADCB's business, results of operations, financial condition and prospects could be affected by market risks***

Market risks could adversely affect ADCB's business, results of operations, financial conditions and prospects. Some of the market risks currently facing ADCB are described in more detail below.

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

Any shortage of liquidity in markets that are sources of funding for ADCB could contribute to an increase in ADCB's marginal borrowing costs. Similarly, any increase in interbank reference rates could also affect the value of certain assets that are subject to changes in applicable interest rates. As at 30 September 2011, ADCB's borrowings were largely set at floating rates based on interbank reference rates, such as 3-month LIBOR and 3-month EIBOR, plus a specified margin. If interbank reference rates rise, the interest payable on ADCB's floating rate borrowings increases. ADCB's marginal cost of funding may increase as a result of a variety of factors, including further deterioration of conditions in the financial markets or further loss of confidence by and between financial institutions. If ADCB fails to pass on such increase in funding cost to its customers in a timely manner or at all due to market, competitive or other conditions, it could have a material adverse effect on its business, results of operations, financial condition and prospects.

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

ADCB holds investment securities and a decrease in the realised and unrealised fair value investment gains, together with fair value losses on such investment securities has had a material adverse impact and will continue to have a material adverse impact on its financial condition and results of operations. As at each reporting period, ADCB records: (i) realised gains or losses on the sale of any investment securities; (ii) 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 (iii) impairment where there is a sustained decrease in fair value of any investment securities.

The amounts of such gains and losses may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of the securities, which in turn may vary considerably, and ADCB's investment policies. ADCB 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 ADCB's investment portfolio may not continue to contribute to net income at levels consistent with those from recent periods or at all.

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

ADCB was incorporated in 1985 by Resolution No. 90 of the Executive Council of the Government. The Government has, through the Abu Dhabi Investment Council (the "**Council**"), held at least 58.1 per cent. of ADCB's share capital and maintained significant deposits with ADCB throughout ADCB's history. During the period between 2008 and 2009, the Government (through its purchase of ADCB's Tier I notes) provided a total of AED 4.0 billion in Tier I capital to ADCB. In 2009, the UAE federal government also provided AED 6.6 billion in Tier II capital to ADCB. Despite the Government's and the UAE federal government's past investments in and deposits with ADCB 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 ADCB. 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 ADCB. The reduction or elimination of government support could have a material adverse effect on ADCB's business, results of operations, financial condition and prospects.

***The Notes will not be guaranteed by the Government of Abu Dhabi***

As discussed above, the Government, through the Council, is a majority shareholder in ADCB. Like any other shareholder, the Government has no legal obligation to provide additional funding for any of ADCB's future operations. The Government is not providing a guarantee of any of ADCB's obligations in respect of Notes to be issued under the Programme, nor is the Government under any obligation to purchase

any of ADCB's liabilities or guarantee any of ADCB's obligations, and the Noteholders therefore do not benefit from any legally enforceable claim against the Government.

***The interests of ADCB's controlling shareholder may conflict with the commercial interests of ADCB, which may also conflict with the interests of the Noteholders***

As at the date of this Base Prospectus, the Government holds 61.6 per cent. of ADCB's share capital, of which 58.1 per cent. is held through the Council, with the balance being held by an investment institution wholly owned by the Government. As a result, the Government has the ability to block actions or resolutions proposed at ADCB's annual or extraordinary general meetings. Accordingly, the Government could cause ADCB to pursue transactions, make dividend payments or other distributions or payments to shareholders or undertake other actions to implement the policy of the Government rather than to foster the commercial interests of ADCB.

***Many of ADCB's largest customers are Government-related entities***

Many of ADCB's largest customers are Government-related entities whose businesses depend, in large part, on Government spending and policy. Although it is ADCB's policy that transactions with parties related to, or affiliated with, its controlling shareholder are priced at market rates, are otherwise undertaken on an arm's length basis and are subject to the same loan or account approval procedures and limits as applied by ADCB to transactions with parties not related to or affiliated with the Government, there can be no assurance that any and all such credit or credit support will be extended to related parties on the above basis and terms. In some cases, ADCB may enter into transactions with such entities with a view to long-term, mutually beneficial relationships, even if ADCB may not achieve short-term profit maximisation from such transactions. Moreover, although ADCB has not experienced pressure from its controlling shareholder to date to conduct transactions upon more favourable terms with Government-owned or controlled legal entities or to deviate from its credit and lending policies and procedures, there is no guarantee that ADCB may not come under pressure to pursue certain non-core activities, engage in activities with a lower profit margin than it would otherwise pursue or to provide financing to certain companies or entities on favourable or non-market terms. Such activities could have a material adverse effect on ADCB's business, results or operations, financial condition and prospects.

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

ADCB's ability to maintain and grow its business will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. ADCB is likely to face challenges in recruiting qualified personnel to manage its business. In common with other banks in the UAE, ADCB experiences a shortage of qualified employees residing in the UAE, which requires it to recruit from outside the UAE. In addition, even after hiring its employees, ADCB has faced challenges in retaining such employees due to the continued recruitment efforts of its competitors. ADCB's competitors have been aggressively targeting ADCB employees in recent years by offering more attractive compensation packages.

For the years ended 31 December 2010, 2009 and 2008, ADCB experienced employee attrition rates of approximately 9.0 per cent., 9.0 per cent. and 20.0 per cent. respectively. Additionally, if ADCB continues to grow, it will need to continue to increase its number of employees. ADCB is guided in its human resources decisions by the UAE federal government's recommended policy that companies operating in the UAE recruit UAE nationals representing at least 4 per cent. of their total employees each year. The UAE federal government's policy supporting the recruitment of UAE nationals does not set any upper limit at which the policy would no longer be applicable. See "*Description of ADCB – Emiratisation*". As at 31 December 2010, UAE nationals represented 36.3 per cent. of ADCB's total workforce. If ADCB is not able to meet or exceed the UAE federal government's recommended policy for recruiting UAE nationals, it may be subject to legal penalties, including with respect to its current licenses, and it may be prevented from obtaining additional licenses necessary in order to allow it to expand its business. Due to UAE federal labour laws, ADCB may

face difficulties that could delay or prevent dismissal of a UAE national employee if it finds such an employee's performance to be unsatisfactory.

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

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

ADCB faces high levels of competition for all products and services. ADCB 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 September 2011, there were a total of 51 banks registered in the UAE (source: the Central Bank). ADCB's main domestic competitors in terms of size of banking franchise and product and customer segments are Emirates NBD, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Mashreqbank, Union National Bank, Abu Dhabi Islamic Bank and HSBC. In the UAE market, ADCB currently has the third largest market share in terms of loans and deposits behind only Emirates NBD and National Bank of Abu Dhabi. There can be no assurance that ADCB will be able to maintain its current market share in the future.

In addition to the local commercial banks in the UAE, ADCB 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, ADCB faces competition from international banks and such competition is expected to increase in the UAE over time. Although ADCB 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. If ADCB is unable to compete successfully, it could adversely impact ADCB's business, results of operations, financial condition and prospects.

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

As part of its normal banking business, ADCB 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. Although these commitments are contingent and therefore off-balance sheet, they nonetheless subject ADCB to related credit, liquidity and market risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as loans and advances, and commitments to extend credit are contingent on customers maintaining required credit standards. Although ADCB anticipates that not all of its obligations in respect of these commitments will be triggered, it may have to make payments in respect of a substantial portion of such commitments, which could have a material adverse effect on its financial position, and in particular its liquidity position. As at 30 September 2011, ADCB had AED 24.3 billion in such contingent liabilities.

***ADCB's risk management and internal controls may leave it exposed to unidentified or unanticipated risks, which could result in material losses***

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

ADCB'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 ADCB's methods of managing risk are based upon its use of historical

market behaviour. As evidenced by the global financial crisis, these methods may not always predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management practices, including “know your client” practices, depend upon evaluation of information regarding the markets in which ADCB operates, its clients or other matters that are publicly available or information otherwise accessible to ADCB. 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 ADCB’s risk management and internal control policies and procedures will adequately control, or protect ADCB against, all credit, liquidity, market and other risks. In addition, certain risks could be greater than ADCB’s empirical data would otherwise indicate. ADCB also cannot give assurance that all of its staff have adhered or will adhere to its risk policies and procedures.

ADCB is susceptible to, amongst other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders. See “–*ADCB’s business may be adversely affected if there is any disturbance to its operational systems or a loss of business continuity.*” ADCB’s risk management and internal control capabilities are also limited by the information tools and technologies available to it. Any material deficiency in ADCB’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 ADCB’s business, results of operations, financial condition and prospects.

Notwithstanding the above, each of ADCB and ADCB Finance Cayman believes that its respective financial systems are sufficient to ensure compliance with the requirements of the UKLA’s Disclosure and Transparency Rules as a listed entity.

***ADCB’s business may be adversely affected if there is any disturbance to its operational systems or a loss of business continuity***

ADCB operates in businesses that are highly dependent on information systems and technologies and relies heavily on its financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, ADCB could suffer financial loss, a disruption of its business, liability to clients, regulatory intervention and reputational damage. In addition, ADCB’s current information systems and technologies may not continue to be able to accommodate ADCB’s growth unless ADCB continues to invest in upgrading its operational systems. Such a failure to accommodate growth, or an increase in costs related to such information systems, would have a material adverse effect on ADCB’s business. The cost of improving or upgrading such systems and technologies may be substantial and the cost of maintaining such systems is likely to increase from its current level. ADCB’s business operations and business processes are vulnerable to damage or interruption from fires, floods, extreme weather, power loss, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters or other extreme events. These systems may also be subject to criminal damage, vandalism, theft and similar wrongdoing. If there is a disaster or other disruption and ADCB’s disaster recovery plans are found to be inadequate, there could be an adverse impact on ADCB’s business, results of operations, financial condition and prospects.

Further, ADCB relies on third-party service providers for certain aspects of its business, including Oracle, Reuters, Bloomberg, SWIFT, FERMAT and MUREX. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of ADCB’s operations and could impact its reputation. If any of the foregoing were to occur, it could materially adversely affect ADCB’s businesses, results of operations, financial condition and prospects.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Guarantor will be unable to comply with its obligations as a company with securities admitted to the Official List.



***ADCB is exposed to risk of loss as a result of employee misrepresentation, misconduct and improper practice***

ADCB's employees could engage in misrepresentation, misconduct or improper practice that could expose ADCB to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients' funds, engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It is not always possible to detect or deter employee misconduct, and the precautions ADCB takes to detect and prevent misconduct may not be effective in all cases. There can be no assurance that measures undertaken to combat employee misconduct will be successful. Such actions by employees could expose ADCB to financial losses resulting from the need to reimburse clients, co-investors or other business partners who suffered loss or as a result of fines or other regulatory sanctions, and could damage ADCB's reputation, which would in turn materially adversely affect ADCB's business, results of operations, financial condition and prospects.

***Future events may be different from those reflected in the management assumptions and estimates used in the preparation of ADCB's financial statements, which may cause unexpected losses in the future***

Pursuant to IFRS rules and interpretations in effect as of the present date, ADCB is required to make certain estimates in preparing its financial statements, including accounting estimates to determine loan loss reserves and the fair value of certain assets and liabilities, among other items. Should the estimated values for such items prove substantially inaccurate, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future IFRS rules or interpretations, ADCB may experience unexpected losses.

***ADCB is exposed to risk of loss relating to its real estate property as a result of market movements and/or the interplay between ADCB's ownership structure, Abu Dhabi real estate foreign ownership restrictions and UAE laws of inheritance***

Under Abu Dhabi law, except in certain limited areas, only UAE nationals can hold real estate. Because ADCB is not wholly owned by UAE nationals, it is not able to be registered as an owner of real estate situated in Abu Dhabi outside the limited areas. This does not apply to ADCB's current headquarters and certain other plots, which were historically registered in ADCB's name. ADCB has, on occasion, resolved this issue by arranging for a director or executive to hold property located in Abu Dhabi on behalf of ADCB. While this arrangement has proven an effective means of complying with Abu Dhabi law, it exposes ADCB to certain risks with respect to certain real estate properties, including the risk of such property passing to the custodian's heirs under Sharia law. As at 30 September 2011, Jasem Al Darmaki, ADCB's former head of government banking, and companies associated with him, held ADCB properties located in the UAE as custodian for ADCB, including sites located at Capital Centre and Al Nahyan Camp. If ADCB loses its ownership interest in, or loses any proceeds from, any of these real estate properties as a result of the foregoing, it could materially adversely affect ADCB's business, results of operations, financial condition and prospects.

***ADCB's insurance coverage may not be adequate***

ADCB maintains insurance cover against certain insurable commercial banking risks. However, the degree of insurance coverage of ADCB may not match its current risk profile. If ADCB incurs a material loss as a result of inadequate coverage, it could materially adversely affect ADCB's business, results of operations, financial condition and prospects.



## Regulatory risks

*ADCB 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 ADCB's business*

ADCB 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 “*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 Central Bank), as well as the laws and regulations of the other countries in which ADCB operates, such as India. In particular (but without limitation), ADCB is subject to the following legal restrictions:

- total real estate and construction financing may not exceed 20 per cent. of ADCB's customer deposits;
- credit limit for a single customer may not, without approval from the Board and the Central Bank, exceed 7 per cent. of ADCB's capital and reserves;
- credit limit for a major shareholder and its credit group may not, without approval from the Board and the Central Bank, exceed 7 per cent. of ADCB's capital and reserves;
- concentration limits on total credit and other risk exposures to retail customers, banks, investments and country exposure;
- minimum capital adequacy ratio of 12 per cent.;
- minimum Tier I ratio of 8 per cent.;
- total loans and advances and interbank placements' over ADCB's stable resources (comprising deposits and borrowed funds with maturities of greater than six months and net shareholders' equity) cannot exceed 100 per cent.;
- recommended employment of at least 4 per cent. UAE nationals within ADCB, in accordance with Ministerial Decree No.10 of 1998 on Increasing National Employment in the Banking Sector in the UAE; and
- mandatory cash reserve of 14 per cent. of all current, call and savings deposits and 1 per cent. of all time deposits, respectively, based on balances calculated on the 15th of each month and notified in the second month following circulation pursuant to the Central Bank Circular dated December 2000.

Such regulations may limit ADCB's ability to increase its loan portfolio or raise capital or may increase ADCB's cost of doing business. Any changes in laws and regulations and/or the manner in which they are interpreted or enforced may have a material adverse effect on ADCB's business, results of operations, financial condition and prospects. In particular, by a circular dated 23 February 2011 on retail banking, the Central Bank introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower and that the repayment period must not exceed 48 months. This new regulation by the Central Bank has affected and may continue to affect ADCB's net retail income. Any further changes in the Central Bank regulations or policy may affect ADCB's reserves, provisions, impairment allowances and other applicable ratios. Furthermore, non-compliance with regulatory guidelines could expose ADCB to potential liabilities and fines.

***ADCB is required comply with anti-money laundering, anti-terrorism financing and other regulations***

ADCB is required to comply with applicable anti-money laundering, anti-terrorism financing laws and other regulations. These laws and regulations require ADCB, among other things, to adopt and enforce “know your customer” (“**KYC**”) policies and procedures and to report suspicious and large transactions (“**AML**”) to the applicable regulatory authorities. ADCB has adopted KYC/AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments. To the extent ADCB may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on ADCB. In addition, ADCB’s business and reputation could suffer if customers use ADCB for money laundering or illegal or improper purposes.

***US persons investing in Notes may have indirect contact with countries sanctioned by the Office of Foreign Assets Control of the U.S. Department of Treasury as a result of ADCB’s investments in and business with countries on the sanctions list***

The Office of Foreign Assets Control of the U.S. Department of Treasury (“**OFAC**”) administers regulations that restrict the ability of US persons to invest in, or otherwise engage in business with, certain countries, including Iran and Sudan, and specially designated nationals (together “**Sanction Targets**”). As neither ADCB Finance Cayman nor ADCB is itself a Sanction Target, OFAC regulations do not prohibit US persons from investing in, or otherwise engaging in business with, either ADCB Finance Cayman or ADCB. However, to the extent that either ADCB Finance Cayman or ADCB invests in, or otherwise engages in business with, Sanction Targets, US persons investing in either ADCB Finance Cayman or ADCB may incur the risk of indirect contact with Sanction Targets. As a bank located in the UAE, ADCB is required to transact with other banks participating in the local clearing system. Such banks may include Sanction Targets. Save for transactions required by the participation in the local clearing system, ADCB has not invested in or done business with Sanction Targets. To date, ADCB Finance Cayman has not made any investments in and has not engaged in any business with any Sanction Targets. However, to the extent that either ADCB or ADCB Finance Cayman increases its investments in or business with Sanction Targets, US persons investing in Notes issued by either entity may increase their risk of indirect contact with Sanction Targets and possible violations of OFAC sanctions.

**Risks relating to the UAE and the Middle East**

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

The majority of ADCB’s current operations and interests are located in the UAE. ADCB’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. 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 ADCB 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 ADCB’s business, results of operations, financial condition and prospects. Investors should also note that ADCB’s business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of inter-relationships within the global financial markets. 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 taxation or exchange controls could have a material adverse effect on ADCB’s business, financial condition and results of operations and thereby affect the Issuer’s or the Guarantor’s ability to perform its obligations in respect of any Notes.

While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been

political unrest in a range of countries in the Middle East and North Africa (“MENA”) region, including Egypt, Algeria, Libya, Bahrain, Saudi Arabia, Yemen, Syria, Tunisia and Oman. There can be no assurance that extremists or terrorist groups will not escalate violent activities in the Middle East or that the governments of the Middle East will be successful in maintaining the prevailing levels of domestic order and stability. 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 ADCB’s business, results of operations, financial condition and prospects, and thereby affect ADCB’s ability to perform its obligations in respect of any Notes.

Investors should also be aware that investments in emerging markets are subject to greater risks than those in more developed markets, including risks such as:

- political, social and economic instability;
- external acts of warfare and civil clashes;
- governments’ actions or interventions, including tariffs, protectionism, subsidies, expropriation of assets and cancellation of contractual rights;
- regulatory, taxation and other changes in law;
- difficulties and delays in obtaining new permits and consents for business operations or renewing existing ones;
- potential lack of reliability as to title to real property; lack of infrastructure; and inability to repatriate profits and/or dividends.

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

While there can be no assurance of economic growth in the UAE at levels it experienced before the global economic crisis, according to IMF economic data, the UAE is expected to grow in 2011 by 3.3 per cent. and in 2012 by 3.8 per cent. IMF World Economic Outlook (September 2011), reported that real GDP growth in the UAE increased by 5.3 per cent. in 2008, decreased by 3.2 per cent. in 2009 and increased by 3.2 per cent. in 2010.

***The UAE’s economy is highly dependent upon its oil revenue***

The UAE’s economy, and the economy of Abu Dhabi in particular, is highly dependent upon oil revenue. While Abu Dhabi is actively promoting tourism and real estate and undertaking several large scale development projects, the oil and gas industry dominates Abu Dhabi’s economy and contributed approximately 49.7 per cent. to nominal GDP in 2010.

ADCB 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 2010, the UAE had 6.7 per cent. of proven global oil reserves which generated nearly 49.7 per cent. of its nominal GDP in 2010 (source: Statistical Yearbook of Abu Dhabi 2011) and approximately 35 per cent. of the UAE’s export earnings (including re-exports) in 2010 (source: Central Bank). During the second half of 2008 and into 2009, world oil prices fell approximately 70 per cent. from their peak level of U.S.\$137 per barrel of Murban crude reached in July 2008 to around U.S.\$45 per barrel in 2009, before returning to above U.S.\$100 per barrel in February 2011. Oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which ADCB has no control. Factors that may affect the price of oil include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;

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

Declines in international prices for hydrocarbon products in the future could therefore adversely affect the availability of funding for ADCB from the Government and the UAE federal government which, in turn, could adversely affect ADCB's ability to fund its business and either Obligor's ability to perform its obligations in respect of any Notes.

***Investors may experience difficulties in enforcing arbitration awards and foreign judgments in the UAE***

The payments under the Notes are dependent upon the relevant Obligors making payments to investors in the manner contemplated under the Notes. If any Obligor fails to do so, it may be necessary for an investor to bring an action against the relevant Obligor 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 UAE law, the UAE courts are unlikely to enforce an English judgment without re-examining the merits of the claim and may not observe the parties' choice of English law as the governing law of the transaction. In the 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 perception 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.

However, in the event that enforcement is sought for a judgment obtained pursuant to an English law governed document or an action is brought under an English law governed document in the UAE and the UAE court does not agree to enforce the judgment and/or give effect to the choice of law, it is likely that the UAE court would review the transaction as a whole and seek to uphold the intention of the parties to treat the arrangements between the parties as a financing transaction on the terms agreed (subject to any third party interests that may exist).

The UAE is a civil law jurisdiction and judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, court decisions in the UAE are generally not recorded. These factors create greater judicial uncertainty.

The Notes, the Guarantee and the Agency Agreement 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 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 Issuers (acting in any capacity)) the courts of England and Wales are stated to have jurisdiction to settle any disputes). Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that ADCB has, or would at the relevant time have, assets in the United Kingdom against which such arbitral award or judgment could be enforced.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”) entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Abu Dhabi in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of First Instance, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. There is, however, no system of binding judicial precedent in the UAE and it is unclear if these decisions are subject to any appeal. In practice, therefore, how the New York Convention provisions would be interpreted and applied by the UAE courts, and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention, remains largely untested.

***There are limitations on the effectiveness of guarantees in the UAE and claims under a guarantee may be required to be made within a prescribed period***

As described above, the UAE courts are unlikely to enforce an English judgment without re-examining the merits of the claim, including the validity of the obligations of the parties contained in the underlying documentation. If an Abu Dhabi court were to re-examine the merits of a claim made against the Guarantor for payment under the Guarantee, notwithstanding that the Guarantee is governed by English law, the UAE court may interpret the Guarantee in light of UAE law principles rather than English law principles.

In order to enforce a guarantee under the laws of the UAE, the underlying debt obligation for which such guarantee has been granted may need to be proved before the UAE courts. In addition, under the laws of the UAE, the obligation of a guarantor is incidental to the obligations of the principal debtor, and the obligations of a guarantor will only be valid to the extent of the continuing obligations of the principal debtor (notwithstanding anything to the contrary included in the relevant guarantee). The laws of the UAE do not contemplate a guarantee by way of indemnity of the obligations of the debtor by the guarantor and instead contemplate a guarantee by way of suretyship. Accordingly, it is not possible to state with any certainty whether a guarantor could be obliged by the UAE courts to pay a greater sum than the debtor is obliged to pay or to perform an obligation that the debtor is not obligated to perform. Consequently, were a UAE court to re-examine the merits of a claim made against the Guarantor for payment under the Guarantee, if the Issuer’s obligation to make payment under the Notes cannot be proven to the satisfaction of the UAE court, the court may conclude that there is no obligation on the Guarantor to make payment in the full amount claimed under the Guarantee.

Furthermore, notwithstanding that the Notes and the Guarantee are governed by English law, if a UAE court were to apply UAE law principles when assessing a claim in respect of the Guarantee, the Guarantor may be released from its obligations under the Guarantee if the relevant claim is not made within six months of payment becoming due under the Guarantee.

***Any alteration to, or abolition of, the foreign exchange “peg” of the UAE dirham at a fixed exchange rate to the U.S. dollar will expose ADCB to U.S. dollar foreign exchange movements against the UAE dirham***

ADCB maintains its accounts, and reports its results, in UAE dirham. As at the date of this Base Prospectus, the UAE dirham remains pegged to the U.S. dollar. However, there can be no assurance that the UAE dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects ADCB’s result of operations and financial condition. Any such de-pegging, particularly if the UAE dirham weakens against the U.S. dollar, could have an adverse effect on ADCB’s business, results of operations, financial condition and prospects, and thereby affect the Obligors’ ability to perform their obligations in respect of any Notes.



### ***The UAE may introduce corporation tax***

ADCB is not currently subject to corporation tax on its earnings within the UAE, although there is no guarantee that this will continue to be the case. Investors should be aware that if ADCB becomes subject to corporation tax, it may have a material adverse effect of ADCB's business, results of operations and financial condition, which in turn could affect ADCB's ability to perform its obligations in respect of any Notes.

### **FACTORS THAT MAY AFFECT ADCB FINANCE CAYMAN'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME**

***ADCB Finance Cayman has only a limited operating history and no material assets of its own and is not expected to have any income except payments received from ADCB, which will be the only material source of funds available to meet the claims of the Noteholders***

ADCB Finance Cayman is a special-purpose company incorporated under the laws of the Cayman Islands as a limited liability company and has only a limited operating history. ADCB Finance Cayman will not engage in any business activity other than the issuance of Notes under this Programme, the issuance of notes under its RM350,000,000 Medium Term Note Programme (the "**MYR Programme**"), the issuance of shares of its capital and other activities incidental or related to the foregoing, including lending proceeds to ADCB. ADCB Finance Cayman is not expected to have any income except payments received from ADCB in respect of loans, which will be the only material source of funds available to meet the claims of the Noteholders against ADCB Finance Cayman. As ADCB Finance Cayman is a Cayman Islands company, it may not be possible for Noteholders to effect service of process outside the Cayman Islands upon ADCB Finance Cayman or its officers and directors.

### **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

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

#### ***The Notes may be subject to optional redemption by the Issuer***

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

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

#### ***The Notes may be redeemed prior to their final maturity date for tax reasons***

If the Issuer becomes obliged to pay any additional amounts in respect of the Notes as provided or referred to in Condition 9 of the Notes or the Guarantor is unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Relevant Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer may redeem all but not some only of the outstanding Notes of such Tranche in accordance with Condition 8 of the Notes.



***Index Linked Notes and Dual Currency Notes are subject to additional market risks***

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in the light of its particular circumstances.

***Partly-paid Notes are subject to additional risks***

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

***Variable rate Notes with a multiplier or other leverage factor are subject to increased volatility***

Notes with variable interest rates can be volatile investments. If Notes are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

***Inverse Floating Rate Notes are subject to increased volatility***

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

***Fixed/Floating Rate Notes are subject to additional risk***

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert

the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the then prevailing rates on the Notes.

***Notes issued at a substantial discount or premium are subject to increased volatility***

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

***Notes denominated in RMB are subject to additional risks***

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

***RMB is not freely convertible and may adversely affect the liquidity of the Notes***

RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies despite the significant reduction over the years by the PRC government of its control over routine foreign exchange transactions under current accounts. The People's Bank of China (the "PBOC") has established a RMB clearing and settlement system for participating banks in Hong Kong pursuant to a Settlement Agreement relating to the clearing of RMB business between PBOC and Bank of China (Hong Kong) Limited. However, the current size of RMB and RMB-denominated financial assets in Hong Kong is limited, and its growth is subject to many constraints which are directly affected by PRC laws and regulations on foreign exchange and may adversely affect the liquidity of the Notes.

***RMB currency risk***

Except in limited circumstances, all payments of RMB under the Notes will be made solely by transfer to a RMB bank account maintained in Hong Kong in accordance with the prevailing rules and regulations for such transfer and in accordance with the terms and conditions of the Notes. The relevant Issuer cannot be required to make payment by any other means (including by transfer to a bank account in the PRC or anywhere else outside Hong Kong). RMB is not freely convertible at present, and conversion of RMB into other currencies through banks in Hong Kong is subject to restrictions.

In addition, there can be no assurance that access to RMB for the purposes of making payments under the Notes by the relevant Issuer or generally will remain or that new PRC regulations will not be promulgated which have the effect of restricting availability of RMB outside of the PRC. If it becomes impossible to convert RMB from/to another freely convertible currency, or transfer RMB between accounts in Hong Kong, or the general RMB exchange market in Hong Kong becomes illiquid, or any RMB clearing and settlement system for participating banks in Hong Kong is disrupted or suspended, the relevant Issuer may make any payment of RMB under the Notes in another currency selected by the relevant Issuer using an exchange rate determined by the Calculation Agent or an exchange rate specified in the applicable Final Terms.

***RMB exchange rate risk***

The value of RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. The relevant Issuer will make all RMB payments under the Notes in RMB unless otherwise specified. As a result, the value of such payments in RMB (in U.S. dollars or other applicable foreign currency terms) may vary with the prevailing exchange rates in the marketplace. If the value of RMB depreciates against the U.S. dollar

or other foreign currencies, the value of a Noteholder's investment in U.S. dollars or other applicable foreign currency terms will decline.

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

#### ***The Notes are subject to modification by a majority of Noteholders without the consent of all Noteholders***

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

#### ***The Guarantor's waiver of immunity may not be effective under UAE law***

The Guarantor has waived its rights in relation to sovereign immunity; however, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Guarantee, the Agency Agreement and the Programme Agreement are valid and binding under the laws of the UAE and applicable in Abu Dhabi.

#### ***The EU Savings Directive may give rise to withholding in certain Notes***

Under EC Council Directive 2003/48/EC (the "EU Savings Directive") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

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

#### ***U.S. Foreign Account Tax Compliance Withholding***

The Issuer and other non-U.S. financial institutions through which payments on the Notes are made, may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2014 in respect of (i) any Notes issued after 18 March 2012 and (ii) any Notes which are treated as equity for U.S. federal tax purposes, whenever issued pursuant to the U.S. Foreign Account Tax Compliance Act ("FATCA"). This withholding tax may be triggered if (i) the Issuer is a foreign financial institution ("FFI") (as defined by FATCA), which enters into an agreement with the U.S. Internal Revenue Service ("IRS") to provide certain information on its account holders (a term which includes the holders of certain debt or equity interests)(making the Issuer a "participating FFI"), (ii) the Issuer has a positive "passthru percentage" (as defined by FATCA), and (iii)(A) an investor does not provide sufficient information to establish whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of such Issuer, or (B) any FFI through which payment on such Notes is made is not a participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not entirely clear. If an amount in respect of U.S. withholding tax is deducted or withheld from interest, principal or other payments on the Notes as a result of a holder's failure to comply with these rules or as a result of the presence in the payment chain of a non-participating FFI, the terms of the Notes will not require any person to pay Additional Amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of Notes should consult their own tax advisors on how these rules may apply to payments they receive under the Notes.

The application of FATCA to Notes issued after 18 March 2012 (or whenever issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in the relevant Final Terms or a supplement to the Base Prospectus, as applicable.

***A change of law may adversely affect the Notes***

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

***Certain bearer notes, the denomination of which involves integral multiples, may be illiquid and difficult to trade***

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

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

***Investors in the Notes must rely on DTC, Euroclear and Clearstream, Luxembourg procedures***

Notes issued under the Programme will be represented on issue by one or more Global Notes or Global Note Certificates that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC (each as defined under "**Form of the Notes**"). Except in the circumstances described in each Global Note or Global Note Certificate, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note or Global Note Certificate held through it. While the Notes are represented by a Global Note or Global Note Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants and the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note or Global Note Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Notes. The Issuer shall have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note or Global Note Certificate.

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

### ***Legal investment consideration 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) Notes constitute legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Notes by the investor. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules and regulations.

***Each Issuer may, without the consent of the Noteholders, issue additional Notes. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, may be treated as a separate series for U.S. federal income tax purposes***

Each Issuer may, without the consent of the holders of the Notes of the relevant Series, issue additional Tranches of Notes which may be consolidated and form a single Series with one or more Tranches previously issued. Notwithstanding the foregoing, such additional Tranches may be treated as a separate series for U.S. Federal income tax purposes. In such a case, the Notes of any such additional Tranche may be considered to have been issued with “original issue discount” for U.S. Federal income tax purposes and this may reduce the market value of the Notes of such Tranche to certain classes of investor.

### ***A secondary market may not develop for any Notes***

The Notes may have no established trading market when issued. A market may not develop for such Notes and, if a market does develop, such market may not be liquid. The liquidity of any market for the Notes will depend on a number of factors, including, but not limited to:

- the method of calculating the principal and interest in respect of the Notes;
- the time remaining to the maturity of the Notes;
- the outstanding amount of the Notes;
- the redemption features of the Notes; and
- the level, direction and volatility of market interest rates generally.

As a result, investors may not be able to sell their Notes easily or at prices that will provide a yield comparable to similar investments that have a developed secondary market. Such risks are heightened for any Notes that: (i) are especially sensitive to interest rate risks, currency risk or other market risks; (ii) have been designed for specific investment objectives or strategies; or (iii) have been structured to meet the investment requirements of certain limited categories of investors, as such types of Notes generally would have a more limited secondary market and increased price volatility than conventional debt securities. The relative illiquidity of Notes may have a severely adverse effect on such Notes’ market value.

### ***Notes may be subject to exchange rate risks and exchange controls***

Neither ADCB Finance Cayman nor ADCB has any control over factors that generally affect exchange rate risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and such exchange rate volatility with a variety of currencies may continue in the future.

ADCB Finance Cayman or ADCB, as the case may be, will pay principal and any interest due on any Notes in the Specified Currency. If an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency, it may therefore bear certain exchange rate risks. These include: (i) the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency); and (ii) the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls

which could adversely affect an applicable exchange rate. Any appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note would not be available at such Note's maturity.

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

As at the date of this Base Prospectus, ADCB's long term credit rating is A+ with a "stable outlook" by Fitch, A1 with a "negative outlook" by Moody's and A with "stable outlook" by Standard & Poor's. One or more independent credit rating agencies may also assign credit ratings to ADCB or any Notes. Any ratings of either ADCB or the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of any Notes. 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.

Nevertheless, real or anticipated changes in ADCB's credit ratings or the ratings of the Notes generally will affect the market value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

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



## DESCRIPTION OF THE PROGRAMME

**This description must be read as an introduction to this Base Prospectus. Any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference, by any investor. This description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.**

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

**Issuers:** ADCB Finance (Cayman) Limited  
Abu Dhabi Commercial Bank PJSC

**Guarantor in respect of Notes issued by ADCB Finance (Cayman) Limited:** Abu Dhabi Commercial Bank PJSC

**Abu Dhabi Commercial Bank PJSC:** **ADCB is a public joint stock company incorporated in the Emirate of Abu Dhabi, UAE.**

Since its incorporation in July 1985, the Government has always held through the Abu Dhabi Investment Council a controlling interest of at least 58.1 per cent. of the share capital in ADCB.

ADCB has a network of 47 branches, four pay offices and one kiosk in the United Arab Emirates and 2 branches in India and had 3,800 employees as at 30 September 2011. ADCB’s total assets as at 30 September 2011 were AED 183.1 billion and its net profit for the nine months ended on that date was AED 2,531 million. ADCB is listed on the Abu Dhabi Securities Exchange and had a market capitalisation of approximately AED 16,395 million as at 30 September 2011.

**Description:** Global Medium Term Note Programme

**Arrangers:** Standard Chartered Bank  
HSBC Bank plc

**Dealers:** Abu Dhabi Commercial Bank PJSC  
BNP Paribas  
Citigroup Global Markets Limited  
Commerzbank Aktiengesellschaft  
Daiwa Capital Markets Europe Limited  
Deutsche Bank AG, London Branch  
HSBC Bank plc  
J.P. Morgan Securities Ltd.  
Merrill Lynch International  
Standard Chartered Bank

The Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme.

**Certain Restrictions:** Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting

requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale and Transfer and Selling Restrictions*”) including the following restrictions applicable at the date of this Base Prospectus.

**Notes having a maturity of less than one year**

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see “*Subscription and Sale and Transfer and Selling Restrictions*”).

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| <b>Issuing and Principal Paying Agent:</b> | Deutsche Bank AG, London Branch  |
| <b>Euro Registrar and Paying Agent:</b>    | Deutsche Bank Luxembourg S.A.  |
| <b>U.S. Registrar and Paying Agent:</b>    | Deutsche Bank Trust Company Americas   |
| <b>Programme Size:</b>                     | Up to U.S.\$7,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. ADCB may increase the amount of the Programme in accordance with the terms of the Programme Agreement.   |
| <b>Distribution:</b>                       | Notes may be distributed by way of private or public placement and in each case on a syndicated or non syndicated basis.   |
| <b>Currencies:</b>                         | Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Obligors and the relevant Dealer.   |
| <b>Redenomination:</b>                     | The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.  |
| <b>Maturities:</b>                         | The Notes will have such maturities as may be agreed between the relevant Obligors and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Obligors or the relevant Specified Currency. |
| <b>Issue Price:</b>                        | Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.  |
| <b>Form of Notes:</b>                      | The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and vice versa.   |
| <b>Fixed Rate Notes:</b>                   | Fixed interest will be payable on such date or dates as may be agreed between the relevant Obligors and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Obligors and the relevant Dealer.   |

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| <b>Floating Rate Notes:</b>   | <p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li> <li>(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(c) on such other basis as may be agreed between the relevant Obligors and the relevant Dealer.</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the relevant Obligors and the relevant Dealer for each Series of Floating Rate Notes.</p> |
| <b>Index Linked Notes:</b>  | <p>Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Obligors and the relevant Dealer may agree.</p>   |
| <b>Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:</b> | <p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by relevant Obligors and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Obligors and the relevant Dealer.</p>   |
| <b>Dual Currency Notes:</b>   | <p>Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Obligors and the relevant Dealer may agree.</p>   |
| <b>Interest Period and Interest Rates:</b>  | <p>The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series.</p> <p>Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the applicable Final Terms.</p>   |
| <b>Zero Coupon Notes:</b>   | <p>Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.</p>  |
| <b>Redemption:</b>  | <p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders (including following the occurrence of a Change of Control Event as described below) upon giving notice to the</p>   |

Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Obligors and the relevant Dealer. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see “*Certain Restrictions*” above.

**Change of Control:**

If so specified in the applicable Final Terms, on the occurrence of a Change of Control Event the Noteholders shall have the right as described in Condition 8.4 to require the relevant Issuer to redeem their Notes.

A **Change of Control Event** will occur if at any time the Government ceases to own, directly or indirectly, more than 50 per cent. of the issued share capital of ADCB or otherwise ceases to control, ADCB. For the purposes of Condition 8.4, the Government will be deemed to **control** ADCB if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) it has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of ADCB or otherwise controls, or has the power to control, the affairs and policies of ADCB.

**Denomination of Notes:**

The Notes will be issued in such denominations as may be agreed between the relevant Obligors and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “*Certain Restrictions*” above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency).

**Taxation:**

All payments in respect of the Notes and under the Guarantee will be made without deduction for or on account of withholding taxes imposed by any Relevant Tax Jurisdiction as provided in Condition 9. In the event that any such deduction is made, the relevant Obligors will, save in certain limited circumstances provided in

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|  | Condition 9, be required to pay additional amounts to cover the amounts so deducted.  |
| <b>Negative Pledge:</b>  | The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4.   |
| <b>Cross Default:</b>  | The terms of the Senior Notes will contain a cross default provision as further described in Condition 11.  |
| <b>Status of the Senior Notes:</b>   | The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of that Issuer, from time to time outstanding.  |
| <b>Status of the Guarantee in respect of Senior Notes issued by ADCB Finance Cayman:</b>       | The obligations of the Guarantor under the Guarantee in respect of Senior Notes issued by ADCB Finance Cayman will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and will rank <i>pari passu</i> and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.   |
| <b>Status and Subordination of the Subordinated Notes:</b>                                     | The Subordinated Notes are direct, conditional (as described in Condition 3.3) and unsecured obligations of the relevant Issuer. Payments in respect of the Subordinated Notes will be subordinated as described in Condition 3.3.  |
| <b>Status of the Guarantee in respect of Subordinated Notes issued by ADCB Finance Cayman:</b> | The Guarantee in respect of the Subordinated Notes issued by ADCB Finance Cayman is a direct, conditional (as described in Condition 3.4) and unsecured obligation of the Guarantor. Payments in respect of the Guarantee in respect of the Subordinated Notes issued by ADCB Finance Cayman will be subordinated as described in Condition 3.4.  |
| <b>Rating:</b>   | The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms.   |
| <b>Approval, Listing and Admission to trading:</b>   | <p>Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Obligors and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> |

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/ or markets.

- Clearing Systems:** Euroclear and/or Clearstream, Luxembourg and/or DTC or, in relation to any Tranche of Notes, any other clearing system.
- Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
- Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), the Cayman Islands, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, Qatar (excluding the Qatar Financial Centre), Singapore, Hong Kong, Malaysia and Kuwait and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “*Subscription and Sale and Transfer and Selling Restrictions*”).
- United States Selling Restrictions:** Regulation S, Category 2. Rule 144A and TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms. ERISA restrictions.



## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Financial Services Authority (“FSA”) shall be incorporated in, and form part of, this Base Prospectus:

- unaudited condensed consolidated interim financial information of ADCB for the nine months ended 30 September 2011 (together with the auditors’ review report thereon);
- audited consolidated financial statements of ADCB for the period ended 31 December 2010 (together with the auditors’ report thereon);
- audited consolidated financial statements of ADCB for the period ended 31 December 2009 (together with the auditors’ report thereon);
- the Terms and Conditions of the Notes contained in the Base Prospectus dated 17 June 2008 (the “**2008 Terms and Conditions**”), pages 37 to 67 (inclusive);
- the Terms and Conditions of the Notes contained in the Base Prospectus dated 7 July 2009 (the “**July 2009 Terms and Conditions**”), pages 44 to 79 (inclusive);
- the Terms and Conditions of the Notes contained in the Base Prospectus dated 17 September 2009 (the “**September 2009 Terms and Conditions**”), pages 43 to 75 (inclusive); and
- the Terms and Conditions of the Notes contained in the Base Prospectus dated 21 October 2010 (the “**2010 Terms and Conditions**”), pages 43 to 76 (inclusive),

in each case prepared by the Obligors in connection with the Programme.

Copies of the document incorporated by reference in this Base Prospectus can be obtained from the registered office of ADCB and from the specified office of the Paying Agent for the time being in London.

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

Certain information contained in the documents listed above has not been incorporated by reference. Such information is not relevant for prospective investors or is covered elsewhere in this Base Prospectus.

If at any time either of the Issuers shall be required to prepare a supplement to the Base Prospectus pursuant to Section 87 of the Financial Services and Markets Act 2000 (the “FSMA”), or to give effect to the provisions of Article 16(1) of the Prospectus Directive, such Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Regulated Market of the London Stock Exchange, shall constitute a supplemental base prospectus as required by the FSA and Section 87 of the FSMA. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a “**Temporary Bearer Global Note**”) or, if so specified in the applicable Final Terms, a permanent global note (a “**Permanent Bearer Global Note**”) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the “**Common Depository**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “**Exchange Date**”) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given **provided that** purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either: (a) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein; or (b) only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that: (i) an Event of Default (as defined in Condition 11) has occurred and is continuing; or (ii) the relevant 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 holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 1 year and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a “**Regulation S Global Note**”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to persons who are QIBs. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a “**Rule 144A Global Note**” and, together with a Regulation S Global Note, the “**Registered Global Notes**”).

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company (“**DTC**”) or (ii) be deposited with a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes. None of the Obligor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act or (iii) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, 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 holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “Subscription and Sale and Transfer and Selling Restrictions”.**

### **General**

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the relevant Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of an amended and restated deed of covenant (a “**Deed of Covenant**”) dated 7 December 2011 and made by each Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC’s standard operating procedures.

## APPLICABLE FINAL TERMS

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

[Date]

[ADCB FINANCE (CAYMAN) LIMITED][ABU DHABI COMMERCIAL BANK PJSC]

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

**[unconditionally and irrevocably guaranteed by**

**ABU DHABI COMMERCIAL BANK PJSC]**

**under the U.S.\$7,500,000,000**

**Global Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 7 December 2011 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Prospectus] [is] [are] available for viewing during normal business hours at Abu Dhabi Commercial Bank PJSC, ADCB Tower, Head Office, Al Salam Street, PO Box 939, Abu Dhabi, United Arab Emirates and copies may be obtained from Abu Dhabi Commercial Bank PJSC, ADCB Tower, Head Office, Al Salam Street, PO Box 939, Abu Dhabi, United Arab Emirates.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Agency Agreement dated [original date] and set forth in the Base Prospectus dated [original date] [and the supplemental Prospectus dated [●]] which are incorporated by reference into the Base Prospectus dated [current date] and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. The Base Prospectuses [and the supplemental Prospectus] are available for viewing during normal business hours at Abu Dhabi Commercial Bank PJSC, ADCB Tower, Head Office, Al Salam Street, PO Box 939, Abu Dhabi, United Arab Emirates and copies may be obtained from Abu Dhabi Commercial Bank PJSC, ADCB Tower, Head Office, Al Salam Street, PO Box 939, Abu Dhabi, United Arab Emirates.]

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

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

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.]*

1. (a) Issuer: [Abu Dhabi Commercial Bank PJSC] [ADCB Finance (Cayman) Limited]
- (b) Guarantor: [N/A][Abu Dhabi Commercial Bank PJSC]
2. (a) Series Number: [●]
- (b) Tranche Number: [●]

*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*

3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount of Notes admitted to trading:
  - (a) Series: [●]
  - (b) Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]

6. (a) Specified Denominations [●]

*(in the case of Registered Notes this means the minimum integral amount in which transfers can be made)*

*(N.B. Following the entry into force of Directive 2010/73/EU (the “2010 PD Amending Directive”) on 31 December 2010, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of the 2010 PD Amending Directive in the relevant European Economic Area Member State (which is due to be no later than 1 July 2012) must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of €100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*

*(Note – where Bearer Notes with multiple denominations above €100,000 or equivalent are being used the following sample wording or an appropriate variation should be followed:*

*“€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000.”)*

*(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange;*



and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €100,000 minimum denomination is not required.)

- (b) Calculation Amount   
(Applicable to Notes in definitive form) (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7. (a) Issue Date:   
(b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]  
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
8. Maturity Date: [Fixed rate – specify date/ Floating rate – Interest Payment Date falling in or nearest to [specify month]]
9. Interest Basis:  per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/-  per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[specify other]  
  
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]  
[Change of Control Put]  
[Issuer Call]  
[(further particulars specified below)]
13. (a) Status of the Notes: [Senior] [Subordinated]  
(b) Status of the Guarantee: [Senior] [Subordinated]

- (c) [Date [Board] approval for issuance of Notes [and Guarantee] obtained:  [and , respectively]]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
14. Method of distribution: [Syndicated/Non-syndicated]

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

15. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest:  per cent. per annum [payable [annually/semi-annually/ quarterly/other (*specify*)] in arrear]  
*(If payable other than annually, consider amending Condition 6)*
- (b) Interest Payment Date(s): [ in each year up to and including the Maturity Date]/[*specify other*]  
*(N.B. This will need to be amended in the case of long or short coupons)*
- (c) Fixed Coupon Amount(s):  per Calculation Amount  
*(Applicable to Notes in definitive form.)*
- (d) Broken Amount(s):  per Calculation Amount, payable on the Interest Payment Date falling [in/on]   
*(Applicable to Notes in definitive form.)*
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or *specify other*]
- (f) Determination Date(s):  in each year  
*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon  
 N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration  
 N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes [None/*Give details*]
16. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/ Specified Interest Payment Dates:
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]

- (c) Additional Business Centre(s): [●]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●]
- (f) Screen Rate Determination:
- (i) Reference Rate: [●]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
- (ii) Interest Determination Date(s): [●]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- (iii) Relevant Screen Page: [●]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination:
- (i) Floating Rate Option: [●]
- (ii) Designated Maturity: [●]
- (iii) Reset Date: [●]
- (h) Margin(s): [+/-][●] per cent. per annum
- (i) Minimum Rate of Interest: [●] per cent. per annum
- (j) Maximum Rate of Interest: [●] per cent. per annum
- (k) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] 30E/360 (ISDA) *Other*] *(See Condition 6 for alternatives)*

- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:
17. Zero Coupon Note Provisions  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield:  per cent. per annum
- (b) Reference Price:
- (c) Any other formula/basis of determining amount payable:
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment:  [Conditions 8.5(c) and 8.10 apply/specify other]  
*(Consider applicable day count fraction if not U.S. dollar denominated)*
18. Index Linked Interest Note Provisions  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (a) Index/Formula:  [give or annex details including exercise/reference price]
- (b) Calculation Agent:  [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent):
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:  [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (e) Specified Period(s)/ Specified Interest Payment Dates:
- (f) Business Day Convention:  [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other]
- (g) Additional Business Centre(s):

- (h) Minimum Rate of Interest:  per cent. per annum
- (i) Maximum Rate of Interest:  per cent. per annum
- (j) Day Count Fraction:
19. Dual Currency Interest Note Provisions  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (a) Rate of Exchange/method of calculating Rate of Exchange:  [give or annex details]
- (b) Party, if any, responsible for calculating the interest due (if not the Principal Paying Agent):
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:  *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (d) Person at whose option Specified Currency(ies) is/are payable:

#### PROVISIONS RELATING TO REDEMPTION

20. Issuer Call:  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s):
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s):  [[] per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount:
- (ii) Maximum Redemption Amount:
- (d) Notice period (if other than as set out in the Conditions):   
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*

21. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]
- (c) Notice period (if other than as set out in the Conditions): [●]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*
22. Change of Control Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Change of Control Redemption Amount: [[●] per Calculation Amount/specify other]
- (b) Any other provisions relating to the Change of Control Put: [Not applicable/give details]
23. Final Redemption Amount: [[●] per Calculation Amount/specify other/see Appendix]  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
24. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8.5): [[●] per Calculation Amount/specify other/see Appendix]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25. Form of Notes: [Bearer Notes:  
  
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]  
  
[Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date]



[Permanent Global Note exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.)*

[Registered Notes:

[Regulations S Global Note registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg]]

[Rule 144A Global Note registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg]]

*(Note – minimum purchase amount for Notes sold pursuant to Rule 144A is U.S.\$200,000)*

26. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details]  
*(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(c) and 18(f) relate)*
27. Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details.  
*N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]*
29. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
30. Redenomination applicable: Redenomination [not] applicable  
*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*

31. Other final terms: [Not Applicable/give details]  
(When adding any other final terms consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

## DISTRIBUTION

32. (a) If syndicated, names of Managers: [Not Applicable/give names]  
(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)
- (b) Date of Subscription Agreement: [●]  
(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)
- (c) Stabilising Manager (if any): [Not Applicable/give name]
33. If non-syndicated, name of relevant Dealer: [Not Applicable/give names]
34. U.S. Selling Restrictions: [Reg. S Category 2; [Rule 144A;] TEFRA D/TEFRA C/ TEFRA not applicable]
35. Additional selling restrictions: [Not Applicable/give details]
36. Additional U.S. Federal tax disclosure: [Not Applicable/give details]
37. Alternative ERISA considerations: [Not Applicable/give details]
38. Kingdom of Saudia Arabia Selling Restrictions: [Not Applicable/Article 9 (paragraph a, No. 2/Article 9 (paragraph a, No. 3)]
39. RMB Currency Event: [Applicable/Not Applicable]
40. Spot Rate (if different from that set out in Condition 7.9) [Specify/Not Applicable]
41. Party responsible for calculating the Spot Rate [give name (the “**Calculation Agent**”)]
42. Relevant Currency (if different from that : in Condition 7.9) [Specify/Not Applicable]

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and admission to trading on [specify relevant regulated market (for example the London Stock Exchange’s regulated market) and, if relevant listing on an official list (for example, the Official List of the UK Listing Authority)]] of the Notes described herein pursuant to the U.S.\$7,500,000,000 Global Medium Term Note Programme of Abu Dhabi Commercial Bank PJSC and ADCB Finance (Cayman) Limited.

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. *[[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components]* has been extracted from *[specify source]*. The Issuer [and the Guarantor] confirm[s] that such information has been accurately reproduced and that, so far as they are aware and are able to ascertain from information published by *[specify source]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ..... By: .....  
*Duly authorised* *Duly authorised*

[Signed on behalf of the Guarantor:

By: ..... By: .....  
*Duly authorised* *Duly authorised]*

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing and Admission to trading: [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example the London Stock Exchange’s regulated market) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)*] with effect from [●].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [●]

### 2. RATINGS

- Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- [[*Insert the legal name of the relevant CRA entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [*insert the legal name of the relevant CRA entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]
- [[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended)[. [*Insert the legal name of the relevant non-EU CRA entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation] .]
- [[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU CRA entity that applied for registration*], which is established in the European Union and is registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of

[insert the legal name of the relevant non-EU CRA entity]. While notification of the corresponding final endorsement decision has not yet been provided by the relevant competent authority, the European Securities and Markets Authority has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 31 January 2012 (which may be extended to 30 April 2012).]

[[Insert the legal name of the relevant non-EU CRA entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). The ratings [[have been]/[are expected to be]] endorsed by [insert the legal name of the relevant EU-registered CRA entity] in accordance with the CRA Regulation. [Insert the legal name of the relevant EU CRA entity] is established in the European Union and registered under the CRA Regulation. [As such [insert the legal name of the relevant EU CRA entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]]

[[Insert the legal name of the relevant non-EU CRA entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”), but it [is]/[has applied to be] certified in accordance with the CRA Regulation[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [insert the legal name of the relevant non-EU CRA entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] .]

[[Insert the legal name of the relevant CRA entity] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority[ and [insert the legal name of the relevant CRA entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[Insert the legal name of the relevant non-EU CRA entity] is not established in the European Union and

has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU CRA entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU CRA entity*], although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] .]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

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

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

- (i) Reasons for the Offer: [●]
- (ii) Estimated net proceeds: [●]
- (iii) Estimated total expenses: [●]

*(N.B.: Delete this paragraph 4 unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

5. **YIELD** (*Fixed Rate Notes only*)

Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. **PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING** (*Index Linked Notes only*)

[*Need to include details of where past and future performance and volatility of the index/formula can be obtained.*]



*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

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

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

*(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

**7. PERFORMANCE OF RATE[S] OF EXCHANGE** *(Dual Currency Notes only)*

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

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

*(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

**8. OPERATIONAL INFORMATION**

- (i) ISIN Code:
- (ii) Common Code:
- (iii) CUSIP:
- (iv) CINS:
- (v) Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):  [Not Applicable/give name(s) and number(s)]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any):

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which (save for the text in italics) will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and, if the Issuer is ADCB Finance (Cayman) Limited, the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by the Issuer named in the applicable Final Terms (the “**Issuer**”) pursuant to the Agency Agreement (as defined below).

References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a “**Global Note**”), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (“**Bearer Notes**”) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (“**Registered Notes**”) issued in exchange for a Global Note in registered form.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated agency agreement (as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 7 December 2011 and made between ADCB Finance (Cayman) Limited as an issuer, Abu Dhabi Commercial Bank PJSC as an issuer and as guarantor (in its capacity as guarantor, the “**Guarantor**”), Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents) and as exchange agent (the “**Exchange Agent**”, which expression shall include any successor exchange agent), Deutsche Bank, Luxembourg S.A. as euro registrar (the “**Euro Registrar**”, which expression shall include any successor euro registrar) and as a transfer agent and Deutsche Bank Trust Company Americas as U.S. registrar (the “**U.S. Registrar**”, which expression shall include any successor U.S. registrar, and, together with the Euro Registrar, the “**Registrars**”) and as a transfer agent (together with Deutsche Bank Luxembourg S.A., the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents)).

Interest bearing definitive Bearer Notes have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the “**Conditions**”) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note.

References to the “**applicable Final Terms**” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

If the Issuer is ADCB Finance (Cayman) Limited, the payment of all amounts in respect of this Note has been guaranteed by the Guarantor pursuant to an amended and restated guarantee (the “**Guarantee**”) dated 7 December 2011 and executed by the Guarantor. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders, the Receiptholders and the Couponholders at its specified office. If the Issuer is Abu Dhabi Commercial Bank PJSC, references to the Guarantor and the Guarantee are not applicable.

Any reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

Any reference herein to “**Receiptholders**” shall mean the holders of the Receipts and any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the amended and restated deed of covenant (the “**Deed of Covenant**”) dated 7 December 2011 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the Guarantee, a deed poll (the “**Deed Poll**”) dated 7 December 2011 and made by the Issuer and the Guarantor and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the specified office of each of the Paying Agents, the Registrar and Transfer Agents (such Agents and the Registrar being together referred to as the “**Agents**”) and copies may be obtained from the registered office of the Issuer, ADCB Tower, Head Office, Al Salam Street, PO Box 939, Abu Dhabi, the United Arab Emirates. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

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

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

This Note is a Senior Note or a Subordinated Note depending upon the status specified in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

For so long as the Depository Trust Company (“**DTC**”) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be.

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

## **2. TRANSFERS OF REGISTERED NOTES**

### **2.1 Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC

shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

## **2.2 Transfers of Registered Notes in definitive form**

Subject as provided in paragraphs 2.5, 2.6 and 2.7 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) 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 (B) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) 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 9 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of 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), deliver, or procure the 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 Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so delivered or (at the risk of the transferor) sent to the transferor. A Registered Note may not be transferred unless the nominal amount of Registered Notes transferred and (where not all of the Registered Notes held by a transferor are being transferred) the nominal amount of the balance of Registered Notes not transferred are Specified Denominations.

## **2.3 Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

## **2.4 Costs of registration**

Noteholders 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.

## **2.5 Transfers of interests in Regulation S Global Notes**

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a “**Transfer Certificate**”), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include

an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Note in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

## 2.6 Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

## 2.7 Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

## 2.8 Definitions

In this Condition, the following expressions shall have the following meanings:

**“Distribution Compliance Period”** means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

**“Legended Note”** means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a **“Legend”**);



“**QIB**” means a “qualified institutional buyer” within the meaning of Rule 144A;

“**Regulation S**” means Regulation S under the Securities Act;

“**Regulation S Global Note**” means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

“**Rule 144A**” means Rule 144A under the Securities Act;

“**Rule 144A Global Note**” means a Registered Global Note representing Notes sold in the United States or to persons that are QIBs; and

“**Securities Act**” means the United States Securities Act of 1933, as amended.

### **3. STATUS**

#### **3.1 Status of the Senior Notes**

The Senior Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

#### **3.2 Status of the Guarantee in respect of the Senior Notes**

The obligations of the Guarantor under the Guarantee in respect of the Senior Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

#### **3.3 Status of the Subordinated Notes**

The Subordinated Notes and any relative Receipts and Coupons are direct, conditional as described below and unsecured obligations of the Issuer and rank *pari passu* among themselves.

The payment obligations of the Issuer in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) will be subordinated to all unsubordinated payment obligations of the Issuer in the manner described below but will rank *pari passu* with all other subordinated payment obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the payment obligations under the Subordinated Notes and in priority to all claims of shareholders of the Issuer. The rights of the holders of Subordinated Notes against the Issuer are subordinated in right of payment to the claims of all Senior Creditors of the Issuer and accordingly payments in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) by the Issuer are conditional upon both the Issuer and the Guarantor being solvent at the time of such payment and no payment shall be payable by the Issuer in respect of the Subordinated Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For this purpose the Issuer shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities, and, in this Condition 3.3 the following expressions shall have the following meanings:

“**Assets**” means the unconsolidated gross assets of the Issuer as shown in the latest published audited (if available) balance sheet of the Issuer, but adjusted for subsequent events in such manner as the directors of the Issuer, 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;

“**Liabilities**” means the unconsolidated gross liabilities of the Issuer as shown in the latest published audited (if available) balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events in such manner as the directors of the Issuer, 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; and

“**Senior Creditors**” shall mean creditors of the Issuer (including depositors) other than creditors in respect of indebtedness where, by the terms of such indebtedness, the claims of the holders of that indebtedness rank or are expressed to rank *pari passu* with, or junior to, the claims of the holders of the Subordinated Notes.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of setoff, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note. No collateral is or will be given for the payment obligations under the Subordinated Notes and any collateral that may have been or may in the future be given in connection with other indebtedness of the Issuer shall not secure the payment obligations under the Subordinated Notes.

### **3.4 Status of the Guarantee in respect of the Subordinated Notes**

The Guarantee is a direct, conditional as described below and unsecured obligation of the Guarantor.

The payment obligations of the Guarantor under the Guarantee in respect of the Subordinated Notes will be subordinated to all unsubordinated payment obligations of the Guarantor in the manner described below but will rank *pari passu* with all other subordinated payment obligations of the Guarantor which do not rank or are not expressed by their terms to rank junior to the payment obligations of the Guarantor under the Guarantee in respect of the Subordinated Notes and in priority to all claims of shareholders of the Guarantor. The rights of the holders of Subordinated Notes against the Guarantor under the Guarantee in respect of the Subordinated Notes are subordinated in right of payment to the claims of all Senior Creditors of the Guarantor and accordingly payments in respect of the Guarantee in respect of the Subordinated Notes by the Guarantor are conditional upon the Guarantor being solvent at the time of such payment and no payment shall be payable by the Guarantor under that Guarantee except to the extent that the Guarantor could make such payment and still be solvent immediately thereafter. For this purpose the Guarantor shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities, and, in this Condition 3.4, the following expressions shall have the following meanings:

“**Assets**” means the unconsolidated gross assets of the Guarantor as shown in the latest published audited balance sheet of the Guarantor, but adjusted for subsequent events in such manner as the directors of the Guarantor, the auditors of the Guarantor or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of the Guarantor) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

“**Liabilities**” means the unconsolidated gross liabilities of the Guarantor as shown in the latest published audited balance sheet of the Guarantor, but adjusted for contingent liabilities and for subsequent events in such manner as the directors of the Guarantor, the auditors of the Guarantor or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of the Guarantor) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine; and

“**Senior Creditors**” shall mean creditors of the Guarantor (including depositors) other than creditors in respect of indebtedness where, by the terms of such indebtedness, the claims of the holders of that indebtedness rank or are expressed to rank *pari passu* with, or junior to, the claims of the holders under the Subordinated Guarantee.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of setoff, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the Guarantee in respect of the Subordinated Notes. No collateral is or will be given for the payment obligations under the Guarantee in respect of the Subordinated Notes and any collateral that may have been or may in the future be given in connection with other indebtedness of the Guarantor shall not secure the payment obligations of the Guarantor under the Guarantee in respect of the Subordinated Notes.

#### 4. NEGATIVE PLEDGE

This Condition 4 only applies to Senior Notes.

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

In these Conditions:

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

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

“**Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, certificates, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over the-counter or other securities market;

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

“**Permitted Security Interest**” means:

- (i) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;
- (ii) any Security Interest arising by operation of law, **provided that** such Security Interest is discharged within 30 days of arising; and
- (iii) any Security Interest granted to secure a Non-recourse Project Financing or to secure any Indebtedness or Sukuk Obligation incurred in connection with a Securitisation.

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

“**Securitisation**” means any securitisation (Islamic or otherwise) of existing or future assets and/or revenues, **provided that** (i) any Security Interest given by the Issuer or any of its Subsidiaries in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation, (ii) each Person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues securitised as the principal source of repayment for the moneys advanced or payment of any other liability and (iii) there is no other recourse to the Issuer or any of its Subsidiaries in respect of any default by any Person under the securitisation;

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

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

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

**“Sukuk Obligation”** means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other securities issued in connection with any Islamic financing whether or not in return for consideration of any kind, which trust certificates or other securities for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

*The Guarantor has agreed in the Guarantee in respect of the Senior Notes that, so long as any Senior Note remains outstanding (as defined in the Agency Agreement), the Guarantor shall not, and the Guarantor shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness or Sukuk Obligation or Guarantee of Indebtedness or any Sukuk Obligation, other than a Permitted Security Interest, without (a) at the same time or prior thereto securing the Guarantee in respect of the Senior Notes equally and rateably therewith or (b) providing such other security for the Guarantee in respect of the Senior Notes as may be approved by Extraordinary Resolution (as defined in the Agency Agreement). Capitalised terms used in this paragraph are defined in the Guarantee in a manner which is substantially similar to the definitions set out above.*

## **5. REDENOMINATION**

### **5.1 Redenomination**

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, **provided that**, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denomination of euro 100,000 and/or such higher amounts as the Principal Paying Agent may determine and notify to the Noteholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 7; and (ii) in the case of Notes which are not Relevant Notes, in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the Exchange Notice) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (**provided that** such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee;
- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
  - (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes; and
  - (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding; and
- (g) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

## 5.2 Definitions

In the Conditions, the following expressions have the following meanings:

**“Established Rate”** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union

regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

“**euro**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

“**Redenomination Date**” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 5.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

“**Relevant Notes**” means all Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area; and

“**Treaty**” means the Treaty on the Functioning of the European Union, as amended.

## 6. INTEREST

### 6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1:

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:



- (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

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

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

### (a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y)

if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, “**Business Day**” means a day which is both:

- (a) 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 London and each Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “**TARGET2 System**”) is open.

**(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

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

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), “**ISDA Rate**” for an “Interest Period” means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;

- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (I) if the applicable Floating Rate Option is based on the London interbank offered rate (“LIBOR”) or on the Euro-zone interbank offered rate (“EURIBOR”), the first day of that Interest Period or (II) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

*(ii) Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

*(c) Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**(d) Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

Where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

- (vii) If “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

**(e) Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed (by no later than the second London Business Day after the Interest Determination Date) and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(f) Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2 or Condition 7.9, whether by the Principal Paying Agent or, if applicable and in the case of Condition 7.9, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable and in the case of Condition 7.9, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**6.3 Interest on Dual Currency Interest Notes**

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

**6.4 Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

**6.5 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15.



## **7. PAYMENTS**

### **7.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

### **7.2 Presentation of definitive Bearer Notes, Receipts and Coupons**

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph.

Payment of the final instalment will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

### **7.3 Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment so made, distinguishing between any payment of principal and any payment of interest, will be made on any Global Note in bearer form by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

### **7.4 Payments in respect of Registered Notes**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note 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 Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the “**Register**”) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency 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 Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (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 Registered Note, 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) and instalments of principal (other than the final instalment) in respect of the Registered Notes 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. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

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

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **7.5 General provisions applicable to payments**

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

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer and the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

## **7.6 Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon 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 10) is:

- (a) 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:

- (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre specified in the applicable Final Terms;
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

### **7.7 Interpretation of principal and interest**

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

- (a) any additional amounts which may be payable with respect to principal under Condition 9;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.5); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes. Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9.

### **7.8 RMB account**

All payments in respect of any Note, Receipt or Coupon in RMB will be made solely by credit to a RMB account maintained by the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of RMB in Hong Kong).

### **7.9 RMB Currency Event**

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

Upon the occurrence of a RMB Currency Event, the relevant Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 15 stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition and unless stated otherwise in the applicable Final Terms:

**“Determination Business Day”** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and New York City;

**“Determination Date”** means the day which is two Determination Business Days before the due date of the relevant payment under the Notes;

**“Governmental Authority”** means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

**“RMB Currency Events”** means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

**“RMB Illiquidity”** means the general RMB exchange market in Hong Kong becomes illiquid as a result of which the relevant Issuer cannot obtain sufficient RMB in order to make a payment under the Notes, as determined by the relevant Issuer acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in Hong Kong;

**“RMB Inconvertibility”** means the occurrence of any event that makes it impossible for the relevant Issuer to convert any amount due in respect of the Notes into RMB on any payment date in the general RMB exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the relevant Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the relevant Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**“RMB Non-Transferability”** means the occurrence of any event that makes it impossible for the relevant Issuer to deliver RMB between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the RMB clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the relevant Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the relevant Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**“Relevant Currency”** means United States dollars or such other currency as may be specified in the applicable Final Terms; and

**“Spot Rate”** means, unless specified otherwise in the applicable Final Terms, the spot CNY/U.S.\$ exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S.\$ exchange rate in the PRC domestic foreign exchange market.

## **8. REDEMPTION AND PURCHASE**

### **8.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

### **8.2 Redemption for tax reasons**

The Notes may (subject, in the case of Subordinated Notes, to the prior approval of the Central Bank of the United Arab Emirates (the “**Regulator**”, which expression shall include any successor thereto as the relevant regulator of banks in the United Arab Emirates) where required) be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days’ notice to the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Relevant Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

**provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **8.3 Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (a) not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 15; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s)



specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

#### **8.4 Redemption at the option of the Noteholders (Investor Put and Change of Control Put)**

- (a) If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days’ notice the Issuer will, upon the expiry of such notice, redeem or, at the Issuer’s option, purchase (or procure the purchase of), subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed or, as the case may be, purchased under this Condition in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.
- (b) If Change of Control Put is specified in the applicable Final Terms and if a Change of Control Event occurs, the Issuer will, upon the holder of any Notes giving notice within the Change of Control Put Period to the Issuer in accordance with Condition 15 (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 8.2 or 8.3), redeem or, at the Issuer’s option, purchase (or procure the purchase of) such Note on the Change of Control Put Date at the Change of Control Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Change of Control Put Date.

Promptly upon the Issuer or the Guarantor becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a “**Change of Control Notice**”) to the Noteholders in accordance with Condition 15 to that effect.

If 75 per cent. or more in nominal amount of the Notes of a Series then outstanding have been redeemed or, as the case may be, purchased, pursuant to this Condition 8.3(b), the Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 15 (such notice to be given within 30 days of the Change of Control Put Date), redeem or, at the Issuer’s option, purchase (or procure the purchase of) all but not some only of the remaining outstanding Notes of that Series at the Change of Control Redemption Amount together (if applicable) with interest accrued to (but excluding) the date fixed for redemption or purchase, as the case may be.

For the purpose of this Condition:

“**Business Day**” means a day on which commercial banks and foreign exchange markets in London are open for general business;

a “**Change of Control Event**” will occur if at any time the Government ceases to own, directly or indirectly, more than 50 per cent. of the issued share capital of ADCB or otherwise ceases to control, ADCB. For the purposes of this Condition, the Government will be deemed to control ADCB if

(whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) it has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of ADCB or otherwise controls, or has the power to control, the affairs and policies of ADCB;

“**Change of Control Redemption Amount**” shall mean, in relation to each Note to be redeemed or purchased pursuant to the Change of Control Put Option, an amount equal to the nominal amount of such Note or such other amount as may be specified in the applicable Final Terms;

“**Change of Control Put Date**” means the first Business Day following the expiration of the Change of Control Put Period provided that the Change of Control Notice is given within 30 days of the Change of Control Event occurring, otherwise it means the date falling 14 days after the date on which the relevant Noteholders exercise its right to require the redemption of the relevant Notes in accordance with this Condition 8.4;

“**Change of Control Put Period**” means, in relation to any Change of Control Event, the period from and including the date on which that Change of Control Event occurs (whether or not the relevant Issuer or ADCB has given a Change of Control Notice in respect of such event) to and including the date falling 60 days after the date on which the Change of Control Notice is given, provided that if no Change of Control Notice is given, the Change of Control Put Period shall not terminate; and

“**Government**” means the Government of Abu Dhabi.

- (c) To exercise the right to require redemption of this Note pursuant to Condition 8.4(a) or 8.4(b) above the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “**Put Notice**”) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time and if this Note is represented by a Global Note, at the same time present or procure the presentation of the Global Note to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC given by a holder of any Note pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.4 and instead to declare such Note forthwith due and payable pursuant to Condition 11.

## 8.5 Early Redemption Amounts

For the purpose of Condition 8.2 above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360 day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

## 8.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.5.

## 8.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

## 8.8 Purchases

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may, (subject, in the case of Subordinated Notes, to the prior approval of the Regulator where required) at any time purchase Notes (**provided that**, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent for cancellation.

## 8.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.8 above (together with all

unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

#### **8.10 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1, 8.2, 8.3 or 8.4 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition.

### **9. TAXATION**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer and all payments under the Guarantee by the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment in a Relevant Tax Jurisdiction; or
- (b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Relevant Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (c) presented for payment 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 thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6); or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15; and

- (ii) “**Relevant Tax Jurisdiction**” means, if the Issuer is ADCB Finance (Cayman) Limited, the Cayman Islands (in the case of any payment by the Issuer) or the United Arab Emirates or any Emirate therein (in the case of any payment by the Guarantor) or, in either case, any political subdivision or any authority thereof or therein having power to tax and, if the Issuer is Abu Dhabi Commercial Bank PJSC, the United Arab Emirates or any Emirate therein or any political subdivision or any authority thereof or therein having power to tax.

Notwithstanding any other provisions of these Conditions, neither the Issuer nor the Guarantor will have an obligation to pay additional amounts in respect of the Notes, Receipts or Coupons for any amounts required to be withheld or deducted pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended, or any agreement entered into with the United States under those sections if such withholding or deduction is imposed as a result of the failure by any person other than the Issuer, the Guarantor or any of their agents to establish that they are able to receive payments free of such withholding or deduction.

## 10. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

## 11. EVENTS OF DEFAULT

### 11.1 Event of Default for Senior Notes

This Condition 11.1 only applies to Senior Notes.

If any one or more of the following events (each an “**Event of Default**”) shall occur and be continuing:

- (a) **Non Payment:** default is made in the payment of any principal or interest due in respect of the Notes or any of them or the Guarantee and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) **Breach of Obligations:** the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Conditions or the Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer or the Guarantor of notice requiring the same to be remedied; or
- (c) **Cross Acceleration:** (i) any Relevant Indebtedness of the Issuer or the Guarantor or any of the Guarantor’s Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such Relevant Indebtedness becomes due and payable prior to its stated maturity by reason of default (however described) or (iii) the Issuer or the Guarantor or any of the Guarantor’s Principal Subsidiaries fails to pay when due any amount payable by it under any guarantee of any Relevant Indebtedness, **provided that** the events mentioned in this paragraph (c) shall not constitute an Event of Default unless the aggregate amount of all such Relevant Indebtedness, either alone or when aggregated with all other indebtedness in respect of which such an event shall have occurred and be continuing, shall be more than U.S.\$25,000,000 (or its equivalent in any other currency or currencies); or
- (d) **Unsatisfied Judgments:** one or more final non-appealable judgments or orders for the payment of any sum which amount shall not be less than U.S.\$15,000,000 is rendered against the Issuer or the Guarantor or any of the Guarantor’s Principal Subsidiaries and continues unsatisfied and

unstayed for a period of 30 days after the service of any Noteholder on the Issuer or the Guarantor of notice requiring the same to be remedied/paid; or

(e) **Liquidation and Other Events:**

- (i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries, save in connection with a Permitted Reorganisation; or
  - (ii) the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries ceases or threatens to cease to carry on the whole or a Substantial Part of its business, save in connection with a Permitted Reorganisation, or the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
  - (iii) (A) proceedings are initiated against the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer, the Guarantor or the relevant Principal Subsidiary, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries or, as the case may be, in relation to the whole or a Substantial Part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a Substantial Part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a Substantial Part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 45 days; or
  - (iv) the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or, save in connection with a Permitted Reorganisation, any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
  - (v) any event occurs which under the laws of the Cayman Islands or the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (iii) above;
- (f) **Illegality:** at any time it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any or all of its obligations under or in respect of the Notes or the Guarantee or any of the material obligations of the Issuer or the Guarantor thereunder are not or cease to be legal, valid, binding or enforceable; or
- (g) **Nationalisation etc.:** by or under the authority of any government, (i) the management of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries is wholly or partially displaced or the authority of the Issuer, the Guarantor or any Principal Subsidiary in the conduct of its business is wholly or partially curtailed or (ii) all or a majority of the issued share capital of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries or the whole



or any part (the book value of which is 20 per cent. or more of the book value of the whole) of its revenues or assets is seized, nationalised, expropriated or compulsorily acquired; or

- (h) **Cessation of Guarantee:** the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect,

then any holder of a Note may, by written notice to the Issuer and the Guarantor at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purposes of this Condition:

**“Principal Subsidiary”** means a Subsidiary of the Guarantor the book value of the assets of which exceeds ten per cent. of the book value of the consolidated assets of the Guarantor and its Subsidiaries, taken as a whole, or the revenues of which exceed ten per cent. of the consolidated revenues of the Guarantor and its Subsidiaries, taken as a whole and, for these purposes:

- (i) the book value of the assets and the revenues of each Subsidiary which is, or might be, a Principal Subsidiary shall be determined by reference to its then most recently audited annual financial statements (consolidated if the same are prepared) or, if none, its then most recent annual management accounts; and
- (ii) the book value of the consolidated assets and the consolidated revenues of the Guarantor and its Subsidiaries, taken as a whole, shall be determined by reference to the Guarantor’s then most recently audited consolidated annual financial statements;

all as more fully set out in the Agency Agreement. A report by two Directors of the Guarantor that in their opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or through any particular period a Principal Subsidiary shall (in the absence of manifest or proven error) be conclusive and binding on the parties;

**“Permitted Reorganisation”** means:

- (A) any disposal by any Subsidiary of the Guarantor of the whole or a substantial part of its business, undertaking or assets to the Guarantor or any Relevant Subsidiary of the Guarantor;
- (B) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other Relevant Subsidiary of the Guarantor; or
- (C) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution;

**“Subsidiary”** means in relation to any Person (the first Person) at any particular time, any other Person (the second Person) whose affairs and policies the first Person controls or has power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise.

**“Relevant Subsidiary”** means any Subsidiary which is, directly or indirectly, wholly owned by the Guarantor or which is so wholly-owned except for any nominal third party shareholding required by law;

**“Substantial Part”** means 15 per cent. of the assets of the Guarantor and its consolidated Subsidiaries, taken as a whole; and

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

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

- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 30 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement or Islamic financing) having the commercial effect of a borrowing.

## **11.2 Events of Default for Subordinated Notes**

This Condition 11.2 only applies to Subordinated Notes.

### **(a) *Non Payment***

If default is made in the payment of any principal or interest due under the Notes or any of them or the Guarantee and the default continues for a period of seven days in the case of principal and 14 days in the case of interest, any Noteholder may (if the Issuer is ADCB Cayman (Finance) Limited) institute proceedings in the Cayman Islands (but not elsewhere) for the dissolution and liquidation of the Issuer and in the United Arab Emirates or any Emirate therein (but not elsewhere) for the dissolution and liquidation of the Guarantor or (if the Issuer is Abu Dhabi Commercial Bank PJSC) institute proceedings in the United Arab Emirates or any Emirate therein (but not elsewhere) for the dissolution and liquidation of the Issuer.

### **(b) *Liquidation and other events***

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

- (i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Guarantor, save in connection with a Permitted Reorganisation; or
- (ii) the Issuer or the Guarantor ceases or threatens to cease to carry on the whole or a Substantial Part of its business, save in connection with a Permitted Reorganisation, or the Issuer or the Guarantor stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (iii) (A) proceedings are initiated against the Issuer or the Guarantor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer or as the case may be, the Guarantor), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or the Guarantor or an encumbrancer takes possession of the whole or a Substantial Part of the undertaking or assets of the Issuer or the Guarantor, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a Substantial Part of the undertaking or assets of the Issuer or the Guarantor and (B) in any case (other than the appointment of an administrator) is not discharged within 45 days; or
- (iv) the Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any

class of its creditors) or, save in connection with a Permitted Reorganisation, any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

- (v) any event occurs which under the laws of the Cayman Islands or the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (iv) above,

then the holder of any Note may give written notice to the Issuer and the Guarantor at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, that such Note is due and payable, whereupon the same shall, subject to Condition 3, become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind.

**(c) Breach of Obligations**

To the extent permitted by applicable law and by these Conditions, a Noteholder may at its discretion institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer or the Guarantor under the Notes or the Guarantee, the Receipts or the Coupons, but the institution of such proceedings shall not have the effect that the Issuer or, as the case may be, the Guarantor shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

**(d) Other Remedies**

No remedy against the Issuer or the Guarantor, other than the institution of the proceedings referred to in paragraph (a) or (c) above and the proving or claiming in any dissolution and liquidation of the Issuer or the Guarantor, shall be available to the Noteholders, the Receiptholders or the Couponholders whether for the recovering of amounts owing in respect of the Notes, the Receipts or the Coupons or in respect of any breach by the Issuer or the Guarantor of any other obligation, condition or provision binding on it under the Notes, the Receipts or the Coupons.

## **12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **13. AGENTS**

The names of the initial Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are 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 Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) 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;

- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in London; and
- (d) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. 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 Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. 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 agent.

#### **14. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

#### **15. NOTICES**

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

## **16. MEETINGS OF NOTEHOLDERS AND MODIFICATION**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes 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 not less than a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes, the Receipts or the Coupons or amending the Guarantee), the quorum shall be one or more persons holding or representing not less than three-quarters in nominal amount of the Notes 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 Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons, the Guarantee, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons, the Guarantee, the Deed of Covenant or the Agency Agreement 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. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

## **17. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

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

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

## 19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

### 19.1 Governing law

The Agency Agreement, the Deed Poll, the Deed of Covenant, the Guarantee, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

### 19.2 Arbitration

Subject to Condition 19.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes, the Receipts and/or the Coupons (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) (a “**Dispute**”) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules (the “**Rules**”) of the London Court of International Arbitration (“**LCIA**”), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 19.2. For these purposes:

- (a) the place of arbitration shall be London, England;
- (b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
- (c) the language of the arbitration shall be English.

On receipt by the Issuer of a Request for Arbitration as defined in the Rules initiated by a Noteholder, Receiptholder or Couponholder (as the case may be), the Issuer shall send a copy of the Request for Arbitration to all Noteholders, Receiptholders or Couponholders, as applicable, (the “**Notification**”) within 30 days of receipt. The arbitral proceedings shall be suspended until the earlier of the completion of the Notification process or 30 days following the receipt by the Issuer of a Request for Arbitration.

Any Noteholder, Receiptholder or Couponholder (as applicable) may, on receipt of such Notification, request to be joined with any other Noteholder, Receiptholder or Couponholder (as applicable) to that arbitration, by filing a written notice (a “**Joinder Notice**”) with the relevant Noteholder, Receiptholder or Couponholder (as applicable) and the Issuer prior to disclosure of documents in that arbitration. Each Noteholder, Receiptholder or Couponholder hereby agrees to accept the joinder of any other Noteholder, Receiptholder or Couponholder (as applicable) where the interests of the Noteholders, Receiptholders or Couponholders (as applicable) are materially similar. Failure to file a Joinder Notice does not preclude any Noteholder, Receiptholder or Couponholder (as applicable) from bringing any action (whether arising from similar facts to those relevant to the arbitration in respect of which the Notification is provided or otherwise) in the future.

Any multi-party arbitration resulting from the joinder of any other Noteholder(s), Receiptholder(s) or Couponholder(s) (as applicable) will be formally settled in single arbitral proceedings.

In multi-party arbitration proceedings, the arbitral tribunal shall have all powers necessary to establish any supplementary procedural rules required or desirable in view of the multi-party nature of the proceedings.

In the event of arbitration proceedings where the interests of Noteholders, Receiptholders or Couponholders (as applicable) are sufficiently similar to permit those parties to be represented by a single counsel without generally accepted principles regarding conflicts of interest being infringed, such parties are obliged to act together and through one counsel only. In the event that there is some question as to whether the interests of some or all of the Noteholders, Receiptholders or Couponholders (as applicable) concerned are sufficiently similar to invoke the terms of this provision requiring joint representation, then that may be determined as a preliminary issue by the arbitral tribunal.



### 19.3 Court of law

Notwithstanding Condition 19.2 above, any Noteholder, Receiptholder or Couponholder 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 Noteholder, Receiptholder or Couponholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 19.4 and any arbitration commenced under Condition 19.2 in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation thereto.

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

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (ii) his entitlement to be paid his proper fees and disbursements; and
- (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

### 19.4 Submission to jurisdiction

In the event that a notice pursuant to Condition 19.3 is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer 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 19.4 is for the benefit of the Noteholders, the Receiptholders and the Couponholders only. As a result, and notwithstanding paragraph (a) above, any Noteholder, Receiptholder or Couponholder may take proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, any Noteholder, Receiptholder or Couponholder may take concurrent Proceedings in any number of jurisdictions.

### 19.5 Appointment of Process Agent

The Issuer appoints Abu Dhabi Commercial Bank (UK) Limited at its registered office at c/o Olswang, 90 High Holborn, London WC1V 6XX as its agent for service of process, and undertakes that, in the event of Abu Dhabi Commercial Bank (UK) Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes and notify the Noteholders, the Receiptholders and the Couponholders of such appointment in accordance with Condition 15. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## **19.6 Enforcement**

The Issuer agrees that an arbitral award or judgment or order of an English or other court, in connection with a dispute arising out of or in connection with these Conditions, shall be binding on it and may be enforced against it in the courts of any competent jurisdiction. For the purposes of the foregoing, in respect of any proceedings arising out of or connected with the enforcement and/or execution of any award or judgment made against the Issuer, the Issuer hereby expressly submits to the jurisdiction of any court in which any such proceedings are brought.

## **19.7 Waiver of immunity**

Abu Dhabi Commercial Bank PJSC hereby irrevocably and unconditionally waives with respect to the Notes, the Receipts and the Coupons 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, judgment or award made or given in connection with any Proceedings or Disputes.

## **19.8 Other documents**

Each of the Agency Agreement, the Guarantee, the Deed of Covenant and the Deed Poll contain governing law, arbitration, submission, process agent appointment, enforcement and waiver of immunity terms that are substantially similar to those set out above.

## **USE OF PROCEEDS**

In the case of Notes issued by ADCB Finance Cayman, the net proceeds from each issue of Notes will be lent by ADCB Finance Cayman to ADCB and, along with the net proceeds resulting from the Notes issued by ADCB, will be applied by ADCB for its general corporate purposes. In each case, if, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## DESCRIPTION OF ADCB FINANCE CAYMAN

ADCB Finance Cayman was incorporated in the Cayman Islands as a limited liability company on 12 May 2008 in accordance with laws of the Cayman Islands, with registration number WK-210317. Its registered office is c/o Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands.

The authorised share capital of ADCB Finance Cayman is U.S.\$50,000 divided into 5 million ordinary shares with a par value of U.S.\$0.01 each. The issued share capital of the Issuer is 100 shares, all of which are fully paid and held by ADCB.

ADCB Finance Cayman has no subsidiaries.

The board of directors of ADCB Finance Cayman and their principal occupations are as follows:

| <u>Director</u> | <u>Age</u> | <u>Principal Occupation at ADCB</u>      |
|-----------------|------------|--|
| Simon Copleston | 38         | General Counsel and Board Secretary      |
| Kevin Taylor    | 51         | Group Treasurer                          |
| Rajesh Raheja   | 41         | Head of Funding and Debt Capital Markets |

The business address of each member of the board of directors is PO Box 939, Abu Dhabi, UAE.

No member of the board of directors has any actual or potential conflict of interest between his duties to ADCB Finance Cayman and his private interests and/or other duties.

The objects of ADCB Finance Cayman, as referred to in its Memorandum of Association, are unrestricted and ADCB Finance Cayman has full power and authority under its Memorandum of Association to carry out any object which is not prohibited by the laws of the Cayman Islands. Permitted objects would accordingly include the issue of the Notes, execution of the Programme Agreement, the Agency Agreement, the Deed Poll and the Deed of Covenant (the “**Transaction Documents**”) to which it is a party and other agreements necessary for the performance of its obligations under the transactions contemplated thereby and undertaking activities pursuant to, or that are not inconsistent with, the terms and conditions of the Notes.

As at 31 October 2011, the Issuer has the UAE dirham equivalent of AED 4,342,206,284.00 in aggregate nominal amount of notes outstanding (both senior and subordinated) under this Programme. The Issuer will continue to issue notes, under this Programme, up to the Programme's limit.

Pursuant to the terms of the Transaction Documents, ADCB Finance Cayman may issue securities other than the Notes or otherwise incur indebtedness. Accordingly, the Issuer is also able to issue notes under its MYR Medium Term Note Programme. As at 31 October 2011, the Issuer has the UAE dirham equivalent of AED 1,377,001,881.00 in aggregate nominal amount of notes outstanding under the MYR Programme. The Issuer will continue to issue notes under the MYR Programme, up to the MYR programme's limit.

ADCB Finance Cayman has not audited or published, and does not propose to audit or publish, any accounts since it is not required to do so under the laws of the Cayman Islands. ADCB Finance Cayman's non-audited financial statements are not published and are prepared only for internal purposes. ADCB Finance Cayman is, however, required to keep such books of account as are necessary to give a true and fair view of ADCB Finance Cayman's affairs and to explain its transactions.

ADCB Finance Cayman has no employees and is not expected to have any employees in the future.

## DESCRIPTION OF ADCB

### OVERVIEW

ADCB is one of the leading commercial banks in the UAE, offering a wide range of retail, commercial, investment and Islamic banking, brokerage and asset management products and services. As at 30 September 2011, ADCB was the third largest bank in the UAE and the second largest bank in Abu Dhabi in terms of total assets (AED 183.1 billion), loans and other advances, net (AED 124.2 billion) and customer deposits (AED 108.0 billion), representing about 10.9 per cent. of the UAE market in terms of total assets according to Central Bank statistical records. As at 30 September 2011, ADCB served more than 480,000 retail customers and more than 34,000 wholesale customers, primarily in its domestic UAE market.

Since its incorporation in July 1985 following the merger of three local Abu Dhabi banks, ADCB has grown rapidly to become one of the largest full-service commercial banks in the UAE. Since its incorporation, the Government has at all times held a controlling interest of at least 61.6 per cent. of the share capital of ADCB.

As at 30 September 2011, ADCB's authorised and issued share capital was AED 5.6 billion. ADCB's shares have a nominal value of AED 1 each. As at the date of this Base Prospectus, the Government holds 61.6 per cent. of ADCB's share capital, of which 58.1 per cent. is held through the Council, with the balance being held by an investment institution wholly owned by the Government. ADCB's share capital is listed on the ADX.

ADCB has three principal areas of business:

- **Consumer Banking Group:** the consumer banking group provides a broad range of conventional retail banking and wealth management products and services to individual customers (including high net worth individuals) located primarily in the UAE. The products and services offered include current and deposit accounts, personal and vehicle loans, mortgage lending, brokerage, credit and other card services and corresponding Islamic retail banking products and services;
- **Wholesale Banking Group:** the wholesale banking group provides a broad range of corporate and investment banking products and services to large strategic clients (including government or government-related entities and regional blue-chip corporates), financial institutions, emerging local corporates and local branches of multinational corporations and SMEs. The products and services offered include corporate lending, cash management, trade finance, Islamic finance, debt securities underwriting and distribution, corporate advisory and structuring services. The group also oversees and monitors certain strategic investments, joint ventures and international operations (including ADCB's banking operations in India); and
- **Treasury and Investments Group:** the treasury and investments group provides commercial and proprietary treasury operations and manages ADCB's investment portfolio..

ADCB also has a property management division which comprises the real estate management and engineering service operations of ADCB's subsidiaries Abu Dhabi Commercial Properties ("ADCP") and Abu Dhabi Commercial Engineering Services ("ADCES") and ADCB Real Estate Fund's operations and rental income.

As at 30 September 2011, ADCB had 47 branches, 4 pay offices, 1 kiosk and around 287 ATMs in the UAE, with the majority in Abu Dhabi and Dubai, and two branches in India. ADCB also offers services to individuals and corporate customers through its "ADCB@ctive" internet banking, phone and SMS banking systems and through one of the largest point-of-sale networks in the UAE. In addition, ADCB provides a range of Sharia-compliant Islamic products and services under its "ADCB Islamic Banking" brand.

## **STRENGTHS**

ADCB believes that its businesses have the following strengths:

### ***Well situated to benefit from resilience and growth of the UAE economy***

ADCB believes that the resilience of its earnings and ability to grow its operating income since the middle of 2008 reflects the strengths of its core consumer and wholesale banking and treasury operations. ADCB reported a net profit of AED 2,531 million for the nine-month period ended 30 September 2011 and a net profit of AED 390.6 million for the year ended 31 December 2010.

In past years, ADCB has demonstrated an ability to capitalise on the strong growth rates in the region by substantially growing both its asset and liability portfolio, despite a highly competitive environment. ADCB's loans and advances, net of loan loss provisions, increased by 1 per cent. to AED 124.2 billion as at 30 September 2011 from AED 122.8 billion as at 31 December 2010. The increase was principally attributable to growth in the development and construction, financial institutions and energy sectors. ADCB's loans and advances, net of loan loss provisions increased by 5.3 per cent. to AED 122.8 billion as at 31 December 2010, from AED 116.6 billion as at 31 December 2009. The increase was principally attributable to growth in the development and construction, personal retail loans, Government and real estate investment sectors. Management believes that continued investment spending in the oil and gas industry, infrastructure and real estate sectors in the UAE and Abu Dhabi in particular will provide opportunities for all of ADCB's businesses, and particularly for ADCB's corporate customers, who are major suppliers to these investment programmes. ADCB therefore believes that it is well-positioned to be a significant indirect beneficiary of governmental domestic investment programmes. Management also believes that its consumer banking group is well-positioned to benefit from the growth and diversification of the UAE economy, as well as increased wealth across the UAE population.

### ***Supportive principal shareholder***

As at the date of this Base Prospectus, 61.6 per cent. of the issued and outstanding ordinary shares of ADCB were held by the Government, with 58.1 per cent. held through the Council, with the balance being held by an investment institution wholly owned by the Government. The Government was instrumental in the founding of ADCB through a three-way merger of local Abu Dhabi banks in 1985, and it has continued to support ADCB since that date. In particular, many Government-controlled entities regularly engage ADCB in new business opportunities and have remained long-standing clients of ADCB. Furthermore, in common with other regional governments, the Government provided financial support to its local banks, including ADCB, during the global financial crisis. This support helped ADCB to maintain liquidity and achieve a high capital adequacy ratio, well above the Central Bank guidelines, during the global financial crisis. The majority ownership of ADCB and financial and other support by the Government have helped to stabilise ADCB's performance in turbulent economic periods and to enhance customer and market confidence in ADCB. Although there can be no assurance that the Government will continue to support ADCB, management believes that ADCB's relationship with the Government is unlikely to change in the foreseeable future.

### ***Capital base and liquidity***

As at 30 September 2011, ADCB had a total capital adequacy ratio under Basel II of 22.2 per cent., consisting of a Tier I ratio of 15.6 per cent. and a Tier II ratio of 6.6 per cent. ADCB has maintained a strong liquidity position with a loans to stable resources ratio of less than 100 per cent. during the past three years. This ratio has been bolstered by the issuance by ADCB of AED 4.0 billion of Tier I Capital Notes in March 2009, as well as by the conversion of AED 6.6 billion of medium term deposits provided by the UAE federal government into Tier II qualifying loans in March 2009. On 24 April 2011, ADCB converted the AED 4.8 billion mandatorily convertible securities issued in 2008 into 785,597,381 equity shares at a conversion price of AED 6.11. Following the conversion of these securities, the Government's equity ownership of ADCB was reduced to its current level of 61.6 per cent. As at 30 September 2011, ADCB had cash on hand, balances with the Central Bank and short-term interbank placements (with a maturity of less than 6 months) of AED 24.0 billion.



### ***Strong domestic franchise with a well known and trusted brand***

In the UAE, ADCB is one of the leading commercial banks with a broad portfolio of consumer and wholesale products, an extensive distribution network and well-established relationships with its client base. With more than 480,000 retail customers and over 34,000 wholesale customers, ADCB has one of the largest customer bases in Abu Dhabi and the UAE and maintains one of the largest domestic distribution networks. This distribution network offers significant opportunities to attract additional clients and expand ADCB's range of products and services to existing clients. As at 30 September 2010, ADCB had 47 branches, 4 pay offices, 1 kiosk and 287 ATMs throughout the UAE with a suite of alternate banking channels, including Internet-based "ADCB@ctive", mobile banking channels and points-of-sale. As at 30 September 2011, ADCB had deposits of AED 108.0 billion, which represented a market share of 10.1 per cent. of total UAE bank deposits and a loan and other advances portfolio of AED 124.2 billion, which represented 11.6 per cent. of the total loans of all UAE banks, according to the UAE Monthly Banking Indicators, 30 September 2011 published by the Central Bank.

ADCB's strong position in consumer and wholesale banking enables ADCB to benefit from economies of scale and provides a strong platform for sustained profitability in the UAE banking market. Management believes that ADCB's market position and strong brand recognition throughout the UAE reflect ADCB's focus on high-quality customer service, creation of innovative products and services, its established track record in both consumer and wholesale banking, its targeted marketing to consumer, SME, large corporate and strategic client groups and its involvement in the UAE's most prominent infrastructure and other development projects.

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

ADCB's strategy (See "– Strategy") is supported by the senior 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. ADCB's senior management team has extensive experience in the financial services sector in the UAE and elsewhere, see "Governance". The heads of ADCB's wholesale, consumer, treasury and investment and credit groups have extensive experience in the finance and banking sector, with institutions such as Barclays Bank, Citibank, Standard Chartered Bank and Alico. ADCB believes that the experience of its senior management team is a key strength as it seeks to continue to improve its operating performance and implement its strategy.

### ***Expertise in designing banking products to meet customers' needs***

ADCB currently offers a range of banking products and services to its clients and has the ability to tailor each product to fit the banking needs of individual clients, especially its strategic, large corporate and high net worth individual clients. ADCB's wholesale banking group provides customised cash management, trade finance (including structured trade finance) and investment banking solutions to its strategic, large corporate and SME clients. In addition, through its joint venture with Australia's Macquarie Bank, ADCB provides infrastructure advisory and infrastructure-related funds management services. ADCB also offers individualised banking services for high net worth individuals. Since 2005, ADCB has focused on affluent retail clients and high net worth individual clients through its Privilege Club, Excellency and other programmes. ADCB also offers "TouchPoints", a rewards programme whereby customers earn points redeemable for goods and services for virtually all transactions carried out with ADCB, which management believes is unique in the region. In 2010, ADCB formed an alliance with Etihad Airways, the national airline of the UAE, to offer co-branded credit cards whereby customers are awarded Etihad miles (under the Etihad Guest Programme) for every dirham spent. In 2010, ADCB also entered into an alliance with Schroder & Co Bank AG to offer offshore Swiss private banking and wealth management services to its UAE clients. In 2011, ADCB entered into a strategic relationship with Bank of America Merrill Lynch ("BofAML"). This relationship has enabled ADCB's clients to gain access to BofAML's global network of corporate banking and cash management capabilities. In addition, in 2011, ADCB entered into a partnership with Export-Import Bank of Korea ("KEXIM") to provide comprehensive financing solutions for trade companies in both the UAE and Korea. On 1 October 2011, ADCB launched its "Free Banking" campaign, which offers fee free banking services subject to fair usage and other terms and conditions). ADCB believes that the availability

of custom-tailored products and services helps to market ADCB's other products and services effectively and to differentiate ADCB's products from those of its competitors.

## STRATEGY

ADCB's strategy for the period from 2011 to 2013 is based on five main themes:

- ***Growth through a UAE-centric approach and controlled internationalisation:*** ADCB aims to capitalise on the strengths of its consumer and wholesale banking franchises and strong brand in the UAE and enhance its position as a leading full-service commercial bank in the UAE. ADCB's core focus for growth resides primarily within the core segments of corporate, wholesale banking and consumer banking in the UAE, however ADCB will be prepared to take advantage of international opportunities, should suitable ones arise. The main strategy is to defend, maintain and consolidate ADCB's business in the UAE. ADCB intends to continue to work closely and strengthen its relationship with strategic and government clients in the UAE. In 2010, ADCB acquired the retail and SME banking businesses of The Royal Bank of Scotland plc ("**RBS**") in the UAE which added approximately 250,000 new customers, three new branches and two new customer service centres along with additional ATMs and operations processing and modern call centre facilities based in Dubai. The acquisition provided ADCB with an opportunity to increase its presence in the strategically important consumer banking business.
- ***Stability through growth in customer term liabilities:*** ADCB aims to improve its market share in the retail banking sector by increasing its level of current and saving deposits, thereby providing ADCB with a more stable funding base. ADCB increased its customer deposits from AED 86.3 billion as at 31 December 2009 to AED 108.0 billion as at 30 September 2011. In addition, between 31 December 2009 and 30 September 2011, current and saving account deposits, as a percentage of total customer deposits, increased from 21.8 per cent. to 24.9 per cent.
- ***Maintain a culture of service excellence and efficiency:*** ADCB continues to invest in new information technology ("**IT**") infrastructure and systems. ADCB's IT systems have been developed based largely on commercially available systems with very limited reliance on "in-house" software. Accordingly, management believes that its IT platform is easily scalable to accommodate growth in ADCB's consumer and wholesale banking businesses. ADCB's IT systems were also designed to be flexible so that they can service the different types of banking products that ADCB offers. ADCB has made significant investments in developing disaster recovery and business continuity sites and processes. ADCB is also aiming to maximise internal controls through compliance and audit functions. ADCB now occupies a Tier 4 data centre and has made major investments in IT systems for customer relationship management, cash management, treasury and trade finance. ADCB intends to continue to upgrade its IT and operational platforms in order to maximise shared resources and implement its cross-selling and cost reduction initiatives. Since 2010, ADCB has launched platforms to support both the trade finance and cash management businesses as well as investing further in risk monitoring and workflow tools.
- ***Manage our risk in line with a pre-defined risk strategy:*** ADCB has sought to recruit 'best in market' risk management teams and continues to build upon its standards of risk management, corporate governance and transparency. ADCB intends to manage down its customer and sector concentration risks and has implemented a more robust risk framework including investment in upgrading its risk systems and people capability to handle such risks. Risk management is also being carried out through ongoing proactive remedial management, tightening of credit criteria and education of staff in order to create a bank-wide 'credit' culture.
- ***Success through staff:*** ADCB recognises the contribution of its staff members to its long term profitability and success. To this end, ADCB intends to retain its key staff members, to periodically review their compensation and incentives and reward them in accordance with their performance. ADCB also intends to attract talent to key new roles within the organisation.

ADCB intends to continue to maintain market-attractiveness through its compensation structure, to continue to invest in its people and to build aspiring career paths for staff.

## HISTORY AND CORPORATE STRUCTURE

ADCB was incorporated in 1985 following the merger of Khalij Commercial Bank, Emirates Commercial Bank and Federal Commercial Bank. The merger was effected pursuant to a resolution of the Abu Dhabi Executive Council.

Following a strategic review conducted in 2003, ADCB undertook a bank-wide reorganisation programme designed to create a competitive, contemporary and full-service bank offering a wide range of products and services to its customers and that was capable of sustainable growth in profitability. The reorganisation strategy was implemented in 2003 and 2004. A new management team was also appointed during that period.

In 2005, ADCB formed a joint venture with Australia’s Macquarie Bank which focuses on infrastructure advisory services and infrastructure funds management. The joint venture leverages the specialised infrastructure advisory and infrastructure funds management capabilities of Macquarie Bank.

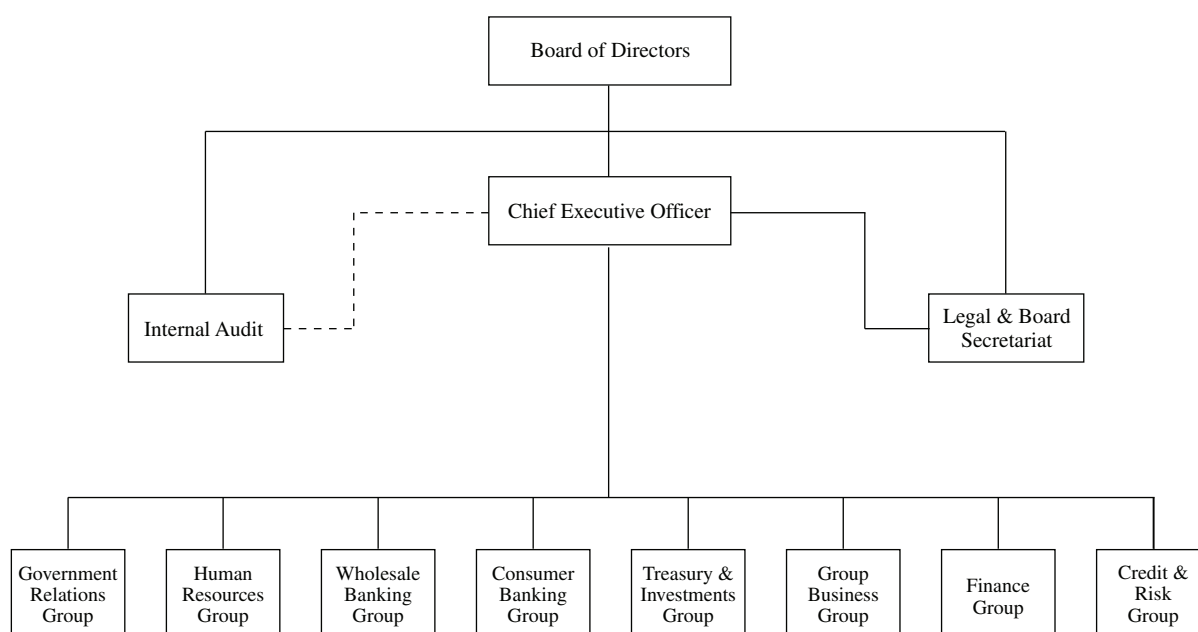
In 2006, ADCB engaged McKinsey & Company to assist with a review of ADCB’s products and services. This review culminated in the “ADCB Fast Forward” programme, a restructuring and overhaul of ADCB’s products, which was completed in late 2009. Following the successful implementation of the “Fast Forward” strategic programme, ADCB developed its strategy for the period 2011-2013 as described above (see “– Strategy”). In addition, in 2011, McKinsey & Company was appointed to assist in devising a five year plan for ADCB. ADCB’s strategy for the period from 2012 to 2017 is expected to be finalised in 2012.

In 2009, in common with other local UAE banks, ADCB accepted Tier II capital from the UAE Ministry of Finance in the sum of AED 6.6 billion. As a condition of acceptance of this capital, local banks were required to grant the Ministry of Finance a right to convert the Tier II capital into ordinary shares. This right is exercisable in the event that ADCB’s Tier I capital falls below the regulatory minimum set by the Central Bank from time to time.

In June 2011, ADCB divested its 24.9 per cent. ownership interest in RHB Capital Berhad (“**RHB**”), which it acquired in May 2008, see “– Recent Developments”.

## ORGANISATION CHART

The following chart sets out the organisation structure of the Bank as at 30 September 2011.



Currently, ADCB has the following shareholdings in the following material subsidiaries and associates:

| <b>Company</b>                                 | <b>Ownership<br/>(%)</b> | <b>Place of<br/>Incorporation</b> | <b>Book Value<br/>(U.S.\$ millions)<br/>as at 30<br/>September 2011</b> |
|--|--------------------------|-----------------------------------|---|
| Abu Dhabi Commercial Properties .....          | 100%                     | UAE                               | 75.91   |
| Al Dhabi Brokerage Services .....              | 100%                     | UAE                               | 18.67   |
| Abu Dhabi Commercial Islamic Finance .....     | 100%                     | UAE                               | 167.11  |
| Abu Dhabi Commercial Investment Services ..... | 100%                     | UAE                               | 28.31   |

## **RECENT DEVELOPMENTS**

### ***Dubai World exposure***

ADCB has established an impairment allowance of AED 1,067 million for its portion of exposures to the Dubai World group, of which AED 1,055 million was created in 2010 and the remaining in 2011. Following the successful restructuring of the Dubai World group in March 2011, this impairment allowance is being written back progressively and, as at 30 September 2011, the outstanding amount of this impairment allowance was AED 921 million of ADCB's outstanding exposure to the Dubai World group. This amount was included in ADCB's accounts for the nine months ended at 30 September 2011.

### ***Divestment of ownership interest in RHB***

On 30 September 2011, ADCB sold to Aabar Investments its 24.9 per cent. holding in RHB. ADCB had consistently benefited from its investment in RHB, which added value to the shareholders through strong dividends and share of profits. ADCB sold its holding in RHB in order to focus on its strategy of being a UAE-centric bank. In addition, the sale increased ADCB's Tier I ratio and total capital adequacy ratio.

### ***Re-branding of "ADCB Islamic Banking"***

In early 2011, ADCB conducted market research and obtained customer feedback on its Islamic banking brand "ADCB Meethaq". Based on the conclusions of the research and to provide impetus to its Islamic banking business, in July 2011 ADCB re-branded its Islamic banking franchise as "ADCB Islamic Banking".

## **CONSUMER BANKING GROUP**

The consumer banking group provides a range of conventional and Sharia-compliant products and services to retail consumers primarily located in the UAE. The group offers products including deposit and transactional accounts, personal and vehicle loans, mortgages, credit cards, third-party bancassurance products, third-party investment products, ADCB investment products, wealth management services and brokerage services. These products are priced according to the customer's overall relationship with ADCB and risk profile and are almost all linked to ADCB's unique "TouchPoints" programme, a bank-wide loyalty programme that enables customers to earn points redeemable for goods and services (for example, airline mileage points, mall vouchers and jewellery) for virtually all transactions carried out with ADCB as opposed to only credit card transactions as is common with other competitors. ADCB also offers co-branded credit cards in partnership with Etihad Airways, the national airline of the UAE, whereby customers are awarded Etihad miles for their purchases.

The consumer banking group comprises three separate divisions including: (i) the retail banking division, which serves the mass market with a focus on affluent individuals; (ii) the wealth management division, which serves high net worth individuals that carry a minimum balance of AED 500,000 with ADCB; and (iii) the Islamic banking division, which provides ADCB's Sharia-compliant products and services such as murabaha, mudaraba and ijarah to both retail and wholesale customers. As at 30 September

2011, the consumer banking group had more than 1,530 employees and over 480,000 customers, almost all of which were based in the UAE.

In response to current market conditions and in order to continue to grow its consumer banking business, ADCB has focused on controlling and reducing costs (generally through means other than reductions in personnel), and has tightened its credit standards.

## **Consumer banking divisions**

### ***Retail banking***

The retail banking division offers the consumer banking group's products and services to mass market customers with a focus on affluent individuals. Mass market customers fulfilling certain criteria are entitled to enroll in the Privilege Club. ADCB has formed alliances with Etihad Airways, the national airline of the UAE, and LuLu Hypermarkets, the largest supermarket chain in the UAE, to offer co-branded credit cards.

### ***Wealth management***

The wealth management division offers the consumer banking group's products and services to customers carrying a minimum aggregate balance across accounts of at least AED 500,000. Such customers are enrolled in ADCB's Excellency Wealth Management programme and receive the most extensive services offered by ADCB, including the Excellency Premium Debit Card and the Excellency Platinum Credit Card, as well as significant discounts on many services such as discounts with merchant alliance partners, guaranteed annual vacation (linked to annual spending) and complementary Priority Pass membership, which provides access to a large number of airport VIP lounges. The private accounts unit manages lending to HNWIs and their related companies. They currently manage an asset book of approximately AED 47 billion.

### ***Islamic banking***

The Islamic banking division is managed under the "ADCB Islamic Banking" brand, which offers Sharia-compliant products and services to both consumer and corporate customers such as corporate lending, retail financing, corporate deposits, retail deposits and open architecture investments (an investment platform that makes available to investors a broad array of third party managers and strategies). The division forms a part of ADCB's Islamic banking platform in conjunction with ADCB's wholly-owned Islamic banking subsidiary, Abu Dhabi Commercial Islamic Finance. For further information on ADCB's Islamic banking, see "*– Islamic banking*".

## **Products and services**

ADCB's retail banking, wealth management and Islamic banking divisions offer a range of products and services to individuals, almost all of which are linked to ADCB's unique "TouchPoints" bank-wide loyalty programme. The principal products and services offered by these divisions include:

- *Deposit and transactional accounts*: the consumer banking group offers customers interest and non-interest bearing current accounts (which can be opened in a variety of currencies), savings accounts, term deposit accounts and call accounts of different maturities and yields. Customers can access their accounts by using their debit cards at ADCB's network of around 287 ATMs, including 24 cheque and 50 cash deposit machines, as well as through SMS, telephone and internet banking channels. As at 30 September 2011 and as at 31 December 2010, ADCB held AED 26,783.1 million and AED 25,347.7 million, respectively, of consumer deposits, representing 24.8 per cent. and 23.9 per cent., respectively, of ADCB's total deposits during such periods.
- *Personal loans (excluding Islamic portfolio)*: personal loans, including Smart Loans (which are short-term, high-interest bearing personal loans against the borrower's salary transfers and post dated cheques for amounts up to AED 750,000 for personal loans and AED 150,000 for Smart



Loans), are extended for a variety of purposes and are denominated in UAE dirham. Decisions to extend or refuse loans are generally made within three days of application for retail banking customers and wealth management banking customers. The average term of a personal loan is approximately four years for retail banking customers and four years for wealth management banking customers. As at 30 September 2011, retail customers are the key segment for personal loans, representing 99.3 per cent. of ADCB's personal loans outstanding. None of such loans are structured with variable interest rates. As at 30 September 2011 and as at 31 December 2010, ADCB had 52,173 and 51,227 personal loans outstanding, respectively, totalling AED 6,240.6 million and AED 6,800 million, respectively, and representing 5 per cent. and 5.5 per cent., respectively, of ADCB's total loans during such periods.

- *Vehicle loans (excluding Islamic portfolio):* vehicle loans are extended for the purchase of cars and boats and are generally denominated in UAE dirham. The process by which vehicle loans are extended, and the terms governing such loans, are substantially similar to those with respect to personal loans. In order to receive a vehicle loan, the consumer must pledge the vehicle to be purchased as security interest to ADCB. ADCB has established relationships with partners such as Al Futtaim GE Money (a joint venture between GE Money and the Al Futtaim Group) in order to provide loan products that allow customers to secure loans directly with ADCB without having to involve a dealership. This eliminates fees and commissions payable in respect of newly generated vehicle loans to its customers. The term of a vehicle loan is 5 years for mass market retail banking customers and HNWIs. As at 30 September 2011 and as at 31 December 2010, ADCB had approximately 26,040 and 29,112, respectively, vehicle loans outstanding, totalling AED 1,110.6 million and AED 1,366.3 million, respectively, and representing 0.9 per cent. and 1.1 per cent., respectively, of ADCB's total loans during such periods.
- *Mortgages (excluding Islamic portfolio):* the consumer banking group provides mortgages for the purchase of properties and off-plan properties. Although it has significantly slowed recently due to a significant decline in the UAE property values, the residential mortgage market in the UAE had grown significantly in recent years due to the launch of landmark developments and the opening of certain free zones in the UAE to ownership by non-UAE nationals. For mass market retail banking customers, the maximum loan to value (“LTV”) ratio allowed for properties purchased by salaried employees is 85 per cent., while the maximum LTV allowed for non-salaried individuals is 70 per cent. For high net worth customers, the maximum LTV ratio allowed for properties purchased is 85 per cent. The average term of a mortgage is approximately 20 years for retail banking customers and 19 years for wealth management banking customers. All mortgages are structured with variable interest rates. Property insurance is typically bundled with mortgages. As at 30 September 2011 and as at 31 December 2010, ADCB had approximately 6,499 and 6,110 mortgages outstanding, respectively, totalling AED 4,767.8 million and AED 4,990.7 million, respectively, and representing 3.8 per cent. and 4.1 per cent., respectively, of ADCB's total loans during such periods.
- *Credit cards (excluding Islamic portfolio):* the consumer banking group offers credit cards by Visa and MasterCard, as well as co-branded credit cards with LuLu Hypermarkets, the largest supermarket chain in the UAE and with Etihad Airways, the national airline of the UAE. As at 30 September 2011 and as at 31 December 2010, ADCB had issued 254,000 and 235,000 credit cards, respectively, with net receivables totalling AED 2,653 million and AED 2,663 million, respectively, representing 2.14 per cent. and 2.17 per cent., respectively, of ADCB's total loans and advances. As at 30 September 2011, ADCB had issued approximately 12 per cent. of all Visa and MasterCard credit cards issued in the UAE, compared to 10 per cent. as of 31 December 2010.
- *Third party bancassurance products:* the consumer banking group offers comprehensive insurance solutions and services through partnerships with international and local providers including Zurich International Life, American Life Insurance Company, Dubai Islamic Insurance & Reinsurance Co. and Oman Insurance Co. These services consist of protection



plans (including whole of life cover, term insurance, accidental death and disability benefits and critical illness cover), unit linked and guaranteed savings vehicles, auto insurance, and in-patient health insurance for expatriate workers. For promoting and distributing these products ADCB receives a commission representing a percentage of insurance premiums paid during the first year of insurance cover. Insurance policies are underwritten and administered by ADCB's partner insurance companies. In the nine months ended 30 September 2011 and the year ended 31 December 2010, ADCB received commissions totalling AED 20.5 million and AED 8.5 million, respectively, for its sales of third party bancassurance products.

### **Sales, service and distribution channels**

In order to both maintain long-term customer relationships and further expand its customer base, ADCB maintains an extensive retail branch network (including kiosk and pay offices) in the UAE, principally in Abu Dhabi and Dubai. ADCB also services its clients through a network of alternative distribution channels, including ATMs, cheque and cash deposit machines, contact and call centres, Internet banking, phone banking, SMS banking and an extensive point-of sale network.

#### ***Conventional distribution channels***

As at 30 September 2011, ADCB maintained the following conventional distribution channels:

- *47 branches (not including kiosk)*, located throughout all seven emirates of the UAE (with the majority concentrated in Abu Dhabi and Dubai) and two branches in India. Each of ADCB's branches in the UAE and India contains a teller and bank operations unit and a sales and service unit (which are ISO 1001 certified). These branches are organised into eight regional clusters for management purposes, although the head of each branch office has his own authority and reports directly to the head office;
- *One kiosk*, located in Tawam hospital, Al Ain;
- *Six Excellency Centres*, located in Abu Dhabi, Al Ain, Dubai and Sharjah to serve HNWI customers; and
- *LuLu Sales Counters*, which are in-store sales counters located in the LuLu Hypermarkets throughout the UAE.

Furthermore, ADCB's branches, Excellency Centres and LuLu Sales Counters are complemented by various collaborations with suppliers and brokers, including mortgage brokers, consumer finance companies and automobile dealers.

As at 30 September 2011, ADCB had 180 full-time employees who act as relationship managers for high net worth clients and affluent clients, such as members of the Excellency programme and the Privilege Club. As at 30 September 2011, ADCB also had approximately 648 exclusive outsourced sales agents and 225 telemarketing sales agents, who target retail customers in the mass market.

#### ***Alternative distribution channels***

ADCB also maintains the following alternative distribution channels:

- *ADCB@ctive*, ADCB's Internet banking system. ADCB@ctive achieved a customer satisfaction level of 87 per cent. in 2010 according to ADCB's annual customer satisfaction survey. As at 30 September 2011, 177,000 customers had registered with ADCB@ctive;
- *Mobile banking*, ADCB's mobile banking system. ADCB customers can conduct certain basic banking transactions such as account transfer, bill payments and enquiries. As at 30 September 2011, 320,000 customers had registered for mobile banking;

- *SMS alerts*, provides SMS alert services and allows ADCB customers to request information on transactions conducted through ADCB's mobile banking system. As at 30 September 2011, 320,000 customers had registered for SMS banking;
- *Around 287 ATMs, including 24 cheque and 50 cash deposit machines*, located throughout the UAE (with the majority concentrated in Abu Dhabi and Dubai);
- *Contact Centres*, call centres designed to assist customers with questions concerning consumer banking products and services. ADCB's contact centres are ISO 9001 certified;
- *Interact*, call centres designed to address customer complaints. In the nine months ended 30 September 2011, Interact resolved 91.7 per cent. of complaints received within 72 hours; and
- *Point-of-sale network*, which allows ADCB customers to use their banking card to pay for goods and services at retail outlets and service centres throughout the UAE.

### **Competition for consumer banking group**

The consumer banking market in the UAE is highly fragmented and includes a range of local and international banks. The primary competitors to ADCB's consumer banking business are Emirates NBD, Mashreqbank, National Bank of Abu Dhabi and HSBC. ADCB attempts to distinguish itself from these local and international banks by providing a full range of products and services, superior customer services, a customer-centred approach, alternate and effective distribution channels and "TouchPoints". In Islamic consumer banking, ADCB's principal competitors include Dubai Islamic Bank and Abu Dhabi Islamic Bank. Similarly, ADCB attempts to distinguish itself from these local Islamic banks by drawing on its full-service conventional banking experience in order to provide a more extensive range of Islamic banking products and services than can typically be offered by such local banks.

### **Awards**

ADCB's consumer banking division has been recognised as one of the leading providers of retail banking products and services in the UAE. In 2009, ADCB received the "Best Premium Banking Service Award" for its Privilege banking services from Banker Middle East. In 2010, ADCB received the "Best Consumer Internet Bank 2010 – country award for UAE" from Global Finance Magazine as a part of the "Global Finance 2010 World's Best Internet Banks". In 2011, ADCB received a number of awards including the "Best Retail Bank in the UAE and GCC" award from the Asian Banker Journal, and the "Best Credit Card" award for its LuLu Hypermarkets credit card and the "Best Co-branded Card Award" for its Etihad Guest Above Credit Card at the Smart Card Awards Middle East 2011.

### **WHOLESALE BANKING GROUP**

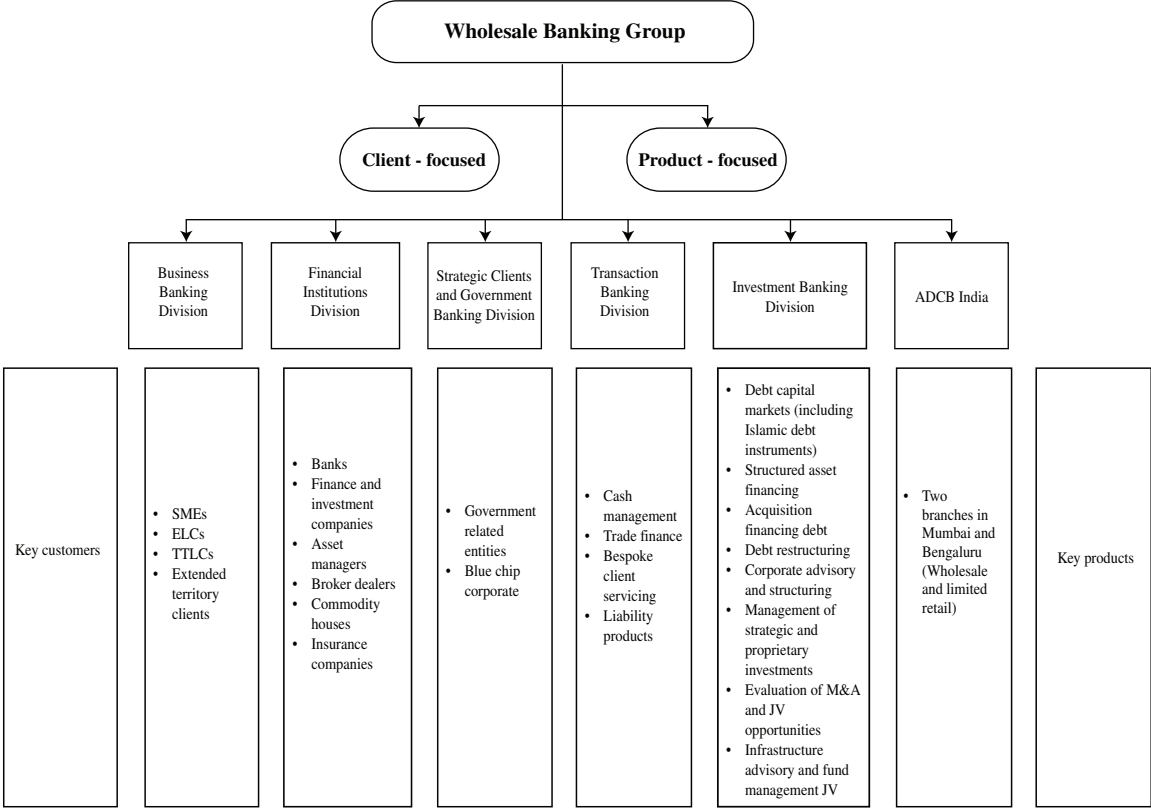
The wholesale banking group provides corporate lending and working capital finance, transactional banking, capital markets and advisory services to SMEs, local, regional and multinational corporate entities, government and government-related entities and financial institutions, primarily in the UAE.

The group's client-focused divisions include the: (i) business banking division, which focuses on SMEs, emerging local corporates ("**ELCs**"), top-tier local corporates ("**TTLCs**") and non-UAE based clients headquartered elsewhere in the GCC ("**extended territory clients**") seeking traditional bank finance and other banking services; (ii) financial institutions division, which focuses on banks, finance and investment companies, asset managers, broker dealers, commodity houses and insurance companies; and (iii) strategic clients and government banking division, which focuses on large government-related entities and local blue-chip corporates.

The group's product-focused divisions include the: (i) transactional banking division, which focuses on cash management, trade finance, bespoke client servicing and liability products such as fixed deposits; (ii) investment banking division, which focuses on conventional and Islamic debt capital markets instruments

including debt underwriting and distribution services, structured asset and acquisition financing, debt restructuring, corporate advisory and structuring services and oversees and monitors ADCB’s strategic investments, infrastructure fund management and the evaluation of mergers and acquisitions and joint venture opportunities; and (iii) ADCB’s Indian operations.

The following chart sets out the organisational structure of the wholesale banking group.



Although the consumer banking group oversees ADCB’s Islamic banking operations, the wholesale banking group draws on the expertise of ADCB’s Islamic banking specialists to offer Islamic banking products and services to its clients. See “– Islamic banking”. As at 30 September 2011, the wholesale banking group was staffed by approximately 326 employees and had over 34,000 customers, over 96 per cent. of which were based in the UAE.

Between 2008 and 2011, in order to continue to grow its wholesale banking group, ADCB has, among other things: (i) re-priced its loans to improve its profit margins through individually negotiating changes to credit spreads and introducing floor pricing (if not already present) with certain borrowers; and (ii) increased its customer deposits. ADCB is also: (i) developing new products and services for underserved and profitable market segments, such as SMEs; (ii) strengthening its risk management policies in order to further control the quality of its wholesale banking assets and liabilities; (iii) managing NPLs through actively engaging clients, rescheduling and restructuring loans through its front-office in-line with clients’ ability to repay outstanding loans and/or increasing collateral; (iv) leveraging its large corporate and institutional relationships to cross-sell investment banking and treasury products to its strategic and large corporate clients; and (v) expanding its transaction banking and investment banking business to increase ADCB’s fee revenues and improve profit margins.

In 2011, ADCB received the “Best Commercial Bank” award from the Banker Middle East Industry Awards for its commercial banking activities.

## **Client-focused divisions**

### ***Business banking***

The business banking division comprises: (i) client units, which cater to different industry sectors; and (ii) the business banking support unit, which performs a front-office control and documentation function. The business banking division offers a range of products and services to SMEs (entities with annual revenue of less than AED 100 million), ELCs (entities with annual revenue between AED 100 million and AED 350 million), TTLCs (entities with annual revenue above AED 350 million) and extended territory clients (typically large corporations based in other GCC countries that have operations in the UAE). The principal products and services offered by the division include cash management, trade finance, short-term working capital loans and term loans and other corporate and project financing. The group also offers liquidity management solutions.

### ***Client units (excluding Islamic portfolio)***

*SMEs.* This unit provides SME customers with cash management, trade finance, corporate financing and deposit services. In order to control the costs of and risks associated with the services it provides to its SME clients, the unit provides clients with relatively standardised packages of services rather than separate solutions for each individual client. The SME division has increased customer deposits (consisting of term and demand deposits) from SMEs in each year since 2009. ADCB gained 1,393 new funded SME loan accounts among new and existing customers in the nine months ended 30 September 2011 and expects to continue to grow its SME client base in the future. As at 30 September 2011, ADCB had approximately 28,242 SME customers. In 2011, ADCB received the “Best SME Account Award for its BusinessEdge” suite of products from Banker Middle East Product Awards.

*TTLCs.* The TTLC division provides a customised package of products and services for each individual client and specialised trade finance, cash management, treasury and financing services to TTLCs. The division’s extended territory clients typically seek ADCB’s local expertise in trade finance products, including letters of credit and export and import finance. Almost all of these clients are based in the UAE, with the balance being the extended territory clients in other GCC countries.

*ELCs.* The ELCs unit acquires and manages entities that have annual revenue between AED 100 million and AED 300 million for selling assets and liability products. Its clients base include mid-sized UAE companies with operations within the UAE, including branches of foreign companies and offshore entities, and those with overseas operations.

### ***Business banking support unit***

The business banking support unit provides support to the business banking division through services including portfolio monitoring, document exception management, quality controls and assurance over front office activities, as well as preparing financing documents.

### ***Financial institutions***

The financial institutions division is responsible for managing ADCB’s relationships with, as at 30 September 2011, approximately 1,089 financial institutions (including non bank financial institutions) located around the globe. These financial institutions comprise banks, finance and investment companies, asset managers, broker dealers, commodity houses and insurance companies. The division provides a range of trade finance, treasury, financing and other products and solutions to these financial institutions. The division is also responsible for maintaining nostro (where ADCB holds an account with other financial institutions) and vostro (where other financial institutions hold an account with ADCB) client relationships. ADCB’s revenue from financial institutions continued to decline in 2009, 2010 and the nine months ended at 30 September 2011, as the focus was to reduce exposure to financial institutions, and especially banks, due to the global financial crisis. In addition, the financial institutions division is responsible for the allocation of limits for banks to other relevant areas of ADCB, including the treasury group. The division is

focused on increasing revenues from ADCB's treasury and trade finance businesses, and its funded portfolio is being managed on a run-off basis.

### ***Strategic clients and government banking division***

The strategic clients and government banking division manages the wholesale banking group's relationships with major government entities and the largest corporate entities in the UAE in terms of size that are likely users of investment banking products. The division provides such clients with financing, trade finance, cash management, treasury and investment banking products and services. These strategic clients consist primarily of government departments, government-related corporates and local private sector companies. As at 30 September 2011, ADCB had approximately 129 strategic client relationships and approximately 353 government clients.

Through the relationships managed by this division, ADCB has acted as an arranger, underwriter or lead manager in a number of corporate and project finance transactions. These include public sector and infrastructure projects (including private public partnership ("PPP") projects), financing to quasi-sovereign investment companies and international debt capital markets offerings. See "*Product-focused divisions – Investment banking*".

In November 2010, ADCB launched a unique banking proposition, called "Reyadah", providing for a single premium customer servicing platform to the Government departments, the Government agencies and wholly-owned Government commercial entities in the UAE. Reyadah is the first venture that includes services from all groups of ADCB including the consumer banking group, the wholesale banking group and the treasury and investments group.

### **Product-focused divisions**

#### ***Transactional banking***

The transactional banking division provides corporate banking services to support the wholesale banking group's client focused divisions. The division offers cash management, trade services and trade finance products as well as liability products such as call accounts, fixed deposits and money market related deposits. The division's principal products and services include:

- *Cash management*: the division manages cash accounts and payment and collection products for its corporate and financial institution clients. It also provides escrow services and is closely involved in the management of deposit products.
- *Trade finance*: the division provides trade finance products and services such as export/ import letters of credit, payment guarantees, bills and collections.
- *Liability products*: the division is responsible for providing and managing liability products, including deposits.
- *Service*: the division is responsible for providing an enhanced service offering dedicated support for ADCB's most important client relationships.

ADCB is focused on significantly increasing its transaction banking capabilities, including its trade finance and cash management capabilities. With respect to trade finance, ADCB has: (i) aligned its wholesale banking group coverage teams (both internally and with the credit group); (ii) built capacity for structured transactions, including the development of an Islamic trade finance delivery channel; (iii) launched an advanced internet-based trade finance platform to re-brand ADCB's trade finance offerings and enhance its capabilities; and (iv) reviewed and streamlined documentation practices. In 2011, ADCB entered into a partnership with KEXIM to provide comprehensive financing solutions for trade companies in both the UAE and Korea.

With respect to cash management, ADCB: (i) has increased clients (including government clients) using ADCB's cash management capabilities; (ii) has launched programmes to strengthen deposit retention,

drive the acquisition of deposits and cross-sell existing products; (iii) is providing yield-enhancing, principal-protected investments through the treasury and investments group; (iv) is exploring opportunities for providing transactional management services to niche customer groups such as universities, law and accounting firms and insurance companies; (v) is focusing on acquiring Sharia-compliant deposits; (vi) is building a payment system to deliver end-to-end cash management; and (vii) is driving efficiencies by offering streamlined processing and payment options. In 2011, ADCB entered into a strategic relationship with BofAML. This relationship has enabled ADCB's clients to gain access to BofAML's global network of corporate banking and cash management capabilities.

### ***Investment banking***

The investment banking division primarily provides corporate advisory, origination, structuring, underwriting and syndication services to corporations, financial institutions and government controlled entities.

The division offers its products and services primarily to clients in the UAE, and especially in Abu Dhabi. Although the division does not focus on any particular industries or sectors, it has provided products and services to a disproportionately large number of real estate and energy companies due to the concentration of such companies in the region. The division routinely works with international banks as a co-arranger or co-lead manager in international debt offerings by GCC issuers and intends to position itself as the preferred local partner of these firms rather than directly competing with them.

Most of the division's clients are located in the UAE and the GCC.

The division's principal investment banking products and services include:

- *Asset-based finance*: the division offers asset-based finance (infrastructure and project financing) to local or multinational corporates.
- *Debt capital markets*: the division structures and arranges conventional bonds (including convertible bonds) on a syndicated or stand-alone basis. The division also offers structured and standardised Islamic finance, including Sharia-compliant financing and Sukuk issuances for its institutional clients, and intends to grow its Islamic debt capital markets business significantly in the future.
- *Structured financing and debt restructuring*: the division offers structured asset finance, acquisition finance (including leveraged finance) and debt restructuring for local or multinational corporates.
- *Corporate advisory and structuring*: the division provides corporate advisory and structuring services to clients to facilitate complex structured financing transactions. In addition, the division assists with investment management and transaction negotiation and performs due diligence and sell-side asset valuations.

The division also: (i) manages ADCB's strategic investments and certain of ADCB's proprietary investments; and (ii) oversees ADCB's infrastructure advisory. In addition, the division seeks and evaluates strategic opportunities for ADCB, such as mergers and acquisitions and joint ventures, and performs valuations of assets for investment purposes.

### ***Infrastructure fund management***

The division also oversees the joint venture ADCB formed with Australia's Macquarie Bank, focusing on infrastructure advisory services and infrastructure fund management.

### **ADCB India operations**

The wholesale banking group oversees ADCB's Indian banking operations. ADCB has two branches in India, located in Mumbai and Bengaluru. These branches primarily provide corporate banking products



and services, including asset liability and trade finance products, to ADCB's Indian and UAE corporate clients. While ADCB's Indian operations include certain limited consumer banking operations, such operations are small in relation to the branches' overall operations. ADCB's Indian branches are regulated by the Reserve Bank of India.

### **Competition for wholesale banking group**

The primary competitors to ADCB's wholesale banking business include Emirates NBD, Mashreqbank, National Bank of Abu Dhabi, First Gulf Bank and HSBC. ADCB also competes with certain international banks such as Standard Chartered Bank, Barclays Bank, BNP and RBS. In debt capital markets and securities underwriting and distribution, ADCB works with international investment banks such as Goldman Sachs, Citibank, Morgan Stanley and UBS as co-lead or joint managers, rather than competing with them.

Certain aspects of ADCB's wholesale banking business, including access to deposits and trade finance, have become increasingly competitive due to tight domestic liquidity conditions for term deposits and a renewed focus on non-funded lending by local banks.

In Islamic wholesale banking, ADCB's principal competitors include Abu Dhabi Islamic Bank and Dubai Islamic Bank.

### **TREASURY AND INVESTMENTS GROUP**

The treasury and investments group manages ADCB's commercial and proprietary treasury operations and investment securities and credit default swaps ("CDS") portfolios.

In the nine months ended 30 September 2011, ADCB's treasury and investments group generated operating income of AED 1,020.2 million, representing 23 per cent. of ADCB's total operating income.

#### **Treasury division**

The group's treasury division offers a range of treasury services including money market, interest rate, currency and commodity services to domestic and foreign corporate, public sector and government entities, as well as to HNWI clients, international clients, investors and financial institutions. The products include interest rate, currency and commodity derivative products as well as other structured treasury solutions and risk management products.

The division is also responsible for monitoring and managing ADCB's cash flow and liquidity as well as ADCB's foreign exchange risks, investments and interest rate risks and ensures that ADCB operates within a defined loans to stable resources ratio by performing daily liquidity tests and asset to deposit ratio tests (including loan to deposit ratio tests). This is reported on a monthly basis to the Assets and Liabilities Committee (the "ALCO").

In its treasury operations, ADCB aims to continue to leverage its wholesale and retail banking client relationships to increase its market share.

#### **Investments division**

ADCB's investments division manages ADCB's securities portfolio. Its investment strategy focuses on investments that: (i) do not compromise ADCB's short to medium-term liquidity positions; and (ii) satisfy ADCB's low risk appetite but generate attractive returns on capital. The investments are evaluated periodically and recorded on a mark-to-market or mark-to-model basis on ADCB's statement of financial position.

ADCB's investments are primarily in highly liquid sovereign and quasi sovereign 0 to 20 per cent. risk weighted senior unsecured fixed income securities issued by UAE, GCC and global issuers. As at 30 September 2011 this division had: (i) investment in senior fixed income securities of systemically important banks in the US, the UK and France; (ii) a portfolio of AED 175 million of listed or unlisted equity, primarily

based in the UAE; and (iii) exposure of AED 160 million to legacy collateralised debt obligations (“CDOs”), cash flow CDOs and synthetic CDSs originated in, or with underlying exposures primarily in, the United States, Europe and India.

ADCB’s liquidity is invested in liquid assets, mainly in the UAE federal government and other government related bonds in the GCC and systemically important financial institutions. The total investment securities portfolio managed by ADCB grew from AED 8,263 million as at 31 December 2010 to AED 15,156 million as at 30 September 2011. As at 30 September 2011, the net book value of the total investment securities portfolio managed by ADCB’s investments division was AED 14,907 million and the net book value of ADCB’s CDS portfolio was AED 115 million.

The table below sets forth ADCB’s investment securities and CDS portfolios on the dates indicated.

|                            | As at 31 December |       | As at 30<br>September |
|----------------------------|-------------------|-------|-----------------------|
|                            | 2009              | 2010  | 2011                  |
|                            | (AED millions)    |       | (unaudited)           |
| Investment securities..... | 4,373             | 8,263 | 15,156                |
| CDS.....                   | 2,007             | 412   | 115                   |

Until 2007, ADCB had a relatively large portion of its investment securities portfolio in structured products invested outside the UAE and GCC (45 per cent. as at 31 December 2007). As at 30 September 2011, as a result of losses arising from the global credit crisis, investments outside the UAE and GCC have been reduced to 37.7 per cent. of its portfolio. Asset allocation has been to highly liquid senior unsecured bonds of systemically important financial institutions with liquidity being the key investment criteria. The geographical distribution of ADCB’s investment securities portfolio as at 30 September 2011 was AED 7,417 million (48.9 per cent.) in the UAE, AED 2,015 million (13.3 per cent.) in other GCC countries and AED 5,725 million (37.8 per cent.) in the rest of the world.

Over the past two years ADCB has sold or restructured many of its investments in US structured finance assets, floating rate notes (including structured investment vehicle notes), CDOs and CDSs in the United States and Europe. In particular, ADCB has settled the largest of its CDS exposures, which related to a special purpose vehicle with a collateral pool comprised largely of collateralised debt obligations backed by a range of asset types from commercial property Tier I debt of financial institutions. Structured credit investments have now been reduced to less than 1 per cent. of the total investments portfolio. The bulk of the portfolio (approximately 95 per cent.), is invested in liquid fixed income securities. The equity exposure is to UAE equities only through direct listed equities and mutual funds.

For more information about the risks associated with these investments, see “*Risk Factors – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect ADCB’s business, results of operations, financial condition and prospects*”.

The table below sets forth ADCB’s impairment allowances charged in relation to the investment securities portfolio on the dates indicated.

|   | As at 31 December |              | As at 30<br>September |
|---|-------------------|--------------|-----------------------|
|   | 2009              | 2010         | 2011                  |
|   | (AED millions)    |              | (unaudited)           |
| <b>Impairment allowances</b>            |                   |              |                       |
| Investment securities.....              | 540.1             | 249.1        | 45.5                  |
| CDS.....                                | 244.5             | 178.3        | 195.7                 |
| <b>Total impairment allowances.....</b> | <b>784.6</b>      | <b>427.4</b> | <b>241.2</b>          |

## **Competition for treasury operations**

The management of ADCB believes that ADCB has market leading expertise in derivative products and structured treasury solutions as compared to local banks. In addition to competing with the local UAE banks, ADCB competes with a number of international banks in this business, including HSBC, Standard Chartered Bank, Citibank and Deutsche Bank. These banks have a wealth of experience in international treasury operations and market knowledge in this area and may pose a significant threat to ADCB's franchise in the UAE market. However, management believes that ADCB's strong relationships with its ELCs, TTLs, strategic clients, SMEs and financial institutions, combined with its treasury products expertise, will help sustain or enhance its market position in the foreseeable future.

## **ISLAMIC BANKING**

The Islamic banking division provides a comprehensive range of liability and asset products for retail, wealth management, corporate, treasury and SME clients. "ADCB Islamic Banking" is the common brand under which all of ADCB's Sharia-compliant products and services are offered through the Islamic Banking Department of ADCB and Abu Dhabi Commercial Islamic Finance, a UAE-based wholly owned subsidiary of ADCB. ADCB Islamic Banking provides corporate lending, retail lending, corporate deposits, retail deposits, treasury solutions, Sukuk arranger services, retail lending, corporate deposits and open architecture investments products. ADCB currently uses its existing processing infrastructure and distribution channels for its Islamic banking operations in order to avoid any internal competition and duplication of resources. All Islamic banking products and services are regulated by the Central Bank and overseen by an independent Sharia Supervisory Board. The Sharia Supervisory Board is responsible for reviewing, approving and overseeing all of ADCB's Sharia-compliant products and services, product structures and documentation. As at 30 September 2011 and as at 31 December 2010, ADCB Islamic Banking held AED 9,393 million and AED 8,095 million, respectively, of Islamic customer deposits. The total Islamic assets of ADCB Islamic Banking as at 30 September 2011 and as at 31 December 2010, were AED 3,542 million and AED 3,508 million, respectively.

ADCB competes with a number of Islamic banks in the region (including Dubai Islamic Bank, Emirates Islamic Bank, Al Hilal Bank and Abu Dhabi Islamic Bank), multinational banks with their own Islamic banking franchises (HSBC Amanah and Standard Chartered Bank Sadiq) and some local commercial banks with their own Islamic banking departments or Islamic finance companies (Mashreqbank, National Bank of Abu Dhabi and First Gulf Bank). ADCB's strategy is to focus on increasing the contribution of Islamic banking to ADCB's net profit, particularly through offering new Sharia-compliant products and cross-selling of Sharia-compliant products with its existing products by positioning itself as the UAE's conventional bank with a strong platform for Sharia-compliant products and services.

## **COMPETITIVE ENVIRONMENT**

The UAE banking sector currently comprises 51 banks, of which eight are Islamic banks, and branches or subsidiaries of 28 foreign banks. The licensed foreign bank branches and subsidiaries focus mainly on consumer banking, trade finance, foreign currency operations and government-related business. Foreign bank participation in public sector financing has had a significant downward effect on margins in this area. The UAE banking market is becoming increasingly competitive and challenging.

UAE local banks enjoy tax advantages with zero corporate, income and sales tax while international banks operating in the UAE are subject to 20 per cent. corporate tax on their profits.

## **HUMAN RESOURCES**

### **Employees**

The total number of ADCB employees as at 30 September 2011 was 3,812 as compared to 3,824 as at 31 December 2010. ADCB experienced a steady increase in employee headcount in the five years to 2008, but restricted hiring during 2009 and 2010 in line with the slowdown in the economy and to control its

operating costs. The total number of outsourced workers as at 30 September 2011 was 1,933 as compared to 1,475 as at 31 December 2010.

ADCB is committed to training and developing new and existing staff in order to ensure that ADCB continues to be supported by the skills required for its operational success. This includes the establishment of both internal and external training programmes for staff members. Training courses cover leadership skills, functional and technical skills and “soft skills” such as time management, communication and team building. For its top executives and senior managers, ADCB has partnered with leading global educational institutions, including INSEAD, to keep them up to date on latest management trends and leadership skills. Technical skill courses under ADCB’s “Academy of Excellence” programme cover ADCB’s products and services, anti-money laundering, customer service, internal control and ADCB’s core banking system. For ADCB’s new employees, ADCB offers a “Marhaba Day” induction programme.

In addition to private medical insurance, pension schemes for UAE nationals and other benefits, ADCB has variable remuneration schemes for middle and senior management under which performance bonuses and other incentives (including interests in ADCB’s shares) are awarded based on annual performance. The awards are dependent on individual performance, the performance of the respective business unit and the performance of ADCB as a whole. For example, ADCB’s senior executives can receive cash bonuses or stock incentive awards based on ADCB’s growth in core net profit, excluding extraordinary items, under the executive reward plan. In addition, ADCB’s senior executives can receive interests in ADCB’s shares under the long-term incentive plan. Cash and stock incentive awards under these plans vest over a three-year period. Other cash bonuses are restricted for a period (up to 12 months) determined by the Board, on an annual basis.

ADCB also has an annual performance appraisal scheme for all staff and merit pay increases and bonuses are paid on the basis of performance rankings. ADCB also pays sales staff incentives for achieving sales and revenue targets.

## **Emiratization**

In 1999, as part of a policy of “Emiratization”, UAE banks were instructed by the UAE federal government to increase the number of UAE nationals on their payroll by at least 4 per cent. per annum.

In line with the UAE federal government’s instructions, ADCB has made a commitment to employing and training UAE nationals. ADCB has implemented a wide number of initiatives to recruit, train and retain qualified UAE nationals across all business units and positions in ADCB. As a result, the number of UAE nationals employed by ADCB grew from 253 in 2005 to 1,322 in 2011. The percentage of UAE national employees at ADCB grew from 15.41 per cent. at 31 December 2005 to 36.3 per cent. at 31 December 2010.

## **GROUP BUSINESS SERVICES**

ADCB’s group business services is responsible for ADCB’s information technology strategy and planning and all related technical services throughout ADCB. The head of the department is responsible for developing and implementing a collective IT and project management strategy across ADCB. Since ADCB’s restructuring in 2004, ADCB has aimed to build a collaborative IT and project management framework that leverages IT assets and resources. The IT strategy is focused on providing reliable information and systems to its customers and employees in a secure environment. It assesses ADCB’s future operational needs and implements new IT systems to meet them, in each case with reference to ADCB’s overall technology strategy and with the primary aim of delivering efficient, cost-effective systems.

ADCB’s IT systems are comprised of relatively new, updated modules and have been deployed largely based on commercially available systems with very limited “in-house” software. Accordingly, management believes that its IT platform is easily scalable to accommodate growth in ADCB’s consumer and wholesale banking businesses. In addition, as ADCB’s IT system is relatively de-centralised, it remains flexible so that it can service the different types of banking products that ADCB offers.

ADCB's disaster recovery plans aim to ensure that critical systems and data continue to be fully operational and to provide essential services to its customers. ADCB carries out daily and other periodic data back-ups which are stored at a location outside of Abu Dhabi. In cases of emergency, ADCB can switch over to the disaster recovery site within one hour. ADCB's data centre is located outside the city limits of Abu Dhabi in a Tier 4 facility providing technical facilities certified in accordance with the Uptime Institute.

Additionally, ADCB sends copies of its critical systems and data to a remote location outside of Abu Dhabi daily, in compliance with the Central Bank's instructions. ADCB also carries out regular intrusion tests on its IT network with the assistance of an external vendor.

## **PROPERTY**

ADCB's principal fixed assets include property and equipment. Notable real estate locations inside Abu Dhabi owned by ADCB include: (i) ADCB's head-office building, situated in the central business district area of Abu Dhabi City; (ii) a site at Plot C20, Abu Dhabi National Exhibition Centre, part of the Capital Centre District; (iii) ADCB's office building, situated at Al Nahyan Camp in Abu Dhabi City; and (iv) other sites in Abu Dhabi including the ADCB Tourist Club branch building and Najda Street Buildings.

In addition, ADCB owns a number of buildings across the UAE associated with its business operations as part of its branch network, corporate space and storage facilities.

Because ADCB is not wholly owned by UAE nationals as a result of it being a public company, it is not able to be registered as an owner of real estate situated in Abu Dhabi outside restricted areas. This does not apply to ADCB's current headquarters and certain other plots, which were historically registered in ADCB's name. ADCB has, on occasion, resolved this issue by arranging for a director or executive, or companies associated with them, to hold property located in Abu Dhabi on behalf of ADCB. While this arrangement has proven an effective means of complying with Abu Dhabi law, it exposes ADCB to certain risks with respect to certain real estate properties, including the risk of such property passing to the custodian's heirs under Sharia law if the custodian were to die intestate. See "*Risk Factors – ADCB is exposed to risk of loss relating to its real estate property as a result of the interplay between ADCB's ownership structure, Abu Dhabi real estate foreign ownership restrictions and UAE laws of inheritance*". In order to mitigate any such risks, ADCB has organised a company owned by employees of ADCB who are UAE nationals specifically for the purpose of holding its UAE properties. The process of transferring the properties from such individuals to the company is ongoing. As at 30 September 2011, Jasem Al Darmaki owned AED 338.1 million worth of real estate as custodian for ADCB, including two sites located at Capital Centre and Al Nahyan Camp.

## **LITIGATION**

There were a number of routine legal proceedings pending against ADCB as at 30 September 2011, the value of which was not material in the context of ADCB's balance sheet. Based on the advice of ADCB's legal advisors, senior management believes that no significant liability is likely to arise from these proceedings. Therefore, no material provision has been made as at 30 September 2011 regarding any outstanding legal proceedings against ADCB. Pending legal proceedings are reviewed on an ongoing basis and provisions are made at the end of each fiscal quarter subject to the approval of the CEO and the Board.

## **Cheyne finance**

During 2008, ADCB filed, as lead-plaintiff, a claim in the courts of New York, United States against certain rating agencies and financial institutions. The claim relates to losses incurred by ADCB in 2007 in connection with its investment in a structured investment vehicle known as Cheyne. Based on advice from ADCB's legal advisors, senior management does not believe that the ultimate resolution of these proceedings will have a significant adverse effect on the financial position of ADCB.

## **Saad Group and Algosaiabi Group**

The Saad Trading, Contracting & Financial Services Limited (the “**Saad Group**”) and the Ahmad Hamad Algosaiabi & Brothers Co. (the “**Algosaiabi Group**”), two prominent Saudi Arabian family-owned groups, announced in March 2009 that they were experiencing serious financial difficulties.

ADCB commenced legal proceedings in August 2009 against the Saad Group and the Algosaiabi Group in several jurisdictions, with the aim of recovering additional assets and thereby further reducing its exposures to the two groups. In July 2010, ADCB obtained judgment from the United Kingdom courts in a sum of approximately U.S.\$33 million plus interest, in relation to its case against Saad Contracting & Trading. In October 2011, ADCB obtained a judgment from the Abu Dhabi courts in a sum of approximately U.S.\$147 million plus interest, in relation to its cases against Saad Contracting & Trading and Maan Al Sanea. Enforcement of these judgments, and other substantive debt claims against the Saad Group and the Algosaiabi Group in UAE and Saudi Arabia, is ongoing. As at the date of this Base Prospectus, ADCB is continuing to pursue various litigation actions with respect to the two groups.

As at 30 September 2011, ADCB had an aggregate exposure of AED 242 million to the Saad Group and AED 128 million to the Algosaiabi Group. As at the date of this Base Prospectus, ADCB has made provisions against these exposures that exceed the guidelines set by the Central Bank.

## **Farmington**

In November 2010, ADCB as sole plaintiff filed a claim in the Supreme Court of the State of New York against an international financial institution, a ratings agency and certain individuals in connection with a structured investment vehicle known as Farmington. The claim relates to losses incurred as a result of ADCB’s investment in capital notes and a credit default swap. In August 2011, the Supreme Court of the State of New York dismissed ADCB’s claim. However, ADCB has notified the courts of its intention to appeal and the case is ongoing. The losses incurred as a result of ADCB’s investment in the capital notes have now been fully provisioned and the credit default swap has been settled (see “*Treasury and investments group – Investments division*”). Accordingly, this litigation is unlikely to have an adverse effect on the financial position of ADCB.

## **INSURANCE**

ADCB maintains various insurance policies and coverage. These include standard property insurance coverage for its assets (premises and contents), crime and professional indemnity insurance coverage. ADCB also maintains a limited terrorism insurance cover (based on commercial viability) for its assets in the UAE. ADCB’s assets are insured on reinstatement cost basis. Historically, ADCB has been under insured as the fast growth of its businesses outpaced its insurance cover. Based on the advice from its insurance brokers, ADCB has embarked on a three year programme to increase its insurance coverage to sufficient levels, which commenced with its 2010 renewals. For details, see “*Risk Factors – ADCB’s insurance coverage may not be adequate*”.



## SELECTED FINANCIAL INFORMATION OF ADCB

The following information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to, ADCB's Financial Statements, which have been incorporated by reference and form part of this Base Prospectus.

The following tables sets out the selected financial information of ADCB as at and for the years ended 31 December 2010 and 2009 and as at and for the nine months ended 30 September 2011, as extracted from the Financial Statements.

### STATEMENT OF FINANCIAL POSITION – MATURITY PROFILE

The table below summarises the maturity profile of ADCB's assets and liabilities as at 31 December in each of 2010 and 2009, based on remaining contractual maturities (which do not take into account effective maturities as indicated by ADCB's deposit retention history and the availability of liquid funds):

| As at 31 December 2010                    |                       |                            |                       |                      |                     |                   |
|---|-----------------------|----------------------------|-----------------------|----------------------|---------------------|-------------------|
| Total                                     | Less than<br>3 months | 3 months<br>to<br>6 months | 6 months<br>to 1 year | 1 year to<br>3 years | Over<br>3 years     |                   |
| <i>(AED thousands)</i>                    |                       |                            |                       |                      |                     |                   |
| <b>Assets</b>                             |                       |                            |                       |                      |                     |                   |
| Cash and balances with                    |                       |                            |                       |                      |                     |                   |
| Central Banks .....                       | 5,887,630             | 5,637,630                  | –                     | 250,000              | –                   | –                 |
| Deposits and balances due                 |                       |                            |                       |                      |                     |                   |
| from banks .....                          | 18,397,534            | 18,397,534                 | –                     | –                    | –                   | –                 |
| Loans and advances, net.....              | 122,771,870           | 20,554,001                 | 4,064,011             | 6,343,661            | 20,140,605          | 71,669,592        |
| Derivative financial instruments .....    | 3,588,973             | 59,112                     | 184,096               | 132,977              | 744,086             | 2,468,702         |
| Investment securities .....               | 8,263,138             | 92,818                     | 67,040                | 556,962              | 1,539,537           | 6,006,781         |
| Investment in associates .....            | 5,358,199             | –                          | –                     | –                    | –                   | 5,358,199         |
| Investment properties .....               | 289,192               | –                          | –                     | –                    | –                   | 289,192           |
| Other assets.....                         | 12,489,157            | 11,182,574                 | 140,815               | 57,155               | 44,135              | 1,064,478         |
| Property and equipment, net.....          | 1,070,321             | –                          | –                     | –                    | –                   | 1,070,321         |
| Intangible assets .....                   | 155,180               | –                          | –                     | –                    | –                   | 155,180           |
| <b>Total assets.....</b>                  | <b>178,271,194</b>    | <b>55,923,669</b>          | <b>4,455,962</b>      | <b>7,340,755</b>     | <b>22,468,363</b>   | <b>88,082,445</b> |
| <b>Liabilities and equity</b>             |                       |                            |                       |                      |                     |                   |
| Due to banks.....                         | 4,841,865             | 3,249,718                  | –                     | 734,500              | 416,887             | 440,760           |
| Deposits from customers .....             | 106,134,185           | 67,003,986                 | 18,688,598            | 17,613,537           | 2,826,650           | 1,414             |
| Mandatory convertible securities –        |                       |                            |                       |                      |                     |                   |
| liability component.....                  | 29,131                | –                          | 29,131                | –                    | –                   | –                 |
| Short and medium term borrowings....      | 21,019,694            | 2,954,953                  | 1,211,840             | 3,281,225            | 9,021,949           | 4,549,727         |
| Derivative financial instruments .....    | 3,487,764             | 257,304                    | 166,287               | 197,646              | 677,507             | 2,189,020         |
| Long term borrowings .....                | 8,906,109             | –                          | –                     | –                    | –                   | 8,906,109         |
| Other liabilities .....                   | 14,279,098            | 13,046,266                 | 107,285               | 50,698               | 10,371              | 1,064,478         |
| Equity .....                              | 19,573,348            | –                          | –                     | –                    | –                   | 19,573,348        |
| <b>Total liabilities and equity .....</b> | <b>178,271,194</b>    | <b>86,512,227</b>          | <b>20,203,141</b>     | <b>21,877,606</b>    | <b>12,953,364</b>   | <b>36,724,856</b> |
| <b>Liquidity gap .....</b>                | <b>–</b>              | <b>(30,588,558)</b>        | <b>(15,747,179)</b>   | <b>(14,536,851)</b>  | <b>9,514,999</b>    | <b>51,357,589</b> |
| <b>Cumulative liquidity gap .....</b>     | <b>–</b>              | <b>(30,588,558)</b>        | <b>(46,335,737)</b>   | <b>(60,872,588)</b>  | <b>(51,357,589)</b> | <b>–</b>          |

## As at 31 December 2009

|   | <b>Total</b>       | <b>Less than<br/>3 months</b> | <b>3 months<br/>to<br/>6 months</b> | <b>6 months<br/>to 1 year</b> | <b>1 year to<br/>3 years</b> | <b>Over<br/>3 years</b> |
|---|--------------------|-------------------------------|-------------------------------------|-------------------------------|------------------------------|-------------------------|
| <i>(AED thousands)</i>                    |                    |                               |                                     |                               |                              |                         |
| <b>Assets</b>                             |                    |                               |                                     |                               |                              |                         |
| Cash and balances with                    |                    |                               |                                     |                               |                              |                         |
| Central Banks .....                       | 4,139,015          | 4,139,015                     | –                                   | –                             | –                            | –                       |
| Deposits and balances due                 |                    |                               |                                     |                               |                              |                         |
| from banks .....                          | 18,348,988         | 18,348,988                    | –                                   | –                             | –                            | –                       |
| Trading securities .....                  | 86,561             | 86,561                        | –                                   | –                             | –                            | –                       |
| Loans and advances, net.....              | 116,610,292        | 19,689,111                    | 4,556,118                           | 5,537,117                     | 20,070,926                   | 66,757,020              |
| Derivative financial instruments .....    | 4,953,019          | 322,859                       | 49,098                              | 92,131                        | 788,017                      | 3,700,914               |
| Investment securities .....               | 4,372,744          | 884,482                       | 48,251                              | 79,596                        | 207,539                      | 3,152,876               |
| Investment in associates .....            | 4,582,659          | –                             | –                                   | –                             | –                            | 4,582,659               |
| Investment properties .....               | 549,492            | –                             | –                                   | –                             | –                            | 549,492                 |
| Other assets.....                         | 5,774,287          | 5,774,287                     | –                                   | –                             | –                            | –                       |
| Property and equipment, net.....          | 791,721            | –                             | –                                   | –                             | –                            | 791,721                 |
| <b>Total assets.....</b>                  | <b>160,208,778</b> | <b>49,245,303</b>             | <b>4,653,467</b>                    | <b>5,708,844</b>              | <b>21,066,482</b>            | <b>79,534,682</b>       |
| <b>Liabilities and equity</b>             |                    |                               |                                     |                               |                              |                         |
| Due to banks.....                         | 4,738,201          | 1,863,336                     | 303,204                             | 992,101                       | 1,089,671                    | 489,889                 |
| Customers' deposits .....                 | 86,299,957         | 65,245,527                    | 12,701,226                          | 6,783,316                     | 1,567,987                    | 1,901                   |
| Mandatory convertible securities –        |                    |                               |                                     |                               |                              |                         |
| liability component.....                  | 109,049            | –                             | –                                   | –                             | 109,049                      | –                       |
| Short and medium term borrowings....      | 28,921,804         | 606,870                       | 4,129,706                           | 4,194,847                     | 10,247,378                   | 9,743,003               |
| Derivative financial instruments.....     | 4,689,489          | 352,955                       | 48,367                              | 147,995                       | 426,165                      | 3,714,007               |
| Long term borrowings .....                | 8,619,494          | –                             | –                                   | –                             | –                            | 8,619,494               |
| Other liabilities .....                   | 7,740,665          | 7,740,665                     | –                                   | –                             | –                            | –                       |
| Equity .....                              | 19,090,119         | –                             | –                                   | –                             | –                            | 19,090,119              |
| <b>Total liabilities and equity .....</b> | <b>160,208,778</b> | <b>75,809,353</b>             | <b>17,182,503</b>                   | <b>12,118,259</b>             | <b>13,440,250</b>            | <b>41,658,413</b>       |
| <b>Liquidity gap.....</b>                 | <b>–</b>           | <b>(26,564,050)</b>           | <b>(12,529,036)</b>                 | <b>(6,409,415)</b>            | <b>7,626,232</b>             | <b>37,876,269</b>       |
| <b>Cumulative liquidity gap .....</b>     | <b>–</b>           | <b>(26,564,060)</b>           | <b>(39,093,086)</b>                 | <b>(45,502,501)</b>           | <b>(37,876,269)</b>          | <b>–</b>                |

## FUNDING

The following table sets out the sources of funding for ADCB as at 30 September 2011 and 31 December in each of 2010 and 2009.

|   | As at 31 December  |            |                |              | As at 30 September |            |
|---|--|------------|----------------|--------------|--------------------|------------|
|   | 2009   |            | 2010           |              | 2011               |            |
|   | AED  | %          | AED            | %            | AED                | %          |
|   | <i>(unaudited)</i>   |            |                |              |                    |            |
|   | <i>(AED millions and as a percentage of the respective category)</i> |            |                |              |                    |            |
| <b>Customer deposits</b>                                    |  |            |                |              |                    |            |
| Demand deposits.....  | 17,511   | 20.3       | 21,440         | 20.2         | 24,632             | 22.8       |
| Time deposits .....   | 56,608   | 65.6       | 67,042         | 63.2         | 62,710             | 58.0       |
| Saving deposits .....                                       | 1,272  | 1.5        | 1,565          | 1.5          | 2,242              | 2.1        |
| Other .....   | 10,909   | 12.6       | 16,087         | 15.2         | 18,449             | 17.1       |
| <b>Total customer deposits .....</b>                        | <b>86,300</b>  | <b>100</b> | <b>106,134</b> | <b>100.0</b> | <b>108,032</b>     | <b>100</b> |
| <b>Due to banks</b>   |  |            |                |              |                    |            |
| Current and demand deposits ....                            | 524  | 11.1       | 1,002          | 20.7         | 783                | 19.7       |
| Short and medium term deposits .....                        | 4,214  | 88.9       | 3,840          | 79.3         | 3,182              | 80.3       |
| <b>Total due to banks.....</b>                              | <b>4,738</b>   | <b>100</b> | <b>4,842</b>   | <b>100.0</b> | <b>3,964</b>       | <b>100</b> |
| Mandatory convertible securities – liability component..... | 109  | –          | 29             | –            | 0                  | –          |
| Short and medium term borrowings .....                      | 28,922   | –          | 21,020         | –            | 23,536             | –          |
| Long term borrowings .....                                  | 8,619  | –          | 8,906          | –            | 7,886              | –          |
| <b>Total funding .....</b>                                  | <b>128,688</b>   | <b>–</b>   | <b>140,931</b> | <b>–</b>     | <b>143,419</b>     | <b>–</b>   |

ADCB's principal source of funding is its customer deposits, which as at 30 September 2011, accounted for 75.3 per cent. same as at 31 December 2010 and 67.1 per cent. at 31 December 2009.

As at 30 September 2011, the aggregate amount of customer deposits totalled AED 108 billion, AED 106.1 billion as at 31 December 2010 and AED 86.3 billion as at 31 December 2009.

## INVESTMENTS

The following table sets out details of the investments held by ADCB as at 30 September 2011 and 31 December in each of 2010 and 2009.

|   | As at 31 December |                 | As at 30<br>September |
|---|-------------------|-----------------|-----------------------|
|   | 2009              | 2010            | 2011                  |
|   |                   |                 | (unaudited)           |
|   |                   |                 | (AED millions)        |
| <b>Available for sale investments</b>     |                   |                 |                       |
| Quoted investments .....                  | 3,677.54          | 8,240.26        | 15,155.33             |
| Allowance for impairment .....            | (407.71)          | (238.70)        | (244.21)              |
| Unquoted investments .....                | 1,121.28          | 422.89          | 301.77                |
| Allowance for impairment .....            | (18.37)           | (161.31)        | (56.69)               |
| <b>Total available for sale .....</b>     | <b>4,372.74</b>   | <b>8,263.14</b> | <b>15,156.20</b>      |
| <b>Held for maturity .....</b>            | <b>-</b>          | <b>-</b>        | <b>-</b>              |
| <b>Total non trading investments.....</b> | <b>4,372.74</b>   | <b>8,263.14</b> | <b>15,156.20</b>      |

## PROVISIONS FOR CREDIT LOSSES

The following table sets out the movements in provisions for credit losses as at 30 September 2011 and 31 December in each of 2010 and 2009:

|  | As at 31 December |                | As at 30<br>September |
|--|-------------------|----------------|-----------------------|
|  | 2009              | 2010           | 2011                  |
|  |                   |                | (unaudited)           |
|  |                   |                | (AED millions)        |
| Balance at the beginning of the year ..... | 1,990.0           | 4,232.3        | 6,296.4               |
| Currency translation adjustment .....      | 0.8               | 0.5            | (1.2)                 |
| Release of provision .....                 | -                 | -              | (146.3)               |
| Net amounts written back/(off).....        | (726.8)           | (910.3)        | (1,686.3)             |
| Recoveries .....                           | (109.3)           | (283.5)        | (181.2)               |
| Charge for the period .....                | 3,077.6           | 3,143.0        | 1,787.8               |
| On acquisition of business .....           | -                 | 114.4          | -                     |
| <b>Balance .....</b>                       | <b>4,232.3</b>    | <b>6,296.4</b> | <b>6,069.1</b>        |

The net charge to income on account of provision for possible credit losses (excluding ADCB's exposure to Dubai World entities) was AED 1,595.0 million as at 30 September 2011 and AED 2,859.5 million in 2010. As a result, non-performing loans (excluding ADCB's exposure to Dubai World entities) as a percentage of gross loans decreased from 5.8 per cent. as at 31 December 2010 to 5.4 per cent. as at 30 September 2011 and the provision (excluding ADCB's allowance for Dubai World entities), as a percentage of non-performing loans, increased from 69.6 per cent. as at 31 December 2010 to 73.3 per cent. as at 30 September 2011. ADCB adopts a conservative approach towards provisioning loans and other credit.

## RELATED PARTY TRANSACTIONS

ADCB enters into transactions with major shareholders, directors, executive management and their related concerns in the ordinary course of its business and at commercial interest and commission rates. As

at 31 December 2010, ADCB had made loans and advances to related parties totalling AED 18,137.9 million and had received customer deposits from related parties totalling AED 24,339.8 million. ADCB also had irrevocable commitments and contingencies with related parties in the amount of AED 247.4 million as at 31 December 2010. Due to the nature of ADCB's controlling shareholder, the Government of Abu Dhabi (which encompasses a number of government controlled entities), it is impractical to disclose fully all related party transactions between ADCB and its indirect controlling shareholder as well as ADCB's related companies as described by IAS 24.

#### **FURTHER INFORMATION**

For further detail on the financial information of ADCB, please see: (i) the notes to the consolidated financial statements for the year ended 31 December 2009, (ii) the notes to the consolidated financial statements for the year ended 31 December 2010 and (iii) the notes to the condensed consolidated interim financial information for the period ended 30 September 2011, each of which has been incorporated by reference in this Base Prospectus.

## GOVERNANCE

The Board of Directors (the “**Board**”) is ADCB’s principal decision-making forum. It has overall responsibility for the management and strategy of ADCB and is accountable for creating and delivering sustainable shareholder value through its guidance of ADCB’s business. In particular, it sets the goals, strategies and policies of ADCB. The Board monitors the performance of ADCB’s businesses and guides and supervises ADCB’s executive management.

ADCB has adopted a corporate governance code which is based on international best practices. The core principles of ADCB’s corporate governance code comprise: (i) responsibility and the clear division and delegation of authority; (ii) accountability in the relationships between ADCB’s management and the Board, and between the Board and the shareholders and other stakeholders; (iii) transparency and disclosure to enable stakeholders to assess ADCB’s financial performance and condition; and (iv) fairness in the treatment of all stakeholders. In recognition of ADCB’s focus on corporate governance, internal controls and risk management, ADCB was named the top bank in the GCC in terms of liquidity, volatility and transparency according to a survey conducted by TNI (The National Investor) and Hawkamah in April 2009. Also in 2009, ADCB won the Hawkamah – UAB Award for corporate governance, which placed ADCB as the best for corporate governance in the UAE. In 2010, IFC, a division of the World Bank, selected ADCB as one of its corporate governance “success stories”. In addition, in 2010 and 2011, ADCB won World Finance Magazine’s award for “Best Corporate Governance in the UAE”.

As of the date of this Base Prospectus, the Board consists of 11 members, elected by ADCB’s shareholders and one adviser to the Board. The roles of the Chairman and the Chief Executive Officer (“**CEO**”) are separate and distinct, and there is clear division between their respective roles 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 CEO and specifies his powers and authority. The day-to-day management of ADCB has been delegated by the Board to the CEO, who is assisted by the Management Executive Committee (“**MEC**”). The CEO, assisted by the MEC, is responsible for controlling and monitoring ADCB’s business on a day-to-day basis, recommending strategy to the Board, leading senior management and implementing the Board’s strategic and operational decisions. The CEO also serves on the Board as an executive director. All other Directors of the Board are non-executive directors.

All Directors are required to seek re-election by shareholders every three years. Directors are permitted to elect any Director nominated to fill a vacancy, but any Director so appointed must seek election by shareholders at the next annual general assembly. One-third of the Board is required to seek re-election on an annual basis.

Any candidate for appointment as a Director must first be considered and approved by the Board’s nomination, compensation and HR committee (“**NCHR Committee**”) and the Central Bank. Amongst other things, the NCHR Committee will consider whether the skills held by the candidate Director are suitable. Where necessary, the NCHR Committee will also consider whether the candidate meets ADCB’s criteria for independence. The Council, as the majority shareholder, has the right to appoint a proportionate number of members of the Board to its shareholding in ADCB. As of the date of this Base Prospectus, the Chairman of the Board is one of the Directors appointed by the Council and the Council has appointed six other members of the Board. Where the Council intends to appoint a new Director, it is required to consult with the NCHR Committee in advance of such appointment. Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting.

During 2011, the Board appointed Lord Davies of Abersoch as its advisor. Lord Davies is a highly accomplished and experienced banking and business professional. As an advisor to the Board, Lord Davies advises on all aspects of ADCB’s business, including strategy.



## BOARD OF DIRECTORS

As of the date of this Base Prospectus, the Board comprises:

| <b>Position</b>  | <b>Age</b> | <b>Name, background and other positions</b>   |
|--|------------|---|
| <p><b>Chairman of the Board</b><br/> <i>Chairman of the Risk and Credit Committee</i></p> <p><i>Member of the Nomination, Compensation and HR Committee</i></p>      | <b>54</b>  | <p><b><i>Mr. Eissa Al Suwaidi</i></b><br/>           Executive Director – Abu Dhabi Investment Council; Board Member – Abu Dhabi National Oil Company for Distribution; Board Member – International Petroleum Investment Company; Board Member – Abu Dhabi Fund for Development; Board Member – Emirates Investment Authority; and Board Member – Emirates Integrated Telecommunications Company “du”.</p>   |
| <p><b>Vice-Chairman of the Board</b><br/> <i>Chairman of the Nomination, Compensation and HR Committee</i></p> <p><i>Member of the Risk and Credit Committee</i></p> | <b>39</b>  | <p><b><i>Mr. Mohammad Sultan Ghannoum Al Hameli</i></b><br/>           Executive Director – Finance Department of the Government of Abu Dhabi; Chairman – Health Authority Abu Dhabi; Board Member – Abu Dhabi Development Fund; Board Member – Abu Dhabi Airport Company; Board Member – Abu Dhabi Ports Co (ADPC); Board Member – Abu Dhabi Health Services Company (SEHA); Board Member – Abu Dhabi Public Service Company (Musanada); Board Member – Social Welfare &amp; Minor Affairs Foundation.</p> |
| <p><b>Board Director</b><br/> <i>Chairman of the Audit and Compliance Committee</i></p> <p><i>Member of the Corporate Governance Committee</i></p>                   | <b>48</b>  | <p><b><i>Mr. Mohamed Darwish Al Khouri</i></b><br/>           Chairman of the Executive Committee – Oman &amp; Emirates Investment Holding Company; Vice Chairman – Oman &amp; Emirates Investment Holding Company; Executive Director – Internal Equities Department, ADIA; Board Member – Alpha Committee, ADIA; Board Member – The Financial Corporation; and Member – Investment Committee, ADIA.</p>   |
| <p><b>Board Director</b><br/> <i>Member of the Corporate Governance Committee</i></p> <p><i>Member of the Risk and Credit Committee</i></p>                          | <b>50</b>  | <p><b><i>Mr. Abdulla Khalil Al Mutawa</i></b><br/>           General Manager – Office of Sheikh Suroor Bin Mohammed Al Nahyan; Board Member – Al Falah Exchange, UAE; Board Member – Bank Al Falah Ltd., Pakistan; Chairman – Board Audit Committee, Bank Al Falah Ltd.; Member – Board Finance Credit &amp; HR Committee, Bank Al Falah Ltd.; Chairman – Board Risk Committee, Bank Al Falah Ltd.; and Board Member – Wateen Telecom Ltd., Pakistan.</p>   |

| <b>Position</b>   | <b>Age</b> | <b>Name, background and other positions</b>   |
|---|------------|---|
| <p><b>Board Director</b><br/> <i>Member of the Nomination, Compensation and HR Committee</i></p>  | <b>65</b>  | <p><b><i>Mr. Jean-Paul Pierre Villain</i></b><br/> Head – ADIA Strategy Committee; Head – Strategy Unit at H.H. the Managing Director’s Office at ADIA; Member of the Investment Committee – Abu Dhabi Fund for Retirement and Benefits; and Governor – British Community School, Abu Dhabi.</p>  |
| <p><b>Board Director</b><br/> <i>Member of the Corporate Governance Committee</i></p> <p><i>Member of the Risk and Credit Committee</i></p>                 | <b>39</b>  | <p><b><i>Mr. Mohammed Ali Al Dhaheri</i></b><br/> Executive Director – Accounting and Financial Services Department, – Abu Dhabi Investment Council; Board Member – Securities &amp; Commodities Authority; Board Member – Abu Dhabi Investment Company; Board Member – Al Hilal Takaful; Chairman – Investment Committee, Al Hilal Takaful; Member – Executive Committee, Al Hilal Takaful; Member – Audit Committee, Al Hilal Takaful; and Member – Remuneration Committee, Abu Dhabi Investment Company.</p> |
| <p><b>Board Director</b><br/> <i>Chairman of the Corporate Governance Committee</i></p> <p><i>Member of the Audit and Compliance Committee</i></p>          | <b>36</b>  | <p><b><i>Mr. Salem Mohammed Athaith Al Ameri</i></b><br/> Executive Director – Private Equity Department, Abu Dhabi Investment Council; Board Member – Abu Dhabi Investment Company; Chairman – Audit Committee, Abu Dhabi Investment Company; and Chairman – Abu Dhabi National Hotels.</p>  |
| <p><b>Board Director</b><br/> <i>Member of the Corporate Governance Committee</i></p>   | <b>25</b>  | <p><b><i>Shk. Sultan bin Suroor Al Dhaheri</i></b><br/> Chief Executive Officer – Al Dhaheri Group; Board Member – Abu Dhabi National Tourism and Hotels Company; and Board Member – Al Khazna Insurance Company.</p>   |
| <p><b>Board Director</b><br/> <i>Member of the Audit and Compliance Committee</i></p>   | <b>48</b>  | <p><b><i>Mr. Mohamed Esmaeel Al Fahim</i></b><br/> Board Member – Burooj Properties; Board Member – Abu Dhabi Islamic Financial Services; Board Member – Takaful; Board Member – Baniyas Investment; Board Member – Al Fajer Investment; and Board Member – Green Crescent Insurance.</p>   |
| <p><b>Board Director and Chief Executive Officer</b></p>  | <b>42</b>  | <p><b><i>Mr. Ala’a Eraiqat</i></b><br/> Board Member – Abu Dhabi National Hotels PJSC; Director – MasterCard Asia-Pacific, Middle East and Africa Regional Advisory Board; and Member of Mubadala Infrastructure Partners Advisory Board.</p>   |
| <p><b>Board Director</b><br/> <i>Member of the Audit and Compliance Committee</i></p> <p><i>Member of the Nomination, Compensation and HR Committee</i></p> | <b>45</b>  | <p><b><i>Mr. Khalid Deemas Al Suwaidi</i></b><br/> Chief Executive Officer – Das Holdings; Chairman – Emirates &amp; Morocco Trading &amp; General Investment; Board Member – Takaful; Chairman – Manafa Outdoors; Chairman – United Tina; and Vice-Chairman – Manazel Real Estate.</p>   |

| <b>Position</b>             | <b>Age</b> | <b>Name, background and other positions</b>  |
|-----------------------------|------------|--|
| <b>Advisor to the Board</b> | <b>59</b>  | <b>Lord Davies of Abersoch</b><br>Partner and Vice Chairman – Corsair Capital;<br>Non-Executive Chairman – PineBridge Investments Limited; Chairman of the Advisory Board – Moelis & Co.;<br>Non-Executive Director – Diageo plc; and<br>Non-Executive Director – Bharti Airtel. |
| <b>Board Secretary</b>      | <b>38</b>  | <b>Mr Simon Copleston</b><br>General Counsel and Board Secretary – Abu Dhabi Commercial Bank; and Board Member – Damas International Limited.  |

The business address of each member of the Board is PO Box 939, Abu Dhabi, United Arab Emirates.

Certain members of the Board, their families and companies of which they are principal owners, or of which they are employees, are customers of ADCB 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.

Except as disclosed in the next paragraph, no member of the Board named in the table above entitled “Board of Directors” has any actual or potential conflict of interest between his duties to ADCB and his private interests and/or other duties. Each of the directors of ADCB named in the table above entitled “Board of Directors” has outside interests in entities other than ADCB, including employment and/or directorships with third parties (as set out underneath their names in the table above). Given the wide scope of ADCB’s operations, such entities have banking and/or other commercial relationships with ADCB. Some Board members also have personal banking relationships with ADCB. As the Directors are involved in ADCB’s decision making process and have knowledge of ADCB’s products and services, including the commercial terms thereof, a potential conflict of interest may arise. However, ADCB 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 employer’s and/or other connected entity’s dealings with ADCB.

Under the Commercial Companies Law, all Directors are liable to ADCB, its shareholders and third parties for any acts of fraud, abuse of powers, violation of laws, violation of its articles of association or for mismanagement.

The table below sets out the number of shares held by each Director as at 30 September 2011:

| <b>Director</b>                             | <b>30 September 2011</b> |
|---|--------------------------|
| Mr. Eissa Al Suwaidi .....                  | 0                        |
| Mr. Mohammad Sultan Ghannoum Al Hameli..... | 0                        |
| Mr. Ala’a Eraiqat.....                      | 2,389,655*               |
| Shk. Sultan bin Suroor Al Dhahiri .....     | 10,000                   |
| Mr. Abdulla Khalil Al Mutawa .....          | 2,347,277                |
| Mr. Jean-Paul Pierre Villain .....          | 6,012                    |
| Mr. Mohammed Ali Al Dhaheri .....           | 0                        |
| Mr. Mohamed Darwish Al Khouri .....         | 837,325                  |
| Mr. Khalid Deemas Al Suwaidi .....          | 0                        |
| Mr. Salem Mohammed Athaith Al Ameri.....    | 0                        |
| Mr. Mohamed Esmaeel Al Fahim.....           | 0                        |

\* These include restricted units awarded to Mr. Ala’a Eraiqat under ADCB’s long term incentive plan. If Mr. Ala’a Eraiqat does not resign before the respective vesting dates, 689,655 units will become unrestricted on 31 December 2012, 600,000 units on 31 August 2012 and 600,000 units on 31 December 2013.

**EXECUTIVE MANAGEMENT**

As of the date of this Base Prospectus, the executive management of ADCB includes:

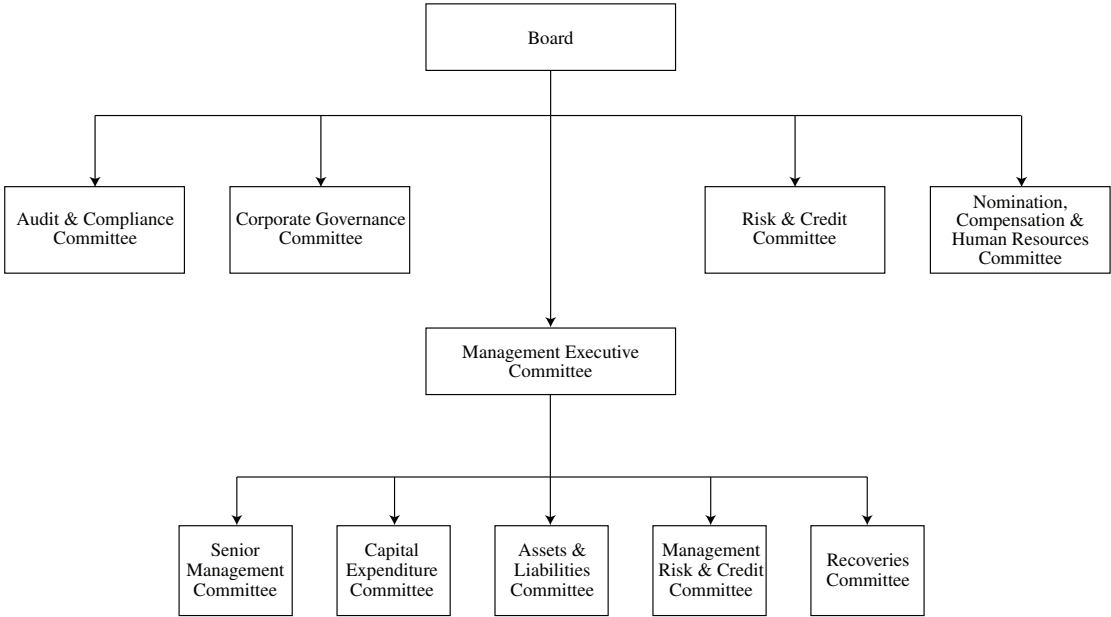
| <b>Position</b>                           | <b>Name</b>                |
|---|----------------------------|
| Chief Executive Officer .....             | Ala’a Eraiqat              |
| Chief Financial Officer .....             | Deepak Khullar             |
| Chief Risk Officer .....                  | Kishore Rao                |
| Chief Operating Officer .....             | Jerry Möllenkramer         |
| Group Treasurer .....                     | Kevin Taylor               |
| Head – Wholesale Banking .....            | Colin Fraser               |
| Head – Consumer Banking .....             | Arup Mukhopadhyay          |
| Head – Government Relations .....         | Abdulla Khalifa Al Suwaidi |
| Head – Human Resources .....              | Ali Darwish                |
| Head – Internal Audit.....                | Abdirizak Ali              |
| General Counsel and Board Secretary ..... | Simon Copleston            |

The business address of each member of the executive management is PO Box 939, Abu Dhabi, United Arab Emirates.

No member of the executive management of ADCB has any actual or potential conflict of interest between his duties to ADCB and his private interests and/or other duties.

**COMMITTEES**

The following chart sets out the committees of ADCB as at the date of this Base Prospectus:



**Board committees**

The Board has established four board committees: the audit and compliance committee, the corporate governance committee, the NCHR Committee, and the risk and credit committee, each of which plays an important role in governing ADCB’s operations and in establishing and coordinating the policies of ADCB.

***Board audit and compliance committee***

The board audit and compliance committee (“**BACC**”) (which currently consists of four non-executive directors, one of whom is the committee chairman) is primarily responsible for: (i) managing ADCB’s internal audit function; (ii) overseeing the preparation of ADCB’s financial statements and

disclosures; (iii) recommending the appointment of and ensuring the independence of auditors (internal and external); and (iv) monitoring internal controls over financial reporting as well as managing compliance with relevant legal and regulatory requirements. The BACC plays a predominantly advisory role, reporting its recommendations to the Board for final approval. However, in certain limited circumstances, decisions may be taken by BACC, which are binding on the Board (for example, it may approve the terms of engagement of the external auditor without Board approval).

The BACC is required to hold a minimum of four meetings per year and provides regular reports to the Board. In 2010, the BACC sat 10 times.

#### ***Board corporate governance committee***

ADCB's corporate governance committee (which currently consists of four non-executive directors) is responsible for overseeing the development and implementation of ADCB's corporate governance strategy and active plan, including the development of corporate governance procedures and best practices within ADCB, compliance with regulatory requirements relating to corporate governance and public reporting on corporate governance matters. The corporate governance committee is responsible for: (i) monitoring developments in corporate governance and recommending and monitoring the implementation of ADCB's corporate governance plan; (ii) overseeing ADCB officers with responsibility for corporate governance; (iii) reviewing ADCB's corporate governance structures including the Board and its committees, management committees, and their terms of reference; (iv) reviewing disclosure practices including directors' conflicts of interest and measures to implement accepted culture and ethics within ADCB; (v) reviewing and amending ADCB's articles of association; (vi) publishing corporate governance information; (vii) making recommendations to the Board and its committees on corporate governance strategy, actions and culture; and (viii) evaluating directors' performance and professional development.

The corporate governance committee meets approximately four times per year and provides regular reports to the Board. The corporate governance committee plays an advisory role, reporting its recommendations to the Board for final approval.

#### ***Board nomination, compensation and HR committee***

The NCHR Committee (which currently consists of four non-executive directors, one of whom is the committee chairman) is responsible for: (i) ensuring the appropriate composition of the Board; (ii) selecting and appointing of Directors; (iii) holding orientation and training sessions for new Directors; (iv) succession planning for Board members and senior management; (v) the performance assessment of the Board, individual Directors and senior management; (vi) developing, applying and reviewing of human resources and training policies; (vii) determining ADCB's requirements for executive managers and employees; (viii) selecting and appointing of senior management; (ix) remuneration policies for management and the Board, and ADCB's remuneration and incentive plans; (x) ADCB's public reporting of remuneration matters; and (xi) ensuring independent Directors remain independent on a continuous basis.

In determining the composition of the Board, the NCHR Committee considers the knowledge, skills and experience which are anticipated to be required by Board members. No Director may participate in any decision regarding his own appointment.

The NCHR Committee holds approximately four meetings per year and provides regular reports to the Board and is authorised to take certain appointment and remuneration decisions which may bind the Board. In all other cases, recommendations are made to the Board for final approval.

#### ***Board risk and credit committee***

The board risk and credit committee ("**BRCC**") (which currently consists of five non-executive directors, one of whom is the committee chairman) is responsible for credit decisions involving up to an aggregate of 7 per cent. of ADCB's capital per single borrower or group of related borrowers and, in all other cases, making recommendations to the Board for approval. It is also responsible for overseeing: (i) the development of risk measurement tools; (ii) the development and implementation of risk management

strategies and limits; (iii) compliance with regulatory requirements relating to risk management; (iv) public reporting on risk management matters; and (v) reviewing and approving credit commitments within its scope of authority.

The BRCC meets approximately twice per month and provides regular reports to the Board.

### **Management committees**

Day-to-day management is coordinated by the MEC, which oversees all other management committees and working groups, including the management risk and credit committee (the “**MRCC**”), the Assets and Liabilities Committee (“**ALCO**”), the management recoveries committee (“**MRC**”), the capital expenditure committee (the “**Capex Committee**”) and the senior management committee (“**SMC**”). The MEC has delegated certain responsibilities to its reporting committees.

### ***Management executive committee***

The MEC is the highest management level authority overseeing matters relating to corporate organisation, strategy recommendations, finance and operations. All management committees report to the MEC, which has full authority to review and reorganise the composition and terms of reference of the management committees and working groups.

The MEC is composed of key members of management, whose appointments are approved by the NCHR Committee. The members of the MEC include the CEO (who serves as Chairman of the MEC), the chief financial officer (“**CFO**”), the chief risk officer (“**CRO**”), the chief operating officer (“**COO**”) and the heads of wholesale banking, treasury and investments, human resources and consumer banking. Permanent invitees include the General Counsel and Board Secretary and the Managing Directors of ADCP and ADCES. The MEC meets weekly and reports to the Board.

The responsibilities of the MEC include:

- establishing the organisation structure for management and management committees;
- implementing strategy set by the Board and recommending strategy and policy decisions;
- recommending ADCB’s annual budget;
- approving key performance indicators for each business line;
- reviewing periodic performance reports;
- executing proposals from the Board (including proposals regarding any increase or decrease to ADCB’s capital);
- approving expenditures within the guidelines of ADCB’s annual budget, expenditures not captured by the annual budget up to AED 10 million during a quarter and other expenditures within certain delegated limits set by the Board;
- approving the establishment or sale of branches, agencies, joint ventures and subsidiaries and appointments of directors to subsidiaries;
- approving debt-funding issues, up to certain delegated limits set by the Board, treasury investments and related hedging transactions;
- approving recovery settlements relating to NPLs up to certain limits set by the Board;
- approving ADCB’s policies, excluding those falling within the Board’s responsibility; and
- approving credit transactions up to certain limits set by the Board.



### ***Management risk and credit committee***

The MRCC is responsible for appraising credit decisions within the limits that have been set by the MEC. In addition, the MRCC makes recommendations to the Board or the BRCC, as appropriate, on risk strategy matters and credit exposures.

### ***Assets and liabilities committee***

The ALCO is responsible for reviewing and monitoring all major investments and strategic commitments and developing policies relating to the management of all assets and liabilities (such as balance sheet structuring, funding, pricing, hedging, investing and the setting and monitoring of liquidity ratios).

The ALCO seeks to manage assets and liabilities in order to enhance profitability and protect ADCB from any adverse consequences that may result from extreme changes in market conditions and other financial risks.

The ALCO's primary functions include: (i) managing ADCB's wholesale debt lending and deposit liabilities; (ii) the formulation and implementation of market risk and liquidity risk policies and strategies for addressing market and liquidity risks; (iii) ensuring market risk and liquidity risk are identified, assessed, monitored, mitigated and controlled; (iv) the formulation and implementation of balance sheet structure policies and strategies for addressing issues relating to balance sheet structure; and (v) the purchase of assets within ADCB's treasury investment portfolio.

In carrying out these key functions, the ALCO:

- reviews ADCB's financial performance, economic reports and forecasts;
- reviews ADCB's balance sheet structure and evaluates the risk exposure and assesses its potential impact on the income statement;
- reviews interest rate trends, yields, cost of funds and margins;
- makes recommendations on strategic directions leading to changes in balance sheet composition to achieve a desired structure including: (i) asset allocation strategies; (ii) buying and selling of assets; (iii) changing liability structure and mix; (iv) balance sheet growth, structure and maturity; and (iv) hedging;
- formulates policy guidelines on limits of exposure to liquidity and market risk (such as Value at Risk, liquidity ratios, large depositors, sources of funds, investment and other assets);
- reviews base lending rate or reference rate and its guidelines;
- reviews transfer pricing between business units and sets the overall direction and approval criteria for purchase and sale of investments; and
- classifies investments into held-for-trading, available-for-sale and held to maturity.

### ***Management recoveries committee***

The MRC is responsible for reviewing and approving settlements relating to certain NPLs within the limits that have been set by the MEC. A matter is forwarded to the MRC after the Remedial Risk Department has attempted to recover the amount outstanding from the borrower and has either been unable to recover such amount or has provisionally agreed with the borrower to restructure the loan. See "*Risk Management – Collection procedures*".

### ***Capital expenditure committee***

The Capex Committee is ADCB's key governance forum for managing its investment portfolio. The primary function of the Capex Committee is to consider, review and approve capital expenditure projects with a value of over AED 200,000. The projects almost exclusively relate to new technology systems, system

upgrades and real estate (specifically relating to improvements and acquisitions required to conduct ADCB's business and to execute its long term plans, for example, in respect of branches). The Capex Committee is chaired by the COO and membership consists of the CFO, the CRO and the heads of consumer banking, wholesale banking and treasury.

### ***Senior management committee***

The SMC acts as a management forum regarding a wide range of issues, including ADCB's HR policies, management strategy, projects and dissemination of information.

In addition to the foregoing standing management committees, from time to time the MEC establishes working groups tasked to handle specific issues or areas of focus. The MEC has established the following working groups: compliance, risk and credit, corporate governance, operational risk management, insurances and liabilities.

## **OTHER MANAGEMENT FUNCTIONS**

### **Audit arrangements**

The external auditor is appointed annually by ADCB's shareholders. At the 2011 Annual General Meeting, PricewaterhouseCoopers was appointed as the external auditor of ADCB, replacing Deloitte & Touche (M.E.). The BACC's terms of reference and articles of association include measures to ensure the ongoing independence of ADCB's external auditor:

- no audit firm may be appointed for more than five consecutive years without shareholders' approval;
- no individual audit partner may be responsible for the audit for more than three consecutive years;
- the BACC will make recommendations on the rotation of the external audit firm, or of the partner of the firm in charge of ADCB's audit, to ensure the independence of the external auditor; and
- the external auditor may not, without the consent of the BACC, carry out any additional work for ADCB which is not part of the audit programme.

The scope of an audit is agreed between the BACC and the auditor. The external audit partner attends meetings of the BACC and attends the Board meetings when needed. The BACC also periodically meets separately with ADCB's internal auditors and the auditor in the absence of management.

### **Internal controls**

ADCB's internal controls over financial reporting comprise processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting principles. ADCB's internal controls include policies and procedures that: (i) are designed to ensure the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ADCB; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles, and that receipts and expenditures of ADCB are being made only in accordance with authorisations of management and directors of ADCB; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of ADCB's assets.

Notwithstanding the above, internal controls are subject to inherent limitations. Please see "*Risk Factors – ADCB's risk management and internal controls may leave it exposed to unidentified or unanticipated risks, which could result in material losses*".

**Disclosure standards**

ADCB has created a website in order to provide information to stakeholders. ADCB's web address is [www.adcb.com](http://www.adcb.com). Information on ADCB's website does not form part of this Base Prospectus.

## **RISK MANAGEMENT**

Efficient and timely management of the risks involved in ADCB's activities is critical to its financial soundness and profitability. Risk management involves identifying, measuring, monitoring and managing risks on a regular basis. The objective of risk management is to protect ADCB's asset values and income streams in order to protect the interests of its shareholders and external fund providers, increase shareholder value and achieve a return on equity that is commensurate with the risks assumed. The risk management framework is integral to the operations and culture of ADCB. Risks are proactively managed within the defined risk framework of ADCB.

To achieve its risk management objectives, ADCB's senior management (including the CRO) and internal audit department routinely review the risk management systems implemented by ADCB.

ADCB's key quantitative risk policies include:

- maintaining or exceeding the minimum levels of capital adequacy calculated in accordance with the rules and regulations concerning capital adequacy standards of the Central Bank issued as per the circular dated 30 August 2009;
- complying with the recommended risk management standards of the Basel II Accord, as amended, with respect to capital allocations, internal review and market discipline to minimise credit risk, market risk, operational risk, liquidity risk, interest rate risk and other risks;
- establishing and implementing maximum size limits for retail, commercial and other lending products, securities underwriting and investments aligning with local regulatory requirements, all of which are linked to the size of total assets and shareholders' equity (size limits are reviewed at least annually and more regularly for those countries on the "watch" lists);
- restricting certain economic sector, country and single obligor exposures to specified percentages of capital;
- limiting the tenor and size of certain credit products; and
- limiting maximum overnight foreign exchange exposures.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK**

In common with other financial institutions, ADCB faces a range of risks in its business and operations including: (i) credit risk; (ii) funding and liquidity risk; (iii) interest rate risk; (iv) market risk (including currency risk and equity price risk); and (v) legal, reputational and operational risk.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation on maturity or in a timely manner causing the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentration risk may also arise as a result of large exposures to individuals or a group of related counterparties. Concentrations of credit risk indicate the relative sensitivity of ADCB's performance to developments affecting a particular industry or geographic location.

ADCB's primary exposure to credit risk arises through its loans and advances to customers. ADCB is also exposed to credit risk on various other financial assets, including derivative instruments and debt investments. ADCB, like other financial institutions, undertakes short-term lending in the inter-bank market. ADCB has procedures in place to manage the risks involved with inter-bank exposure. Lending limits are assigned to each financial institution based on internal assessments, external credit ratings and country ratings.

ADCB regularly reviews and monitors compliance with lending limits to individual financial institutions and country limits. ADCB manages credit risk by monitoring credit exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties, monitoring lending activities to manage concentrations of risks with individuals or groups of customers or industries, and by obtaining security when appropriate. In addition to monitoring credit limits, ADCB manages the credit exposure relating to its derivatives trading activities by entering into master ISDA and related arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure.

ADCB's credit group is responsible for the formulation of credit policies and processes in line with growth, risk management and strategic objectives. See "Governance".

For further information regarding ADCB's credit risk, see "Risk Factors – ADCB's business, results of operations, financial condition and prospects have been adversely affected by credit risks and will likely continue to be affected by credit risks if economic conditions do not improve".

### **Concentration of credit risk**

ADCB conducts business with a range of Government-controlled and Government-related entities, members of the ruling family of Abu Dhabi and other HNWI's. ADCB's ten largest group exposures constituted approximately 34 per cent. of ADCB's total funded and unfunded exposures as at 30 September 2011. Approximately 44 per cent. of this exposure is to members of the ruling family or entities controlled by them. As at 30 September 2011, ADCB's ten largest group exposures (funded and unfunded) represented three times equity. ADCB's largest group exposure alone (although to a private entity/investment firm linked to prominent individuals in Abu Dhabi) represented 52 per cent. of equity as at 30 September 2011, which, although highly collateralised, is a material risk position for ADCB. All loans and other funded or unfunded exposures are approved based on commercial terms and all loans are substantially covered by collateral.

### **Analysis of performing and non-performing loans**

In accordance with Basel II requirements, all loans are classified as non-performing loans once they are 90 days overdue. Retail loans (other than mortgages) are written off once they are 180 days overdue. For non retail loans, the policy is to write off a loan after it has been deemed irrecoverable and is not linked to a time line.

The table below shows a breakdown of ADCB's loan portfolio as at 30 September 2011 by grade category (AED million):

| <b>Business Group</b>                     | <b>I<br/>Performing</b> | <b>II<br/>PDNI*</b> | <b>III<br/>Non-<br/>performing</b> | <b>IV<br/>Doubtful</b> | <b>V<br/>Loss</b> | <b>Total</b>     |
|---|-------------------------|---------------------|------------------------------------|------------------------|-------------------|------------------|
| Wholesale Banking<br>Group .....          | 49,284.5                | 12,036.7            | 3,060.9                            | 210.8                  | 178.4             | <b>64,771.3</b>  |
| Consumer Banking<br>Group .....           | 55,512                  | 6,419.5             | 2,803.2                            | 751.1                  | 21.7              | <b>65,508.0</b>  |
| <b>Total .....</b>                        | <b>104,797</b>          | <b>18,456.2</b>     | <b>5,864.1</b>                     | <b>961.8</b>           | <b>200.1</b>      | <b>130,279.2</b> |
| Less provision for<br>doubtful debts..... |                         |                     |                                    |                        |                   | (6,069.1)        |
| <b>Loans, net of provisions..</b>         |                         |                     |                                    |                        |                   | <b>124,210.1</b> |

\* Past due but not impaired.

## ***Derivatives***

ADCB continuously monitors limits on net open derivative positions (i.e. the difference between purchase and sale contracts) with respect to its clients, by both amount and term. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to ADCB (i.e. positive fair value of assets). This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where ADCB requires margin deposits from counterparties. Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risks arising from ADCB's market transactions on any single day.

## **Funding and liquidity risk**

Funding and liquidity risk is the risk that ADCB will be unable to meet the payment obligations associated with its financial liabilities when they fall due, replace funds when they are withdrawn. Funding and liquidity risk are caused by institution-specific or market disruptions. ADCB's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to ADCB's reputation.

For further information regarding ADCB's liquidity risk, see "*Risk Factors – ADCB's business, results of operations, financial condition and prospects could be affected by liquidity risks*".

## ***Liquidity risk management process***

The ALCO sets and monitors liquidity ratios, regularly revises and updates ADCB's liquidity management policies and seeks to ensure that ADCB is in a position to meet its obligations as they fall due.

ADCB's liquidity management process, as carried out within ADCB and monitored by ADCB's treasury and investments group, includes:

- monitoring of liquidity position on a daily/weekly/monthly basis;
- forecasting of future cash inflows/outflows and ensuring that ADCB can meet the required outflows;
- regularly conducting liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions with well defined triggers and suggested action;
- ensuring regular compliance with the liquidity ratios against internal and regulatory targets and requirements; and
- monitoring composition of funding sources and has set triggers for avoiding concentration of funding sources.

## ***Funding approach***

Sources of liquidity are regularly monitored to maintain a wide diversification by counterparty, currency, tenor and product.

The analysis of maturities of assets and liabilities is conducted on a daily basis to determine ADCB's on-going funding needs and to ensure adequate liquidity is maintained across the defined time horizon.

For further information regarding the maturity profile of ADCB's assets and liabilities, see "*Selected Financial Information of ADCB*".



## **Interest rate risk**

Interest rate risk arises from interest rate sensitive financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of these financial instruments or the related income derived from them. Interest rates sensitivity risk positions in ADCB's trading and loan books are managed by ADCB's treasury, which uses derivative instruments to manage the overall position arising from ADCB's interest bearing financial instruments.

Financial assets and liabilities exposed to cash flow interest rate risk are financial assets and financial liabilities with a floating interest rate. A significant portion of ADCB's loans and advances, deposits and balances due from banks, investment securities, capital notes, customer deposits, short- and medium-term borrowings fall under this category.

However, as most of ADCB's financial assets and liabilities are floating rate, deposits and loans generally re-price simultaneously, providing a natural hedge which reduces interest rate exposure. Moreover, the majority of ADCB's assets and liabilities re-price within one year, thereby further limiting interest rate risk. Furthermore, as a general practice, ADCB typically swaps any fixed rate financial assets and liabilities it holds to floating rates of interest.

ADCB uses simulation modelling tools to periodically measure and monitor interest rate sensitivity. The results are analysed and monitored by the ALCO. The scenarios used for interest rate risk assess the changes in the portfolio or funding value which would result from interest rate shocks. The scenarios simulate results arising from steepening, flattening and twisting interest rate scenarios. Financial assets that are not subject to any fair value or cash flow interest rate risk mainly comprise investments in equity instruments. The effective interest rate (effective yield) of a monetary financial instrument is generally more indicative of the instrument's yield than its coupon, as it is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

The off-balance sheet gap represents the net notional amounts of the off-balance sheet financial instruments, such as interest rate swaps which are used to manage the interest rate risk.

## **Market risk**

Market risk is the risk that ADCB's income and/or the value of a financial instrument will fluctuate because of changes in market factors such as foreign exchange rates, commodity rates and market prices of equity.

ADCB is exposed to market risk with respect to its investments in balance sheet securities to the extent it has not hedged such risks through derivatives positions. ADCB aims to limit market risk by maintaining a diversified portfolio and by monitoring developments in the market. In addition, ADCB actively monitors the key risk factors that affect stock and market movements, including an analysis of the operational and financial performance of the entities in which it invests.

ADCB has set market risk limits based on statistical (including VaR) and non-statistical risk metrics and notional limits which are closely monitored by ADCB's risk control function, and which are reported periodically to senior management and are reviewed monthly by the ALCO. ADCB's operations also expose it to risks arising from changes in foreign currency exchange rates and interest rates. ADCB enters into a variety of derivative financial instruments to hedge and manage its exposure to interest rate and foreign exchange risk. ADCB uses various risk metrics, including non-statistical risk measures and sensitivity analyses, to quantify market risk. Non-statistical risk measures, other than scenario stress testing, include net open positions, basis point values, option sensitivities, market values and tenor limits. ADCB uses non-statistical, scenario-based risk metrics to monitor and control market risk on a day-to-day basis.

For further information regarding ADCB's market risk, see "*Risk Factors – ADCB's business, results of operations, financial condition and prospects could be affected by market risks*".

### ***Foreign exchange risk, measurement and monitoring***

ADCB's financial position and cash flows are sensitive to both current and expected foreign currency exchange rates. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

### ***Market price risk***

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. ADCB is exposed to market risk with respect to its investments in marketable securities and other financial securities including derivatives. ADCB aims to limit market risks by maintaining and monitoring activities with established and approved limits and by the continuous monitoring of developments in the market.

### ***Equity price risk***

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The trading and non-trading equity price risk exposure arises from ADCB's investment portfolio. In addition, ADCB actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

### ***Management of market risk***

The Board approves risk limits based on sensitivity analysis and notional limits which are closely monitored daily by the Risk Management Division, reported immediately to senior management and reviewed monthly by the ALCO. ADCB separates its exposure to market risk between trading and non-trading (available for sale) portfolios. Trading portfolios are held by ADCB's treasury and investments group and include positions arising from market making and proprietary position taking. Non-trading risk includes securities and other assets held for longer-term investments used to manage ADCB's asset/liability exposures.

Market risk is identified, measured, monitored, and controlled by an independent risk control function. Market risk management aims to reduce volatility in operating performance. Market risk management is overseen by the MRCC and performs the following primary functions:

- establishment of a comprehensive market risk policy framework;
- independent measurement, monitoring and control of market risk; and
- setting up, approval and monitoring of limits.

### ***Derivatives***

In the ordinary course of its business, ADCB enters into a range of transactions that involve derivative instruments. ADCB provides its customers and counterparties with structured transactions to reduce their risk profile in a particular area of risk. Hedging positions accumulated from such activities are typically offset through transactions with other market counterparties. ADCB manages the risks involved in these activities through appropriate limits and stop loss parameters. These limits vary by product and maturity. ADCB also uses derivative instruments for hedging purposes as part of its asset and liability management in order to reduce its exposure to fluctuations in foreign exchange, interest rates and other risks. ADCB uses forward foreign exchange contracts, cross currency swaps and interest rate swaps to hedge exchange rate and interest rate risks. ADCB also uses interest rate swaps to hedge against the fair value risks arising on certain fixed rate financial instruments.

## **Legal risk**

Legal risk is the risk of losses occurring due to: (i) non-compliance with laws or regulations; or (ii) legal or regulatory action that invalidates contractual protections. ADCB seeks to mitigate this risk through the use of experienced internal and external lawyers to review documentation and provide legal advice in relation to such documentation when appropriate. There is also an independent compliance department established to ensure compliance with the UAE banking laws and compliance with laws and regulations in all other jurisdictions under which ADCB and its subsidiaries operate.

## **Reputational risk**

Reputational risk is the risk of loss occurring due to a decrease in the value of the ADCB brand. ADCB's brand and reputation could be adversely affected by a number of factors, including, but not limited to, substandard work product, higher transactional costs than competitors, major adverse credit events, negative publicity in local and international press, legal disputes or lower than expected financial results. ADCB seeks to mitigate this risk through internal risk management policies and procedures and active use of the media and advertising.

## **Operational risk**

Operational risk is the risk of loss arising from system failure, inadequate or failed internal processes, human error or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. ADCB cannot eliminate all operational risks, but ADCB aims to manage risks through an operational risk identification and management framework which includes identification assessment, monitoring, reporting, controlling/mitigating and staff awareness. The framework also includes the use of tools such as segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, internal audits, key risk indicators and data loss management. See *“Risk factors – ADCB’s business, results of operations, financial condition and prospects could be affected by market risks”*, *“Risk factors – ADCB’s business may be adversely affected if there is any disturbance to its operational systems or a loss of business continuity”*, *“Risk factors – ADCB is exposed to the risk of loss as a result of employee misrepresentation, misconduct and improper practice”* and *“Risk factors – ADCB’s risk management and internal controls may leave it exposed to unidentified or unanticipated risks, which could result in material losses”*.

## **DECISION MAKING**

ADCB's governance structure is headed by the Board, which has overall responsibility for risk management. ADCB has a number of Board committees and management committees that, amongst their other responsibilities, oversee and monitor the day-to-day risk management of ADCB. These committees are responsible for the overall approval and implementation of ADCB's risk management policies, while the formulation, monitoring and reporting of such policies and any exceptions thereto or any required corrective actions is the primary responsibility of the credit and risk division that is headed by the CRO.

Managing risk is a process operated independently of the business units of ADCB. ADCB aims to reinforce a strong risk management culture through a comprehensive set of processes that are designed to effectively identify, measure, monitor, report, mitigate and control risk exposures.

Risk governance at ADCB is based on the following four layers of defense:

- involvement of the Board and sub-committees under the Board such as the BRCC;
- senior management level committees for risk management such as the MRCC and MRC;
- dedicated risk management group, which is the credit and risk group, that independently evaluates the control systems within ADCB; and
- independent assurance provided by internal and external audit to provide an important feedback on the effectiveness of this process.

The Board evaluates risk in co-ordination with ADCB's Board committees and management committees. For further information regarding ADCB's Board committees and management committees, see "*Governance – Committees – Board Committees*" and "*Governance – Committees – Management Committees*".

## **Execution**

Execution of ADCB's risk management system is co-ordinated by the credit and risk group which is headed by the CRO. The credit and risk group is supported by the following sub groups: credit risk management, operational risk management, market risk management, consumer risk management, credit, remedial risk management and group compliance. The internal audit department (**IAD**) also oversees and reviews ADCB's risk management practices and the integrity of information systems and databases. These groups operate under the supervision of the Board of Directors and its committees, the CEO, the CRO and the MEC.

### ***Chief risk officer***

The CRO is responsible for overall implementation of the risk objectives of ADCB. His responsibilities are to:

- identify and plug gaps in ADCB's risk infrastructure/framework and formulate plans to address the same;
- establish and nurture the independence of the risk function;
- guide and influence provisioning policies, risk strategy and credit/risk process changes;
- introduce process, policy and approach changes to energise risk awareness amongst front office business personnel and decision makers;
- continually tune the risk organisation in line with market best practices;
- manage ADCB's portfolio and associated risks to international best practice; and
- establish a clear risk culture encompassing all areas of risk.

The CRO was appointed by ADCB in July 2009 in order to centralise ADCB's risk management and reports to the Board and the CEO. The CRO directly oversees the credit group, the remedial risk group, the compliance department, the consumer risk management group, the market risk group, the credit risk group and the operational risk group. The CRO is responsible for reviewing ADCB's policies and procedures for managing exposure to credit, market and liquidity risk, including risk limits for both market and credit risk, value at risk, liquidity models and other relevant models.

### ***Treasury division***

Alongside its profit-generating and treasury management activities, the treasury division is responsible for the day-to-day management of interest rate, liquidity and currency risk, ensuring a minimum percentage is maintained in liquid assets and diversifying ADCB's funding sources. The treasury division reviews any liquidity gaps, ADCB's funding policies, availability of contingent liquidity and projected future cash flows associated with significant investments/divestures and discusses these with the ALCO. The division reports directly to the CEO and works closely with the market risk department.

### ***Credit department***

The credit department is responsible for reviewing wholesale credit applications and oversees ADCB's wholesale credit portfolio. The credit department monitors the loans it has extended to wholesale borrowers in order to calculate potential losses and make provisions accordingly, classifies loans as NPLs as appropriate, refers certain NPLs to the remedial risk department and generally controls ADCB's exposure to

credit risk. In addition, the credit department periodically reviews ADCB's data collection procedures, restructuring methodologies, information management and credit evaluation practices. The department also oversees the credit administration unit and documentation unit.

### ***Legal department***

Alongside its day-to-day activities of providing legal assistance and advice to ADCB, the General Counsel and his team are responsible for managing ADCB's legal risk by reviewing, monitoring and interpreting applicable legal and regulatory issues in the UAE and other relevant overseas jurisdictions.

### ***Remedial risk department***

The remedial risk department attempts to recover outstanding loans in excess of AED 1 million after such loans are classified as NPLs and referred to the remedial risk department by the credit department. If the remedial risk department's collection attempts are unsuccessful, it may require the borrower to provide further collateral, initiate a legal action to recover the outstanding amount or restructure the terms of the loan and forward such terms to the MRC for its approval.

### ***Compliance department***

The compliance department assesses the adequacy of and compliance with internal procedures at all levels throughout ADCB. The department applies a risk-based approach that ranks ADCB's operations according to the likelihood and magnitude of potential losses for ADCB. The head of the department reports directly to the CRO.

The compliance department enables ADCB to fulfil its compliance obligations by creating regulatory awareness, assessing risks inherent in the business and enabling compliance with applicable rules and regulations.

Compliance with applicable regulations is the responsibility of each ADCB employee. Accordingly, the compliance department has made efforts to institute a sound process in order to ensure group-wide awareness and implementation of control procedures.

One of the key responsibilities of the compliance department is ensure there are policies and procedures in place to adequately control and mitigate risk in respect of money laundering and combating the financing of terrorism.

### ***Consumer risk management department***

The consumer risk management department is responsible for overseeing the approval and verification of consumer credit merchant authorisation, collections, risk mitigation, repossession and foreclosure management and fraud. The consumer risk management department is also responsible for reviewing key performance and key risk indicators, changes in the economic environment, feedback on fraud and collections, customer service issues and competition.

### ***Market risk department***

The market risk department is responsible for identifying, measuring, monitoring and controlling risks associated with on and off balance-sheet positions held by ADCB. The market risk department aims to reduce income performance volatility and to make ADCB's market risk profile transparent to senior management, the Board and regulators.

### ***Credit risk department***

The credit risk department is responsible for formulating the credit strategy and policy in terms of risk measurement and aggregation techniques, prudential requirements, risk assessment and review, reporting requirements, risk grading, product and documentation guidelines. The department is also responsible for

portfolio monitoring and ensuring adequate risk systems support is in place. This department is the central co-ordination point for regulatory risk changes, liaison with external risk stakeholders such as rating agencies, for spearheading Basel II and similar initiatives and for acting as the business partner in the implementation of risk systems.

### ***Operational risk department***

The operational risk department is responsible for the identification, measurement, monitoring, control and reporting of operational risks throughout ADCB. This is the group support function responsible for rolling out and implementing the operational risk framework throughout ADCB, recording loss data, conducting risk self assessment workshops, identifying and tracking key risk indicators and developing action plans to plug identified operational risk gaps.

### ***Internal audit department***

The IAD was established to provide an independent, objective assurance and consulting function. The IAD aims to apply a systematic and disciplined approach to evaluating and improving the effectiveness of ADCB's risk management, control and governance processes. The IAD reports directly to the BACC. The IAD consists of a team of more than 38 auditors, whose tasks are, among other things, to evaluate the quality of ADCB's lending portfolio, controls in operational processes and the integrity of ADCB's information systems and databases. The IAD's auditors, alongside the compliance department, also ensure that transactions undertaken by ADCB are conducted in compliance with applicable legal and regulatory requirements, and in accordance with ADCB's internal procedures, thereby minimising the risk of fraudulent, improper or illegal practices.

In carrying out their audit activities and responsibilities, internal auditors have unrestricted access to all of ADCB's records (either manual or electronic), assets, physical properties and personnel. The IAD performs its function in accordance with a risk-based audit methodology. Although all of ADCB's units are audited, the frequency of internal audits carried out with respect to each of ADCB's units depends on the inherent risk of that unit and its related control risk evaluation. All audits are conducted in accordance with the annual audit plan, which is approved by the BACC.

### ***Group business services***

The group business services is responsible for the implementation, maintenance and control of all of ADCB's IT and operating systems, including risk management systems. For more information about the department, see "*Business – Group business Services*".

## **CREDIT APPROVAL PROCEDURES**

### **Overview**

ADCB requires credit approvals in compliance with the Board-approved credit procedures for both consumer and wholesale loans. As the UAE's central credit bureaus are at their early stages, this function is independently managed by each UAE bank, subject to certain limited blacklists maintained by the Central Bank. ADCB's credit approval procedures are closely monitored by the Board of Directors through the BRCC and by senior management through the MRCC. ADCB's credit group and consumer credit risk group are responsible for the development and implementation of ADCB's credit approval procedures in conjunction with the BRCC and the MRCC as well as the development of ADCB's central credit information database.

ADCB applies different credit limits and approval criteria depending on the types of loans, customers and industry sectors. The approvals are made at various levels of the organisation, ranging from the Board of Directors, the BRCC under the Board supervision, the MRCC up to a credit officer in the consumer risk management division for approval of retail loans, in each case within ADCB's established credit limits.



## Wholesale and HNWI loan approval procedures

For wholesale and HNWI loans, the Board of Directors is responsible for approving all credit commitments in excess of 7 per cent. of ADCB's capital base. The BRCC, which is appointed by the Board, is mandated with approving credit commitments on behalf of ADCB over and above the management committee delegation and up to an aggregate level of 7 per cent. of ADCB's capital base per single borrower or group of related borrowers. The BRCC is comprised of four non-executive directors and several invitees from the management team including the CEO, the CFO, the CRO, the head of internal audit and the heads of credit, wholesale banking and treasury groups. The MRCC has delegation that is linked to the customer internal rating and is capped at the prudential limits established by ADCB for each customer rating. These ratings are internal ratings for customers given by ADCB to each customer based on ADCB's credit policy. The MRCC is comprised of the CEO, the CRO, the CFO, the heads of the credit division, consumer banking, wholesale banking, treasury, consumer risk, private accounts, business banking, operational risk, asset restructuring, market risk and remedial risk as well as the General Counsel. The CRO has the right of escalation of any matter in this committee to the level of the BRCC should he feel the need to do so.

Wholesale and HNWI credit commitments that fall under the mandate of the MRCC are addressed by the credit group's "functional delegated lending authorities" approved by the MEC. Certain cases can be escalated to the MRCC/BRCC based on the recommendation of the CEO, the CRO or the head of the credit division. Functional lending authorities are typically valid only in relation to temporary, one-off transactions and for established levels delegated by the MEC/MRCC. The CEO or the head of the credit division may also further sub-delegate "specific delegated lending authorities" that are generally limited to short-term commitments (i.e. a maximum of one year).

In addition to categorising wholesale and HNWI credit commitments by value, ADCB also divides its wholesale and HNWI credit commitments into the following main product categories: loans, trade finance, contract guarantees (such as performance bonds), financial commitments (such as financial guarantees and undrawn commitments), market variation (foreign exchange contracts, options and derivatives), settlement (foreign exchange and other delivery), syndication and others. ADCB applies specific standards of review for each category of credit commitment, which enables ADCB to examine both the credit risk of the borrower as well as ADCB's overall lending exposure per product category. The credit department also complies with product specific policy manuals, including manuals for ADCB's asset based finance, commercial vehicle financing and real estate and property development finance. Analysing applications by product category also allows ADCB to respond to market developments. This approach allows the credit department to apply different credit approval procedures of ADCB to different clients as required.

New wholesale and HNWI borrowers are sourced through ADCB's sales channels including its relationship managers at wholesale and HNWI client divisions such as the business banking division, financial institutions division and strategic clients and government banking divisions as well as through ADCB's local branch network. Once a new customer has been identified, the relationship manager prepares a due diligence report on the client as part of the approval process. This due diligence report is based on ADCB's review of all relevant information and generally includes: (i) borrower information (including its legal constitution, ownership structure, organisational structure and financial strength); (ii) management (including a list of directors, key officers and their qualifications and affiliations); (iii) industry sector and market information; (iv) relationship with ADCB and other banks; (v) financial analysis of the borrower (turnover and profitability, EBITDA, return on equity and other financial ratios); (vi) sources of repayment; and (vii) appropriateness of certain covenants to be included in loan documents. ADCB also reviews the borrower's payment history with ADCB or other banks, competitive strengths, levels of collateral and other factors to reach its credit decision. This due diligence report is then validated independently by the credit group, which prepares a brief assessment of the reports summarising its salient features and recommendation for approval at the appropriate delegated lending authority.

The credit division also uses a risk grading and security categorisation system to assess and monitor the credit quality of credit applicants as well as existing borrowers. In accordance with ADCB's rating matrices, wholesale banking and HNWI clients are assigned credit grades based on various qualitative and quantitative factors including financial strength of the borrower, industry risk factors, management quality,

operational efficiency and company standing. These credit grades are used by ADCB to decide the maximum lending amount per customer group and to set minimum pricing thresholds. The risk grading system attempts to grade a borrower based solely on the borrower's characteristics, and therefore does not take into consideration any security provided by the borrower. In addition to facilitating loan approval decision making, credit scores are also used by ADCB to set credit facility limits for specific clients. The credit quality of the client and the guarantor, the fair value of security interests and other relevant factors are all considered prior to setting the terms of the facility agreement (including the payment period, processing fee and interest rate).

It can take up to four weeks to approve new loans for wholesale clients from the submission of the initial application including all required documents. However, in practice approval times tend to be three days based upon service level agreements between the business and credit divisions. The credit division reviews the credit limits of its wholesale customers at least once each year.

### **Consumer credit approval procedures**

ADCB has developed a comprehensive consumer credit policy and procedures manual, which establishes the retail banking division's overall risk management framework. The manual establishes operating policies and procedures relating to credit approval and verification, merchant authorisation, collections, risk mitigation, repossession and foreclosure management and fraud. The policy acts as a guideline for the formulation of individual product credit policy and procedures manuals. Additional policies and procedures manuals have been established with respect to the use of vendors, agents, dealers, brokers and other third parties or intermediaries that directly or indirectly impact credit risk, such as appraisers, realtors, brokers, servicing agents and collection agencies.

For retail loans, the Board has delegated its authority to the consumer risk management division. This division applies a tiered hierarchy of delegated approval authorities based on the value of the credit commitment sought. Such authorities are set out in authority matrices which must be approved by appropriate internal committees. Credit parameters for retail lending include age, qualifications and work experience, number of years in the UAE, number of dependants, income level, payment history and leverage ratio.

New retail borrowers are sourced through ADCB's sales channels, including direct sales agents and ADCB's retail branch network. The consumer risk management division makes credit decisions based on its review of the criteria described above but has no authority to approve loans exceeding AED 29 million to a single borrower or a group of borrowers. Acceptance of new retail clients typically depends on the size and type of loans as well as the type of customers. It typically takes three to four days for personal loans and up to one week for mortgage loans to be approved from the submission of the initial application including all the required documents. Credits extended to retail customers are reviewed every 30 days as part of a general portfolio review.

## **COLLECTION PROCEDURES**

### **Consumer banking collection procedures**

If a consumer banking group loan is in arrears, it is processed in accordance with standard operating procedures whereby the loan is considered to be in default one day after it has become delinquent. The account is recorded as NPL after 90 days past due in line with Basel II requirements.

The collections and fraud unit, which reports directly to the head of consumer risk management, may also, in certain cases, approach a delinquent borrower in order to settle an outstanding loan or assess how an outstanding loan may be restructured. The collection and fraud unit will pursue all avenues available to collect the outstanding amount from a debtor and/or its guarantor by, among other methods, filing a claim with the court and starting a court proceeding to foreclose on relevant collateral.

## **Wholesale banking collection procedures**

If a wholesale banking group loan is in arrears, the credit department is responsible for taking the initial steps to determine if the default can be remedied. If: (i) the loan remains in default for more than 90 days (and is thereby recorded as a NPL as per Basel II requirements); (ii) negative information about the debtor surfaces, which makes collection of the outstanding loan unlikely; or (iii) the loan is in excess of AED 1 million, then the credit department refers the loan to the remedial risk department.

Initially, the remedial risk department contacts the borrower to discuss repayment of the amount of the loan outstanding. If the borrower is unable to repay the amount outstanding under the original terms of the loan, the remedial risk department may attempt to reschedule interest and principal payments or otherwise restructure the loan in conjunction with the debtor and its advisors. As part of such restructuring, the remedial risk department may request additional collateral, increase applicable interest rates or accelerate payment schedules. Restructuring plans negotiated by the remedial risk department with the borrower must be approved by the recoveries committees under the MEC, which is comprised of ADCB's management officers and chaired by the CRO. The recoveries committees can review and approve settlements relating to NPLs wherein the principal waiver does not exceed AED 25 million. Any amount in excess of this threshold must be approved by the MRCC, the BRCC or the Board itself, based upon threshold amounts. If the foregoing measures do not result in payment, the remedial risk department will pursue all other avenues available to collect the outstanding amount from the debtor and/or its guarantor by, among other methods, filing a claim with the court and starting a court proceeding to foreclose on relevant collateral. Under UAE federal law, however, creditors are prevented from foreclosing on a UAE national's primary residence.

## CAPITAL MANAGEMENT

The Central Bank is ADCB's principal regulator and sets and monitors its capital requirements. ADCB's objective is to have an adequate capital base to enable it to pursue its strategic initiatives and to support the growth of its business.

ADCB's senior management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank, monitors capital adequacy and the use of regulatory capital. Returns are filed with the Central Bank on a quarterly basis.

The Central Bank requires each bank to: (i) hold the minimum level of regulatory capital; and (ii) maintain a ratio of total regulatory capital to risk-weighted assets, at or above a minimum of 12 per cent. (this is more than the 8 per cent. minimum ratio recommendation of the Basel II Accord).

Basel II was introduced in the UAE with effect 1 January 2008. ADCB has implemented a capital adequacy calculation system in accordance with Basel II but continues to provide the Central Bank with parallel Basel I and Basel II reports as currently required by the Central Bank. The parallel reporting scheme commenced on a quarterly basis in June 2007.

Details of ADCB's capital base and risk-weighted assets reported in accordance with Basel II as at 30 September 2011 and 31 December 2010 are set out in the table below:

|  | <b>As at<br/>31 December<br/>2010</b> | <b>As at<br/>30 September<br/>2011</b> |
|--|---------------------------------------|--|
|  |                                       | <i>(unaudited)</i>                     |
|  |                                       | <i>(AED thousands)</i>                 |
| <b>Capital Base</b>                          |                                       |  |
| Tier I capital.....                          | 19,427,680                            | 21,450,176                             |
| Deductions from capital .....                | (3,211,575)                           | (113,441)                              |
| Tier II capital .....                        | 9,547,029                             | 9,168,183                              |
| Deductions from capital .....                | (3,211,574)                           | (113,440)                              |
| <b>Capital Base (I) .....</b>                | <b>22,551,560</b>                     | <b>30,391,478</b>                      |
| <b>Risk-weighted assets</b>                  |                                       |  |
| <b>Pillar 1</b>                              |                                       |  |
| Credit risk .....                            | 126,558,829                           | 128,999,704                            |
| Market risk.....                             | 3,464,224                             | 2,207,626                              |
| Operational risk .....                       | 5,405,406                             | 5,805,137                              |
| <b>Total risk-weighted assets (II) .....</b> | <b>135,428,459</b>                    | <b>137,012,467</b>                     |
| <b>Capital Adequacy Ratio .....</b>          | <b>16.65%</b>                         | <b>22.18%</b>                          |

ADCB currently calculates its capital ratio with respect to the Basel II reports in accordance with Basel II's standardised approach.

In accordance with the Commercial Companies Law, ADCB transfers 10 per cent. of its annual profits to its statutory reserve and will continue to do so until such time as the reserve equals 50 per cent. of the issued share capital of ADCB. The reserve is not available for distribution.

## OVERVIEW OF THE UAE AND ABU DHABI

### THE UAE

The UAE is a federation of seven emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each emirate has a local government headed by the Ruler of the emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

According to data published by the IMF in 2011, the UAE is the third largest economy in the Gulf region after the Kingdom of Saudi Arabia and the Islamic Republic of Iran, based on nominal GDP. It has a more diversified economy than most of the other countries in the GCC. According to OPEC data, at 31 December 2010, the UAE had approximately 6.7 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world), generating, according to estimated data produced by the UAE National Bureau of Statistics, 33.9 per cent. of the UAE's GDP in 2010. Based on IMF data (extracted from the World Economic Outlook (September 2011)) real GDP growth in the UAE increased by 3.2 per cent. in 2010 after having decreased by 3.2 per cent. in 2009 and increased by 5.3 per cent. in 2008.

On 23 April 2010, Moody's reaffirmed the UAE's long-term credit rating of Aa2 with a stable outlook. The principal reason cited for this high investment grade rating is the assumption that the obligations of the federal government will be fully supported by Abu Dhabi. The UAE is not rated by the other rating agencies.

### ABU DHABI

Abu Dhabi is the richest and largest of the seven emirates and the city of Abu Dhabi is also the capital of the UAE.

According to ADNOC, Abu Dhabi produces over 2.0 million barrels of oil per day and has approximately 94.0 per cent. of the UAE's total oil reserves. At this rate of production, Abu Dhabi's oil reserves would last over 100 years. In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest. In total, the UAE has approximately 6,091 billion standard cubic metres of natural gas reserves, representing approximately 3.2 per cent. of the world's natural gas reserves of 192,549 billion standard cubic metres (according to OPEC at 31 December 2010).

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

|   | 2010  | 2009  | 2008 | 2005 |
|---|-------|-------|------|------|
| Crude oil production (million b/d) .....        | 2.3*  | 2.2   | 2.5  | 2.2  |
| Crude oil exports (million b/d) .....           | 2.0   | 1.9   | 2.3  | 2.1  |
| Crude oil exports (U.S.\$ per barrel) .....     | 75.7* | 53.5* | 98.1 | 50.3 |
| Average selling price (U.S.\$ per barrel) ..... | 78.5  | 62.7  | 96.6 | 51.9 |

\* Preliminary figures. Source: Abu Dhabi National Oil Company – ADNOC.

The population of the UAE, based on a census carried out in 2005, was approximately 4.1 million, of whom approximately 1.4 million resided in Abu Dhabi. In mid-2010, the UAE National Bureau of Statistics estimated the population of the UAE to be approximately 8.2 million in 2009 and 8.3 million in 2010. The

current census for 2010 is underway but, as at the date of this Base Prospectus, census records have not been published.

The populations of both the UAE and Abu Dhabi have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the emirates have developed.

The table below illustrates this growth using official census data since 1975.

|                            | 2005      | 2001      | 1995      | 1985      | 1980      | 1975    |
|----------------------------|-----------|-----------|-----------|-----------|-----------|---------|
| Abu Dhabi population ..... | 1,399,484 | 1,170,254 | 942,463   | 566,036   | 451,848   | 211,812 |
| Total UAE population ..... | 4,106,427 | N/A       | 2,411,041 | 1,379,303 | 1,042,099 | 557,887 |

Source: Official census data published by the UAE National Bureau of Statistics, except 2001 figure for Abu Dhabi which is sourced from data published by the Abu Dhabi Statistics Centre.

Since 2005, Abu Dhabi's population has grown by 40.6 per cent. to 1,967,659 in 2010, according to estimates from the Abu Dhabi Statistics Centre (the "**Statistics Centre**").

In 2010 and based on the Statistics Centre's mid-year estimates, Abu Dhabi had a predominantly young population with 0.8 per cent. being 65 years and over and 21.1 per cent. being under the age of 15. According to the same data, between 2005 and 2010, Abu Dhabi's population average annual population growth rate was 7.7 per cent. The population mix in 2010 is estimated by the Statistics Centre to have comprised 22.0 per cent. UAE nationals and 78.0 per cent. non-nationals.

According to the Statistics Centre, Abu Dhabi's nominal GDP per capita was approximately U.S.\$85,854 in 2010, which makes it one of the highest in the Gulf region. The oil and gas industry dominates Abu Dhabi's economy and contributed approximately U.S.\$83.9 billion, or 49.7 per cent., of nominal GDP in 2010. Oil prices declined significantly in the second half of 2008 and this fact was the principal reason for the decline in Abu Dhabi's nominal GDP in 2009. Abu Dhabi's growing non-oil sector, which in 2010 accounted for over 50.0 per cent. of Abu Dhabi's GDP, in comparison to 2008, where it accounted for just over 41.4 per cent., contributed to Abu Dhabi's increase in GDP in 2010, despite the continuing economic financial crises and declining oil prices.

No meaningful real GDP information is currently available for Abu Dhabi as a result of historic uncertainties surrounding the calculation of inflation for the emirate. It is anticipated that real GDP data may become available during the course of 2011.

The table below shows Abu Dhabi's nominal GDP, its percentage growth change, the UAE's nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the UAE's nominal GDP for each of the years indicated.

|  | 2010   | 2009    | 2008    |
|--|--|---------|---------|
|  | <i>(AED billions, except for percentage)</i> |         |         |
| Abu Dhabi nominal GDP (current price) .....      | 620.3  | 535.3   | 705.1   |
| Percentage change in Abu Dhabi nominal GDP ..... | 15.9   | (24.1)  | 29.3    |
| UAE nominal GDP (current prices) .....           | 1,093.1*                                     | 992.8** | 1,156.3 |
| Abu Dhabi as a percentage of UAE .....           | 56.7   | 53.9    | 60.9    |

\* Estimated figures

\*\* Preliminary figures

Sources: Statistics Centre (for Abu Dhabi nominal GDP) and UAE National Bureau of Statistics (for UAE nominal GDP only).

Abu Dhabi's GDP is dominated by the oil and gas sector which contributed 58.5 per cent. of nominal GDP in 2008, 44.6 per cent. in 2009 and 49.7 per cent. in 2010. Outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2008, 2009 and 2010 have been: construction; real estate and business services; manufacturing; transport, storage and communications; financial corporations sector; and wholesale, retail trade and repairing services, which together accounted for 36.0 per cent. of nominal GDP in 2008, 48.1 per cent. in 2009 and 43.9 per cent. in 2010.



In terms of growth, the fastest growing sectors between 2008 and 2010 were hotels and restaurants; construction; financial corporations sector; public administration and defence; and electricity, gas and water, with compound annual growth rates (“CAGRs”) of 13.9 per cent., 17.6 per cent. and 10.7 per cent., respectively.

Public administration and defence accounted for 3.7 per cent. of GDP in 2010 (as per preliminary estimates published by the Statistics Centre).

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

| Sector   | 2010*          |                                   |                | 2009                              |                |                                   | 2008           |       |      |
|--|----------------|-----------------------------------|----------------|-----------------------------------|----------------|-----------------------------------|----------------|-------|------|
|  | (AED millions) | (2010 compared to 2009, % change) | (AED millions) | (2009 compared to 2008, % change) | (AED millions) | (2008 compared to 2007, % change) |                |       |      |
| Mining and Quarrying** .....                         | 308,022        | 49.7                              | 28.9           | 239,006                           | 44.6           | (42.1)                            | 412,774        | 58.5  | 34.3 |
| Manufacturing .....                                  | 33,860         | 5.5                               | 10.8           | 30,560                            | 5.7            | (22.1)                            | 39,211         | 5.6   | 11.2 |
| Public administration and defence.....               | 23,321         | 3.7                               | 13.0           | 20,559                            | 3.8            | 10.2                              | 18,653         | 2.6   | 61.2 |
| Construction .....                                   | 80,925         | 13.0                              | 2.0            | 79,310                            | 14.8           | 20.8                              | 65,655         | 9.3   | 39.6 |
| Real estate and business services..                  | 53,414         | 8.6                               | 6.4            | 50,223                            | 9.4            | 7.4                               | 46,749         | 6.6   | 16.6 |
| Wholesale, retail trade and repairing services ..... | 29,999         | 4.8                               | 5.3            | 28,484                            | 5.3            | (12.3)                            | 32,479         | 4.6   | 24.2 |
| Financial corporations sector .....                  | 34,498         | 5.6                               | 14.4           | 30,154                            | 5.6            | 2.0                               | 29,575         | 4.2   | 8.4  |
| Transport, storage and telecommunications            | 39,661         | 6.4                               | 1.3            | 39,134                            | 7.3            | (2.0)                             | 39,918         | 5.7   | 19.9 |
| Agriculture, livestock and fishing .....             | 6,111          | 1.0                               | 2.1            | 5,988                             | 1.1            | 3.5                               | 5,786          | 0.8   | 3.5  |
| Electricity, gas and water .....                     | 14,366         | 2.3                               | (0.6)          | 14,458                            | 2.7            | 3.2                               | 14,010         | 2.0   | 11.3 |
| Hotels and restaurants                               | 6,572          | 1.1                               | 4.6            | 6,283                             | 1.2            | (7.1)                             | 6,762          | 1.0   | 39.0 |
| Other .....  | 15,648         | 2.6                               | 14.0           | 13,728                            | 2.6            | 2.4                               | 13,405         | 1.9   | 29.0 |
| Less: Imputed Bank Service Charge ....               | (25,990)       | (4.2)                             | 15.1           | (22,575)                          | (4.2)          | 13.9                              | (19,815)       | (2.8) | 22.1 |
| <b>Total GDP .....</b>                               | <b>620,316</b> |                                   |                | <b>535,311</b>                    |                |                                   | <b>705,159</b> |       |      |

\* Preliminary estimates

\*\* Includes oil

Source: Statistics Centre.

The Government’s long-term foreign and local currency issuer ratings were affirmed at Aa2 and its short-term foreign and local currency issuer ratings at Prime-1 by Moody’s on 23 April 2010. Reasons cited for these high investment grade ratings include a very strong government balance sheet, abundant hydrocarbon resources, high (albeit volatile) GDP per capita, domestic political stability and strong international relations. On the other hand, Moody’s also noted the troubled regional political environment, the fact that Abu Dhabi has weaker institutions than other highly rated countries, its volatile GDP caused by a concentration on hydrocarbons and its substantial, in Moody’s opinion, domestic contingent liabilities.

The Government’s long-term sovereign credit ratings were affirmed at AA long-term and A-1+ short-term by Standard & Poor’s on 25 November 2010. Standard & Poor’s commented that the ratings on Abu Dhabi were supported by the Government’s very strong asset position, which provides significant financial

flexibility and which has allowed Abu Dhabi to face the global economic downturn with a high degree of resilience.

The Government's long-term foreign and local currency issuer default ratings were affirmed at AA and short-term foreign currency issuer default ratings at F1+ by Fitch on 23 September 2011. Fitch commented that the affirmation reflected the continuing strength of Abu Dhabi's sovereign balance sheet, which conveys exceptional fiscal flexibility, and the fact that the 2008-2009 global financial crisis had left Abu Dhabi's balance sheet largely undented.

## **GOVERNMENT**

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan.

Departments, authorities and councils are established by Emiri Decree.

The Supreme Petroleum Council was established by law No. (1) of 1988, and the Chairman of the Supreme Petroleum Council is H.H. Sheikh Khalifa bin Zayed Al Nahyan, Ruler of Abu Dhabi and President of the UAE. In accordance with Law No. (1) of 1988, the Supreme Petroleum Council is the highest authority responsible for petroleum affairs in Abu Dhabi and formulates and oversees Abu Dhabi's policies and objectives in all sectors of the petroleum industry. The Supreme Petroleum Council has twelve board members and four of the Company's board members sit on the Supreme Petroleum Council.

The Executive Council is the principal executive authority below the Ruler and the Crown Prince and currently comprises 14 members, appointed by an Emiri Decree issued on 11 December 2010.

Departments manage administration within the Emirate and manage specific portfolios, including, for example, the Department of Economy and Planning, the Department of Finance, the Department of Municipal Affairs, the Department of Transport and the Judicial Department. Authorities manage the Emirate's resources and strategies and include the Abu Dhabi Accountability Authority, the Abu Dhabi Tourism Authority, the Abu Dhabi Water and Electricity Authority, the Executive Affairs Authority and the Health Authority. Councils act as controlling bodies for certain Government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards, and include the Civil Service Council, the Council for Economic Development, the Education Council, the Supreme Petroleum Council and the Urban Planning Council.

The Government owns or has material shareholdings in a number of significant companies and institutions, including ADNOC, Abu Dhabi Investment Authority ("ADIA"), the Council, Mubadala Development Company ("Mubadala"), International Petroleum Investment Company ("IPIC") and Tourism Development and Investment Company ("TDIC"). Each of these companies and institutions are wholly-owned by the Government and one or more board members of each of these companies and institutions are represented on the Executive Council.

ADNOC was established in 1971 to operate in all areas of Abu Dhabi's oil and gas industry. Since 1971, ADNOC has steadily broadened its activities establishing various companies and subsidiaries to create an integrated oil and gas industry in Abu Dhabi. ADNOC manages and oversees oil production of more than 2.0 million barrels a day which would rank it among the top ten oil producers in the world.

ADIA was established in 1976. The Government provides funds to ADIA on a periodic basis that are surplus to its budgetary requirements and other funding requirements. ADIA carries out its investment strategy independent of and without reference to the Government or other entities that also invest funds on the Government's behalf. In addition, at certain times, in practice only during periods of extreme and/or prolonged weakness in commodity prices, ADIA is required to make available to the Government its financial resources to secure and maintain the future welfare of Abu Dhabi.

IPIC was established in 1984. IPIC has a mandate to invest in energy and energy-related assets globally. IPIC has eight board members, including H.H. Sheikh Mansour bin Zayed Al Nahyan, the

Chairman of the board of directors, a member of the ruling family of Abu Dhabi, the Deputy Prime Minister of the UAE and the UAE Minister of Presidential Affairs.

The Council started its operations in 2007. The Council is another investment arm of the Government and is also responsible for investing the Government's financial resources. The Council is empowered by the Government with a direct investment mandate to broaden Abu Dhabi's economic base and facilitate the international development of Abu Dhabi companies.

Mubadala was established in 2002. Mubadala is a business development and investment company mandated by the Government to act as a primary catalyst in the implementation of Abu Dhabi's development strategy in a commercial and profitable manner.

TDIC was established in 2005. TDIC is a wholly-owned subsidiary of the Abu Dhabi Tourism Authority. TDIC is mandated to implement the strategy of the Abu Dhabi Tourism Authority through tourism development and is charged with fulfilling Abu Dhabi's ambition to become a leading global tourist destination.

## **ABU DHABI'S ECONOMIC STRATEGY**

The Government's development strategy is articulated in the Abu Dhabi Policy Agenda 2007-2008 (the "**Policy Agenda**") and the Abu Dhabi Economic Vision 2030, issued by the Government in January 2009 (the "**2030 Economic Vision**"). Drawing on the Policy Agenda, the 2030 Economic Vision sets forth a roadmap for developing the Government's strategy for economic development over the period to 2030.

The Policy Agenda establishes broad, long-term policy goals to drive economic, social and geopolitical/governance change in Abu Dhabi. Under the Policy Agenda, diversifying the energy sector and the economy through investments by entities such as IPIC and Mubadala is a key step in achieving economic development, including through the strengthening of downstream hydrocarbon capabilities (refining, transportation and distribution), the application of better processes, products and technologies and the expansion of the proportion of value-added exports, such as refined and semi-refined products in the petrochemicals sector, from Abu Dhabi. The Policy Agenda also calls for the pursuit of the geographic diversification of Abu Dhabi's assets through strategic investments in upstream, midstream and downstream hydrocarbon assets outside the UAE and the leveraging of Abu Dhabi's strengths in the hydrocarbon sector to diversify into other industrial sectors, such as the development of Abu Dhabi as a world leader in the petrochemicals industry.

## **INTERNATIONAL RELATIONS**

The foreign policy of the UAE is based upon a set of guiding principles, laid down by the country's first President, H.H. Sheikh Zayed bin Sultan Al Nahyan.

The UAE participates in a number of multi-lateral aid-giving institutions, including the International Bank for Reconstruction and Development, the International Development Agency, the IMF and regional bodies like the Arab Bank for Economic Development in Africa, the Arab Gulf Fund for the United Nations, the Abu Dhabi-based Arab Monetary Fund, the Islamic Development Bank and the OPEC Fund for International Development. In addition, the UAE is a member of various other international organisations, including, among others, the Asia-Pacific Economic Co-operation, the GCC, the International Organisation for Industrial Development, the League of Arab States, OPEC, the Organisation of Arab Petroleum Exporting Countries, the Organisation of Islamic Countries, the United Nations, the World Health Organisation and the World Trade Organisation. In December 2009, the UAE entered into a bilateral agreement with the United States for peaceful nuclear co-operation which establishes the legal framework for commerce in civilian nuclear energy between the two countries.

The UAE enjoys good relations with the other states in the GCC. However, the UAE has an ongoing dispute with the Islamic Republic of Iran and continuing discussions with the Kingdom of Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by the Islamic Republic of Iran. The UAE believes that the islands should be returned to the

Emirate of Sharjah which claims sovereignty over them and is seeking to resolve the dispute through negotiation.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with the Kingdom of Saudi Arabia on the border between the two countries, which the UAE believes should be substantially amended. In addition, the UAE is involved in discussions with the governments of the Kingdom of Saudi Arabia and the State of Qatar relating to a maritime corridor which the State of Qatar has purported to grant to the Kingdom of Saudi Arabia, from within the State of Qatar's own maritime waters, which crosses part of the route of the gas pipeline constructed by Dolphin Energy Limited. The UAE believes that this grant is in breach of existing agreements between the UAE and the State of Qatar and, in June 2009, the UAE's Ministry of Foreign Affairs stated this position in a letter to the UN Secretary General.

## THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

### SUMMARY

The global financial crisis has had an effect on the UAE banking sector and the key concerns facing the sector include a liquidity shortage and a fall in real estate and equities prices. Although the UAE could be viewed as an over-banked market, even by regional standards, there has traditionally been little impetus for consolidation. The UAE's membership in the WTO will require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

As a banking regulator, the 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 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 Central Bank.

Historically, the Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirs of each Emirate.

### CHARACTERISTICS OF THE BANKING SYSTEM

#### Lack of Consolidation

The UAE may be seen as being over-banked with 51 different banks (comprised of 23 locally incorporated banks and 28 foreign banks) licensed to operate inside the UAE (excluding the Dubai International Financial Centre (the "DIFC")), serving a population estimated to be in the region of approximately 5 million people. Traditionally there has been little impetus for consolidation. However, mergers in the past have tended to come as a result of banks facing financial difficulties and some commentators suggest that the recent financial crisis has created more favourable conditions for consolidation. The federal structure of the country has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation. However, in October 2007, the UAE's second and fourth largest banks, Emirates Bank International and National Bank of Dubai merged.

The relatively small size of most UAE banks has sometimes hindered them from competing for large financing deals in the region. It also means that they have comparatively small franchises with which to absorb capital costs, such as information technology system development. The advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, possibly even creating banks with pan-Gulf franchises.

#### Domestic Focus

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross border business.

With a large number of players chasing a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a consequence, IT costs have been a prominent feature of many banks' expenses.

### **Limited Foreign Ownership**

In 1987, the 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 Central Bank following an agreement to allow market access to banks of GCC state origin in line with continuing efforts in regional integration. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

### **Exposure to the Oil Sector**

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements.

### **Islamic Banking**

Sharia (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates Islamic Bank, Dubai Bank, Noor Islamic Bank, Sharjah Islamic Bank, Osool Finance and Amlak Finance. The number of Islamic banks continues to rise, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer Sharia-compliant products.

### **Legal Environment**

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

### **Supervision of Banks**

The main piece of legislation covering the banking system is Union Law No. 10 of 1980 (the "**Union Law**") which established the Central Bank. The 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 Government of Abu Dhabi would ultimately stand as de facto defender of the currency and the "lender of last resort".

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the Central Bank to issue government debt. However, the Central Bank does issue certificates of deposit ("**CDs**") to the banks, denominated in both U.S. dollars and UAE dirham, in order to absorb excess



liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the Central Bank at any time. In 2007, the Central Bank introduced an auction system and allowed U.S. dollar drawings against UAE dirham CD holdings.

The UAE dirham is linked to the International Monetary Fund's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in reality, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices.

The Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering. It has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

The UAE further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the "NATC"). The NATC serves as a UAE inter-agency liaison.

Although the Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. The 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 Abu Dhabi Securities Exchange (both of which were established in 2000), have grown rapidly over recent years, such growth has been affected by the recent global financial crisis.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009 the Dubai Financial Market announced its intention to acquire the NASDAQ Dubai, with completion of the acquisition having occurred in July 2010.

### **Government Involvement**

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to happen in practice. The state is also the banking sector's largest customer, in terms of both deposits and project financing.

### **Expatriate Workforce**

An unusual feature of the UAE economy is its reliance on overseas labour, with expatriates making up approximately 80 per cent. of the workforce. The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the country has been an increasing

concern for the UAE federal government and as part of a policy of “Emiratization”, banks were instructed, in 1999, to increase UAE nationals on their payroll to 40 per cent. by 2009. Generally, banks have been moving closer to, or have met, this target, providing better training and compensation for UAE nationals.

### **Accounting Standards**

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (IAS)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector. Basel II was introduced effective as from 1 January 2008.

### **Structure of the Banking System**

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as “National” banks, of which there are currently 23, are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by UAE nationals. Licensed foreign banks, of which there are currently 28, need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the UAE. The Union Law also licenses “financial institutions” (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

## **RECENT TRENDS IN BANKING**

### **Profitability**

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the global financial crisis, represented a significant risk to the UAE banking system. In addition, a number of UAE banks have announced exposures to well known GCC-based companies which have become insolvent or have been, or are being, restructured. As a result of declining economic conditions since late 2008 and increasing insolvencies and restructurings, the provisions recorded by banks in the UAE have increased from AED 25.0 billion, or 1.7 per cent. of total UAE bank assets, at 31 December 2008 to AED 43.3 billion, or 2.7 per cent. of total UAE bank assets at 31 December 2009 and AED 56.8 billion, or 3.4 per cent. of total UAE bank assets, at 31 December 2010. Equity prices declined generally in the UAE in 2008 and have remained subdued with the Abu Dhabi Securities Exchange’s Abu Dhabi index rising from 2,390.0 at 31 December 2008, to 2,743.6 at 31 December 2009, 2,719.9 at 31 December 2010 and 2,533.4 at 30 September 2011, and the Dubai Financial Market index rising from 1,636.3 at 31 December 2008, to 1,803.6 at 31 December 2009 to 1,630.5 at 31 December 2010 and 1,431.7 at 30 September 2011.

### **Liquidity**

The Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan deposit ratio of 100 per cent. set by the Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. Together, these deposits constituted approximately 63.7 per cent. of

total deposits of the UAE banking sector as at 30 June 2011. The UAE federal government and the public sector contributed approximately 23.2 per cent. as at 30 June 2011. Non-resident and other sources contributed approximately 13.1 per cent. as at the same date.

In response to the global financial crisis, the 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 Central Bank established an AED 50.0 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the Central Bank.

In addition to these measures, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE have converted the UAE federal government deposits made with them into Tier II capital.

During 2008, Abu Dhabi government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance) subscribed, in aggregate, a sum of AED 16.0 billion in subordinated Tier I Capital Notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi, ADCB, First Gulf Bank, Union National Bank and Abu Dhabi Islamic Bank.

A press statement issued by the Department of Finance of the Government of Dubai on 25 February 2009 announced that it had established a U.S.\$20.0 billion funding programme and that the first tranche, valued at U.S.\$10.0 billion with a five year tenure and paying a coupon rate of four per cent. per annum, had been issued in its entirety to the Central Bank. In November 2009, the Department of Finance of the Government of Dubai announced that a second U.S.\$5.0 billion tranche was fully subscribed equally by National Bank of Abu Dhabi and Al Hilal Bank.

### **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 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 Central Bank with more up to date information on credit, market and operational risks within the banking sector.

### **Capital Adequacy**

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 1 January 2008. Since 1993, the Central Bank has imposed a 10 per cent. minimum total capital ratio. In a circular dated 30 August 2009, the Central Bank announced amendments to its capital adequacy requirements stating that UAE banks were required to have total capital adequacy ratios of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009 and at least 12 per cent., with a Tier I ratio of not less than 8 per cent., by 30 June 2010. The circular stated

that the new requirements, which were effective on 31 August 2009, apply to national and foreign banks and will be reviewed at the start of 2011. As at the date of this Base Prospectus, no further developments have been announced. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital. GCC sovereign debt is risk-weighted at zero 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 are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent. Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the Central Bank.

## **Reserve Requirements**

Reserve requirements are used by the Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

## **Credit Controls**

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

The Central Bank defines large exposures as any funded on-or-off balance sheet exposure to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) are as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);
- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and
- to Board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

Exposures above these limits are subject to Central Bank approval. Exposures to the government and sovereign risk are exempt from the regulations. In addition, the Central Bank lending limits also require that:

- no commercial bank can hold shares or bonds issued by commercial companies in excess of 25 per cent. of the bank's own funds; and
- no bank is permitted to grant loans or advances for the purpose of funding commercial or residential real estate construction in an amount exceeding 20 per cent. of its total deposits, unless it has prior authorisation from the Central Bank as an institution specialising in this type of business.

In a circular dated 23 February 2011 on retail banking, the Central Bank introduced regulations regarding bank loans and other services offered to individual customers. The regulations, among other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that

the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower and that the repayment period must not exceed 48 months.

### **Provisions for Loan Losses**

The Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent., respectively. Any loans with either interest or principal in arrears by more than 180 days must be placed on a non-accrual basis and classified as non-performing. In addition, the banks should build up general provisions equal to 1.5 per cent. of risk weighted assets over a period of 4 years, up from the previous requirement of 1.25 per cent. In practice, several banks operate more stringent policies and place loans on a nonaccrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans carried on the balance sheets of UAE banks when compared to banks operating in other economies.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the “Clearing Systems”) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Obligors nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Book-entry Systems

#### *DTC*

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**” and, together with Direct Participants, “**Participants**”). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**DTC Rules**”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“**DTC Notes**”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“**Owners**”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, DTC the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.



To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### ***Book-entry Ownership of and Payments in respect of DTC Notes***

The relevant Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

Each Obligor expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. Each Obligor also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the relevant Obligor. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the relevant Obligor.

### ***Transfers of Notes Represented by Registered Global Notes***

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that

certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale and Transfer and Selling Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (“**Custodian**”) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Obligors, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

*The following summary of certain United States, Cayman Islands, United Arab Emirates and European Union Savings Tax Directive tax consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the acquisition, ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Base Prospectus, and of any actual changes in applicable tax laws after such date.*

### CAYMAN ISLANDS

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation. ADCB Finance (Cayman) Limited received an undertaking dated 27 May 2008 from the governor-in-cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as revised) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Issuer or its operation and in addition, that no tax to be levied on profits, income, gains or appreciations which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other duty inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which include the Notes) of ADCB Finance (Cayman) Limited or by way of the withholding in whole or part of any relevant payment. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Notes. However, an instrument transferring title to such Notes, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by ADCB Finance (Cayman) Limited to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$732. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### UNITED ARAB EMIRATES

*The following summary of the anticipated tax treatment in the UAE in relation to the payments on the Notes is based on the taxation law and practice in force at the date of this Base Prospectus, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of any payments with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation.*

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of interest or principal on debt securities (including the Notes).

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into “Double Taxation Arrangements” with certain other countries.

## **EU SAVINGS TAX DIRECTIVE**

Under EC Council Directive 2003/48/EC (the “**Directive**”) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement (the “**Programme Agreement**”) dated 7 December 2011, agreed with the Obligors a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Obligors have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under U.K. laws and regulations stabilising activities may only be carried on by the Stabilising Manager named in the applicable Final Terms (or persons acting on its behalf) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

### **Transfer Restrictions**

*As a result of the following restrictions, purchasers of Notes who are in the United States or who are U.S. persons are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.*

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is outside the United States and is not a U.S. person;
- (ii) that it, and each account for which it is purchasing, will hold and transfer at least the minimum denomination of the Notes;
- (iii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and, accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iv) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the



expiration of the applicable required holding period pursuant to Rule 144A from the later of the last Issue Date for the Series and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Notes, only (a) to the relevant Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

- (v) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (vii) above, if then applicable;
- (vi) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (vii) unless otherwise stated in the Final Terms (i) it is not, is not using the assets of and shall not at any time hold such Note for or on behalf of an “employee benefit plan” as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, a plan subject to Section 4975 of the Code, an entity whose underlying assets include plan assets by reason of a plan’s investment in such entity or a governmental, church or non-US plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (“**Similar Law**”) or (ii) its acquisition, holding and disposition of such Note or of any interest therein, will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a violation of any applicable Similar Laws;
- (viii) that the Notes in registered form, other than the Regulation S Global Notes, issued by ADCB Finance Cayman will bear a legend to the following effect unless otherwise agreed to by ADCB Finance Cayman:

“NEITHER THIS SECURITY NOR THE GUARANTEE THEREOF HAS BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS, AND, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (“QIB”) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS IN A MINIMUM PRINCIPAL AMOUNT OF U.S.\$200,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL

APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE SECURITY. EACH TRANSFEROR OF THIS SECURITY WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE AGENCY AGREEMENT TO ITS TRANSFEREE.

UNLESS OTHERWISE STATED IN THE FINAL TERMS, EACH PURCHASER AND TRANSFEREE OF ANY NOTE WILL BE DEEMED TO REPRESENT AND AGREE THAT EITHER (I) IT IS NOT, IS NOT USING THE ASSETS OF AND SHALL NOT AT ANY TIME HOLD SUCH NOTE FOR OR ON BEHALF OF AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), A PLAN SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (“CODE”), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PL AN ASSETS BY REASON OF A PLAN’S INVESTMENT IN SUCH ENTITY OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO FEDERAL, STATE, LOCAL OR NON-U.S. LAWS WHICH ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”) OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE OR OF ANY INTEREST THEREIN, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (ix) that the Notes in registered form, other than the Regulation S Global Notes, issued by ADCB will bear a legend to the following effect unless otherwise agreed to by ADCB:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (“QIB”) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS IN A MINIMUM PRINCIPAL AMOUNT OF U.S.\$200,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY); (B) AGREES THAT IT WILL NOT RESELL OR

OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE SECURITY.

EACH TRANSFEROR OF THIS SECURITY WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE AGENCY AGREEMENT TO ITS TRANSFEREE.

UNLESS OTHERWISE STATED IN THE FINAL TERMS, EACH PURCHASER AND TRANSFEREE OF ANY NOTE WILL BE DEEMED TO REPRESENT AND AGREE THAT EITHER (I) IT IS NOT, IS NOT USING THE ASSETS OF AND SHALL NOT AT ANY TIME HOLD SUCH NOTE FOR OR ON BEHALF OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED ("CODE"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN SUCH ENTITY OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO FEDERAL, STATE, LOCAL OR NON-U.S. LAWS WHICH ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE OR OF ANY INTEREST THEREIN, WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

- (x) that the Notes in registered form which are registered in the name of a nominee of DTC will bear an additional legend to the following effect unless otherwise agreed to by the Issuer:

“UNLESS THIS GLOBAL SECURITY IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, (“DTC”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED SECURITY ISSUED IN EXCHANGE FOR THIS GLOBAL SECURITY OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.”;

- (xi) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

“THIS SECURITY AND ANY GUARANTEE HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, 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 THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.”; AND

- (xii) that the relevant Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) of Registered Notes.

## SELLING RESTRICTIONS

### United States

The Notes and any guarantee thereof have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (“**Regulation S Notes**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In respect of Bearer Notes where TEFRA D is specified in the applicable Final Terms the relevant Dealer will be required to represent and agree that:

- (a) except to the extent permitted under U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D) (the D Rules), (i) it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and it will not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;
- (b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6);
- (d) with respect to each affiliate that acquires Bearer Notes from it for the purpose of offering or selling such Notes during the restricted period, it repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate’s behalf; and
- (e) it will obtain from any distributor (within the meaning of U.S. Treasury Regulations Section 1.163 5(c)(2)(i)(D)(4)(ii)) that purchases any Bearer Notes from it pursuant to a written contract with such Dealer (other than a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor’s agreement to comply with, the provisions of sub-clauses (a), (b), (c) and



(d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

In respect of Bearer Notes where TEFRA C is specified in the applicable Final Terms, the relevant Dealer will be required to represent and agree that:

- (a) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions in connection with the original issuance of the Bearer Notes; and
- (b) in connection with the original issuance of the Bearer Notes it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of the Bearer Notes.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Registered Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency). To the extent that the relevant Obligor is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the relevant Obligor has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Obligors and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

#### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Obligors for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,



**provided that** no such offer of Notes referred to in (a) to (c) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Obligor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control 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.

### **Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to agree, that no offer or invitation to subscribe for the Notes has been or will be made to the public of the Cayman Islands.

## **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Each Dealer has acknowledged and agreed, and each further Dealer appointed under the Programme will be required to acknowledge and agree that, the information contained in this Base Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Base Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

## **Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the “**DFSA**”); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

## **Kingdom of Saudi Arabia**

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 and/or Article 11 of the “**Offer of Securities Regulations**” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the “**KSA Regulations**”). Each Dealer has represented, warranted and agreed, and each further Dealer will be required to represent, warrant and agree that the offer of the Notes will not be directed at more than 60 Saudi Investors (excluding “**Sophisticated Investors**” (as defined in Article 10 of the KSA Regulations)) and the minimum amount payable per Saudi Investor (excluding Sophisticated Investors) will be not less than Saudi Riyal (“**SR**”) 1 million or an equivalent amount.

The offer of Notes shall not therefore constitute a “public offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Notes as a Sophisticated Investor may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Notes are offered or sold to a “Sophisticated Investor”; (b) the price to be paid for the Notes in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

## **Kingdom of Bahrain**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer any Notes to the Public (as defined in Articles 142-146 of the Commercial Companies Law (Decree Law No. 21/2001) of the Kingdom of Bahrain) in the Kingdom of Bahrain.

## **Qatar (excluding the Qatar Financial Centre)**

Each of Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes in Qatar, except (a) in compliance with all applicable laws and regulations of Qatar and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

## **Singapore**

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (“**Securities and Futures Act**”). Accordingly each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold and that it will not offer or sell any Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provisions of the Securities and Futures Act.

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the “**CO**”) or which do not constitute an offer to the public within the meaning of the CO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to any Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made under the SFO.

## **Malaysia**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA; and
- (b) accordingly, the Notes have not been and will not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under (i) paragraphs 9, 10 or 11 of Schedule 6 (or paragraphs 9, 10 or 11 of Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)), and (ii) Schedule 9 (or Section 257(2)) 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.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

### **Kuwait**

No Notes have been licensed for offering in Kuwait by the Ministry of Commerce and Industry or the Central Bank of Kuwait or any other relevant Kuwaiti government agency. The offering of Notes in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990, as amended, and Ministerial Order No. 113 of 1992, as amended. No private or public offering of Notes is being made in Kuwait, and no agreement relating to the sale of Notes will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market Notes in Kuwait.

### **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Obligors nor any of the other Dealers shall have any responsibility therefor.

None of the Obligors or the Dealers represents that Notes 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.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Obligors and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Notes by each of ADCB and ADCB Finance Cayman have been duly authorised by a resolution of the Board of Directors of ADCB Finance Cayman dated 14 November 2011 and a resolution of the Management Executive Committee of ADCB on 14 November 2011. The giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of ADCB dated 31 March 2009. In addition, any public issue of Notes under the Programme currently requires a further approval of the Board of Directors of ADCB, details of which will be set out in the relevant Final Terms.

### Listing and admission to trading

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The listing of the Programme in respect of Notes is expected to be granted on or before 12 December 2011.

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of ADCB and from the specified office of the Paying Agent for the time being in London:

- (a) the Memorandum and Articles of Association of ADCB Finance Cayman and the Memorandum and Articles of Association (with an English translation thereof) of ADCB;
- (b) the audited consolidated financial statements (in English) of ADCB in respect of the financial years ended 31 December 2009 and 31 December 2010, in each case together with the auditor's reports prepared in connection therewith.
- (c) the most recently published audited annual financial statements (in English) of ADCB and the most recently published unaudited condensed consolidated interim financial information (if any and in English) of ADCB, in each case together with any auditors' or review reports, as the case may be, prepared in connection therewith. ADCB Finance Cayman is not required by Cayman Islands law, and does not intend, to publish audited financial statements.
- (d) the Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future base prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a Base Prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuers and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

The English language translations of the Memorandum and Articles of Association of ADCB are accurate and direct translations of the original foreign language documents. In the event of a discrepancy

between the English language translation and the foreign language version, the foreign language version will prevail.

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V. 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, société anonyme, 42 Avenue JF Kennedy L-1885 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

Save as disclosed on page 86 of this Base Prospectus under the heading “*Description of ADCB Finance Cayman*”, there has been no significant change in the financial or trading position, and no material adverse change in the prospects of ADCB Finance Cayman, since the date of its incorporation.

There has been no significant change in the financial or trading position of ADCB and its subsidiaries taken as a whole (the “**ADCB Group**”) since 30 September 2011. There has been no material adverse change in the financial position or prospects of ADCB since 31 December 2010.

### **Litigation**

ADCB Finance Cayman is not, nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ADCB Finance Cayman is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on ADCB Finance Cayman and/or the ADCB Group’s financial position or profitability.

Save as disclosed on page 105 of this Base Prospectus under “*Description of ADCB – Litigation*”, ADCB is not, nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ADCB is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on ADCB and/or the ADCB Group’s financial position or profitability.

### **Auditors**

The current auditors of ADCB are PricewaterhouseCoopers. Deloitte & Touche (M.E.) audited ADCB’s financial statements (which have been prepared in accordance with IFRS), without qualification, for each of the financial years ended on 31 December 2009 and 31 December 2010. There is no professional body of auditors in the UAE and, accordingly, the auditors of ADCB are not a member of any professional body in the UAE. However, the auditors of ADCB are registered under the Register of Practising Accountants at the UAE Ministry of Economy and Planning as required by the UAE Federal Law No. 22 for the year 1995. The auditors of ADCB have no material interest in ADCB.



## **Post-issuance Information**

Save as set out in the applicable Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

## **Dealers Transacting with the Obligors**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Obligors and their affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**ISSUER**

**ADCB Finance (Cayman) Limited**  
c/o Walkers Corporate Services Limited  
Walker House  
87 Mary Street  
George Town  
Grand Cayman KY1-9005  
Cayman Islands

**ISSUER AND GUARANTOR**

**Abu Dhabi Commercial Bank PJSC**  
PO Box 939  
Abu Dhabi  
United Arab Emirates

**ISSUING AND PRINCIPAL PAYING AGENT, AND EXCHANGE AGENT**

**Deutsche Bank AG, London Branch**

Winchester House  
1, Great Winchester Street  
London EC2N 2DB  
United Kingdom

**EURO REGISTRAR, PAYING AGENT AND TRANSFER AGENT**

**Deutsche Bank Luxembourg S.A.**

2 boulevard Konrad Adenauer  
L-1115 Luxembourg

**U.S. REGISTRAR, PAYING AGENT AND TRANSFER AGENT**

**Deutsche Bank Trust Company Americas**

Trust and Agency Services  
60 Wall Street, 27th Floor MS: NYC60-2710,  
New York 10005  
United States of America

**LEGAL ADVISERS**

*To ADCB as to English law and UAE law*

**Clifford Chance LLP**

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PO Box 26492  
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*To ADCB Finance Cayman as to Cayman Islands law*

**Walkers (Dubai) LLP**

5th Floor, The Exchange Building  
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Dubai  
United Arab Emirates

*To the Dealers as to English law*

**Allen & Overy LLP**

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United Kingdom

## AUDITORS

*To ADCB*

### **Deloitte & Touche (M.E.)**

PO Box 990  
Abu Dhabi  
United Arab Emirates

### **PricewaterhouseCoopers**

PO Box 42563  
Abu Dhabi  
United Arab Emirates

## DEALERS

### **Abu Dhabi Commercial Bank PJSC**

PO Box 939  
Abu Dhabi  
United Arab Emirates

### **BNP PARIBAS**

10 Harewood Ave  
London NW1 6AA  
United Kingdom

### **Citigroup Global Markets Limited**

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London E14 5LB  
United Kingdom

### **Commerzbank Aktiengesellschaft**

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60311 Frankfurt am Main  
Federal Republic of Germany

### **Daiwa Capital Markets Europe Limited**

5 King William Street  
London EC4N 7AX  
United Kingdom

### **Deutsche Bank AG, London Branch**

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1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

### **HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

### **J.P. Morgan Securities Ltd.**

125 London Wall  
London EC2Y 5AJ  
United Kingdom

### **Merrill Lynch International**

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### **Standard Chartered Bank**

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PO Box 999  
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