

Program Information

First Gulf Bank P.J.S.C.

PROGRAM INFORMATION

Type of Information:	Program Information
Date of Announcement:	10 June 2014
Issuer Name:	First Gulf Bank P.J.S.C.
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Type of Securities:	Notes (the " Notes ")
Scheduled Issuance Period:	11 June 2014 to 10 June 2015
Maximum Outstanding Issuance Amount:	U.S.\$1 billion (for this Program)
Address of Website for Announcement:	http://www.tse.or.jp/rules/probond/index.html
Name of the Main Dealers that are Expected to Subscribe for the Notes to be Drawn-Down from this Program:	HSBC Bank plc Mizuho International plc
Status of Submission of Annual Securities Reports or Issuer Filing Information:	None
Notes to Investors:	
1.	TOKYO PRO-BOND Market is a market for professional investors, etc. (<i>Tokutei Toushika tou</i>) as defined in Article 2, Paragraph 3, Item 2(b)(2) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the " FIEA ") (the " Professional Investors, Etc. "). Notes listed on the market (" Listed Notes ") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Notes on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions

after having carefully considered the contents of this Program Information.

2. The regulatory framework for TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on Tokyo Stock Exchange, Inc. ("**Tokyo Stock Exchange**") website.
3. Tokyo Stock Exchange does not express opinions or issue guarantees, etc. regarding the content of the Program Information (including but not limited to, whether the Program Information contains (a) a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content) and shall not be liable for any damage or loss.
4. This Program Information (excluding Program Information concerning securities enumerated in each item of Article 3 of the FIEA) includes information regarding necessary matters pursuant to Rule 206, Paragraph 2 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities (hereinafter referred to as the "**Special Regulations**") as information prescribed in Article 2, Paragraph 1, Item 1 of the Cabinet Office Ordinance on Provision and Publication of Information on Securities, etc. Accordingly, this Program Information shall constitute Specified Securities Information stipulated in Article 27-31, Paragraph 1 of the FIEA.
5. References to "**Abu Dhabi**" herein are to the Emirate of Abu Dhabi; references to the "**Government**" herein are to the government of Abu Dhabi; references to a "**Member State**" are references to a Member State of the European Economic Area; and references to the "**U.A.E.**" herein are to the United Arab Emirates.

As used in this Program Information, the term "**billion**" means one thousand million (1,000,000,000).

In this Program Information, references to "**U.S. dollars**", "**U.S.\$**" and "**\$**" are to United States dollars being the legal currency for the time being of the United States of America; references to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the People's Republic of China (the "**PRC**") (which, for the purposes of this Program Information, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan); references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the Treaty on the Functioning of the European Community, as amended; and references to "**dirham**" and "**AED**" are to U.A.E. dirham being the legal currency for the time being of the U.A.E. The dirham has been pegged to the U.S. dollar since 22 November 1980.

6. All prospective investors who purchase the Notes should be aware that when they offer to purchase the Notes, they shall be required to enter into and agree the terms of a transfer restriction agreement with the Issuer and/or the person making a solicitation. The terms of such transfer restriction agreement provide that prospective investors agree not to sell, transfer or otherwise dispose of the Notes to be held by them to any person other than the Professional Investors, Etc., except for the transfer of the Notes to the following:
 - (a) the Issuer or the Officer (meaning directors, company auditors, executive officers or persons equivalent thereto) thereof who holds shares or equity pertaining to voting rights exceeding 50% of all the voting rights in the Issuer which is calculated by excluding treasury shares or any non-voting rights shares (the "**Voting Rights Held by All the Shareholders, Etc.**" (*Sou Kabunushi Tou no Giketsuken*)) (as prescribed in Article 29-4, Paragraph 2 of the FIEA) of the Issuer under his/her own name or another person's name (the "**Specified Officer**" (*Tokutei Yakuin*)), or a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc., are held by the Specified Officer (the "**Controlled Juridical Person, Etc.**" (*Hi-Shihai Houjin Tou*)) including a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. are jointly held by the Specified Officer and the Controlled Juridical Person, Etc. (as prescribed in Article 11-2, Paragraph 1, Item 2 (c) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (MOF Ordinance No. 14 of 1993, as amended)); or
 - (b) a company that holds shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. of the Issuer in its own name or another person's name.
7. When (i) a solicitation of an offer to acquire the Notes or (ii) an offer to sell or a solicitation of an offer to purchase the Notes (collectively, "**Solicitation of the Note Trade**") is made, the following matters shall be notified from the person who makes such Solicitation of the Note Trade to the person to whom such Solicitation of the Note Trade is made:
 - (a) no securities registration statement (pursuant to Article 4, Paragraphs 1 through 3 of the FIEA) has been filed with respect to the Solicitation of the Note Trade;
 - (b) the Notes fall, or will fall, under the Securities for Professional Investors (*Tokutei Toushika Muke Yukashoken*) (as defined in Article 4, Paragraph 3 of the FIEA);
 - (c) any acquisition or purchase of the Notes by such person pursuant to any Solicitation of the Note Trade is

conditional upon such person entering into an agreement providing for the restriction on transfer of the Notes as set forth in 7 above, (i) with each of the Issuer and the person making such Solicitation of the Note Trade (in the case of a solicitation of an offer to acquire the Notes to be newly issued), or (ii) with the person making such Solicitation of the Note Trade (in the case of an offer to sell or a solicitation of an offer to purchase the Notes already issued);

- (d) Article 4, paragraphs 3, 5 and 6 of the FIEA will be applicable to such certain solicitation, offers and other activities with respect to the Notes as provided in Article 4, paragraph 2 of the FIEA;
 - (e) the Specified Securities Information, Etc. (*Tokutei Shouken Tou Jouhou*) (as defined in Article 27-33 of the FIEA) with respect to the Notes and the Issuer Information, Etc. (*Hakkosha Tou Jouhou*) (as defined in Article 27-34 of the FIEA) with respect to the Issuer have been or will be made available for the Professional Investors, Etc. by way of such information being posted on the web-site maintained by the TOKYO PRO-BOND Market (<http://www.tse.or.jp/rules/probond/index.html> or any successor website), in accordance with Articles 210 and 217 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities of the Tokyo Stock Exchange; and
 - (f) the Issuer Information, Etc. will be provided to the Noteholders or made public pursuant to Article 27-32 of the FIEA.
8. In respect of this First Gulf Bank P.J.S.C. U.S.\$3,500,000,000 Euro Medium Term Note Programme dated 24 October 2013 a rating of A2 was assigned from Moody's Investors Service Ltd. ("**Moody's**") on 24 October 2013 and a rating of A+ was assigned from Fitch Ratings Ltd. ("**Fitch**") on 24 October 2013. Those credit rating firms have not been registered under Article 66-27 of the FIEA.

Unregistered credit rating firms are not subject to any supervision of the Financial Services Agency of Japan or regulations applicable to credit rating firms, including obligations to disclose information, nor obligated to publicize information regarding such matters as listed in Article 313, Paragraph 3, Item 3 of the Ordinance of the Cabinet Office Concerning Financial Instruments Business, Etc. (the "**Cabinet Office Ordinance**").

Moody's has Moody's Japan K.K. (registration number: Commissioner of Financial Services Agency (kakuzuke) No. 2), and Fitch has Fitch Ratings Japan Limited (registration number: Commissioner of Financial Services Agency (kakuzuke) No. 7) within their respective groups as registered credit rating firms under Article 66-27 of the FIEL, and Moody's and Fitch are specified affiliated corporations (as defined in Article 116-3, Paragraph 2 of the Cabinet Office Ordinance) of the respective registered credit rating firms above. The assumptions, significance and limitations of the credit ratings given by Moody's and Fitch are made available on the respective websites of (i) Moody's Japan K.K., at "Assumptions, Significance and Limitations of Credit Ratings" posted under "Related to Explanations of Unregistered Credit Ratings" in the column titled "Use of Ratings by Unregistered Firm" on the page appearing after clicking "Credit Rating Business" on Moody's website in the Japanese language (<http://www.moody.co.jp>), (ii) Fitch Ratings Japan Limited., at "Assumptions, Significance and Limitations of Credit Ratings" posted under "Overview of Policies etc for Credit Rating" in the "Regulatory Affairs" section in the column titled "About Fitch" on the left bar on its website (<http://www.fitchratings.co.jp>), respectively, which are made available for the public on the Internet.

9. The selling restrictions set forth in notes 6 and 7 above shall prevail over those set forth in the section entitled "SUBSCRIPTION AND SALE – Japan" in this Program Information.
10. In addition to the documents incorporated by reference in this Base Prospectus dated 24 October 2013 and the First Supplement thereto dated 31 October 2013, the following additional documents are incorporated in this Program by reference:
- The Issuer's 2013 Financial Statements for the year ended 31 December 2013 (which include the Issuer's 2013 consolidated financial statements) which are available at Morningstar's website: <http://www.morningstar.co.uk/uk/NSM>.
 - The Issuer's Q1 2014 Financial Statements for the quarter ended 31 March 2014 (which include the Issuer's Q1 2014 interim condensed consolidated financial statements) which are available at Morningstar's website: <http://www.morningstar.co.uk/uk/NSM>.

BASE PROSPECTUS



FIRST GULF BANK P.J.S.C.

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

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

Euro Medium Term Note Programme

Under this U.S.\$3,500,000,000 Euro Medium Term Note Programme (the "**Programme**"), First Gulf Bank P.J.S.C. ("**FGB**" and the "**Issuer**") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

Notes may be issued in bearer or registered form (respectively, "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$3,500,000,000 (or its equivalent in other currencies calculated as provided in the Dealer Agreement described herein), subject to increase as described herein.

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

An investment in Notes issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes, see "Risk Factors" beginning on page 6.

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

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

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

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

The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system ("**Unlisted Notes**") or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Arrangers

Citigroup
First Gulf Bank
National Bank of Abu Dhabi

Deutsche Bank
HSBC
Standard Chartered Bank

Dealers

ANZ
BofA Merrill Lynch
Citigroup
Crédit Agricole CIB
DBS Bank Ltd.
First Gulf Bank
ING
National Bank of Abu Dhabi
Nomura

Barclays
BNP PARIBAS
Commerzbank
Daiwa Capital Markets Europe
Deutsche Bank
HSBC
Mitsubishi UFJ Securities
Natixis
Standard Chartered Bank

Wells Fargo Securities

The date of this Base Prospectus is 24 October 2013

IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive"), as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Where information has been sourced from a third party, the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

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

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

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

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

sold or delivered within the United States or to U.S. persons (as defined in Regulations S under the Securities Act ("**Regulation S**")).

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

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

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

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

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

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

The requirement to publish a base prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in

this Base Prospectus to "**Unlisted Notes**" are to Notes issued by FGB for which no base prospectus is required to be published under the Prospectus Directive. The U.K. Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with Unlisted Notes.

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 BAHRAIN RESIDENTS

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

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

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

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Base Prospectus does not and is not intended to constitute an offer, sale or delivery of notes or other debt financing instruments under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or Qatar Central Bank. The Notes are not and will not be traded on the Qatar Exchange.

PRESENTATION OF INFORMATION

Certain Defined Terms

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

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

Certain Conventions

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

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

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

STABILISATION

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

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OVERVIEW OF THE PROGRAMME

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

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

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

Issuer: FGB was incorporated in the U.A.E. in 1979 for a duration of 100 years and is registered as a public joint stock company with limited liability in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended). The registered office of FGB is P.O. Box 6316, Abu Dhabi, United Arab Emirates. See "*Description of First Gulf Bank P.J.S.C.*".

Description: Euro Medium Term Note Programme.

Risk Factors: There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme. These include certain risks relating to the structure of a particular Series of Notes and certain market risks. See "*Risk Factors*".

Arrangers: Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, First Gulf Bank P.J.S.C., HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank.

Dealers: Australia and New Zealand Banking Group Limited, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Daiwa Capital Markets Europe Limited, DBS Bank Ltd., Deutsche Bank AG, London Branch, First Gulf Bank P.J.S.C., HSBC Bank plc, ING Bank N.V., Merrill Lynch International, Mitsubishi UFJ Securities International plc, National Bank of Abu Dhabi P.J.S.C., Natixis, Nomura International plc, Standard Chartered Bank and Wells Fargo Securities International Limited and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Fiscal Agent: Citibank N.A., London Branch.

Registrar: Citigroup Global Markets Deutschland AG.

Final Terms, Pricing Supplement or Drawdown Prospectus: Notes issued under the Programme may be issued either: (1) pursuant to this Base Prospectus and associated Final Terms or (in the case of Unlisted Notes issued by FGB) Pricing Supplement; or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as supplemented by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced to the extent described in the

relevant Pricing Supplement or Drawdown Prospectus.

Listing and Trading:

Application has been made to the U.K. Listing Authority for Notes issued under the Programme (other than Unlisted Notes) to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Regulated Market.

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

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

Clearing Systems:

Euroclear (as defined herein) and/or Clearstream, Luxembourg (as defined herein).

Initial Programme Amount:

Up to U.S.\$3,500,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.

The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.

Issuance in Series:

Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will comprise, where necessary, the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche), will be identical to the terms of other Tranches of the same Series and will be completed in the relevant final terms (the "**Final Terms**").

Forms of Notes:

Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). In respect of each Tranche of Notes issued in bearer form, the Issuer will initially deliver a Temporary Global Note or (if so specified in the relevant Final Terms in respect of Notes to which the TEFRA C Rules apply (as so specified in such Final Terms)) a Permanent Global Note (each as described herein). Such Global Note will be deposited on or around the relevant issue date therefor with Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Interests in each Temporary Global Note will, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership, be exchangeable for interests in a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes (as described herein) in bearer form. Interests in each Permanent Global Note will be exchangeable for Definitive Notes in bearer form. Definitive Notes in bearer form will, if interest-bearing, have Coupons

attached and, if appropriate, Talons (each as described herein). In respect of each Tranche of Registered Notes, the Issuer will deliver to each holder Registered Notes which will be recorded in the register which the Issuer shall procure to be kept by the Registrar. A Global Registered Note may be registered in the name of a nominee for one or more clearing systems. Registered Notes will not be represented upon issue by a Temporary Global Note and may not be exchanged for Bearer Notes.

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

Redemption for tax reasons).

- Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
- Denominations:** The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The minimum denomination of each Note shall be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the date of the issue of the Notes).
- Negative Pledge:** The Notes will have the benefit of a negative pledge as described in Condition 6 (*Negative Pledge*).
- Cross Default:** The Notes will have the benefit of a cross-default as described in Condition 14(a)(iii) (*Events of Default – Events of Default for Senior Notes – Cross-default of Issuer or Principal Subsidiary*).
- Taxation:** All payments in respect of Notes will be made free and clear of withholding taxes imposed by the United Arab Emirates unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 13 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
- Governing Law:** English law.
- Enforcement of Notes in Global Form:** In the case of Global Notes, individual investors' rights against the Issuer will be governed by the Deed of Covenant (as defined herein), a copy of which will be available for inspection at the specified office of the Fiscal Agent.
- Ratings:** The ratings of certain Tranches of Notes issued under the Programme and the credit rating agency issuing such rating may be specified in the relevant Final Terms (or, in the case of Unlisted Notes, the relevant Pricing Supplement).
- A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
- In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued or endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation).
- Selling Restrictions:** For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Hong Kong, the PRC (excluding the Hong Kong Special Administrative Region of

the PRC, the Macau Special Administrative Region of the PRC and Taiwan), Japan, Malaysia, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar and such other restrictions as may be required in connection with the offering and sale of the Notes, see "*Subscription and Sale*" below.

Waiver of immunity:

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

DOCUMENTS INCORPORATED BY REFERENCE

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

1. the auditors' report and audited consolidated financial statements of FGB for the year ended 31 December 2011;
2. the auditors' report and audited consolidated financial statements of FGB for the year ended 31 December 2012;
3. the auditors' review report and the unaudited interim condensed consolidated financial statements of FGB for the six months ended 30 June 2013;
4. the Terms and Conditions of the Notes contained on pages 23 to 47 (inclusive) in the base prospectus dated 19 November 2009 prepared by FGB in connection with the Programme;
5. the Terms and Conditions of the Notes contained on pages 27 to 51 (inclusive) in the base prospectus dated 11 July 2011 prepared by FGB in connection with the Programme; and
6. the Terms and Conditions of the Notes contained on pages 23 to 50 (inclusive) in the base prospectus dated 26 September 2012 prepared by FGB in connection with the Programme.

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

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

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

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

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below.

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

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

General

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

Majority of business in the U.A.E.

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

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

Credit risk

Credit risk is the risk that a customer will fail to meet its obligations in accordance with agreed terms and in doing so will cause FGB, together with its subsidiaries (the "**Group**"), to incur a financial loss. The Group controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties, diversification of lending activities and compliance with internal limits to avoid undue concentrations of risk with individuals or groups of customers in specific locations or businesses, and by obtaining security when appropriate. In addition to monitoring credit limits, the Group seeks to manage its credit exposure by entering into netting agreements and collateral arrangements with counterparties in appropriate circumstances and by limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

Market risk

Market risk is defined as the risk of losses in the Group's on or off balance sheet positions arising from movements in interest rates, foreign exchange rates and the prices of its debt, equity and commodity investments. FGB has established an independent middle office to track the magnitude of market risk on a daily basis. The Group has established policies for conducting its investment (including trading investments) and foreign exchange business which stipulate limits for these activities. In addition, investments must be made in accordance with defined investment criteria which are formulated by IMCO (as defined under "*Description of First Gulf Bank P.J.S.C. – Risk and Compliance Governance Structure*"), reviewed by the EC (as defined under "*Description of First Gulf Bank P.J.S.C. – Risk and Compliance Governance Structure*") on a yearly basis and which aim to ensure that the Group's investments are of a satisfactory quality and liquidity.

Legal and operational risk

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

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

Liquidity risk

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

An inability on FGB's part to access funds or to access the markets from which it raises funds may put FGB's positions in liquid assets at risk and lead to FGB being unable to finance its operations adequately. A dislocated credit environment compounds the risk that FGB will not be able to access funds at favourable rates. These and other factors could also lead creditors to form a negative view of FGB's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, because FGB receives a significant portion of its funding from deposits, FGB is subject to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain.

In addition, there are always some timing differences between cash payments FGB owes on its liabilities and the cash payments due to it on its investments. FGB's ability to overcome these cash mismatches and make timely payments in respect of the Notes may be adversely affected if the fixed income markets were to experience significant liquidity problems. Also, under certain market conditions, FGB could be unable to sell additional products or be unable to sell its portfolio investments in sufficient amounts to raise the cash required to pay all amounts due in respect of the Notes.

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

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

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

Dependence on key personnel

Revenues of FGB will depend, in part, on FGB's ability to continue to attract, retain and motivate qualified and skilled personnel. FGB relies on its senior management for the implementation of its strategy and its day-to-day operations. There is intense competition in the U.A.E. for skilled personnel, especially at the senior management level, due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. If FGB were unable to retain key members

of its senior management and/or hire new qualified personnel in a timely manner, this could have an adverse effect on the operations of FGB. The loss of any member of the senior management team may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives. These adverse results could, among other things, reduce potential revenue, which could adversely affect FGB's business, results of operations, financial condition, prospects and ability to make payment of all amounts due under the Notes.

Political, economic and related considerations

The U.A.E. has enjoyed significant economic growth and relative political stability, however there can be no assurance that such growth or stability will continue. This is particularly so in light of significant adverse financial and economic conditions experienced worldwide commencing in early 2008. Since that time, there has been a slowdown or reversal of the high rates of growth that had been experienced by many countries within the Gulf Co-operation Council ("**GCC**") and the U.A.E., especially in Dubai and, to a lesser extent, Abu Dhabi. Consequently, certain sectors of the GCC economy such as financial institutions that had benefitted from such high growth rates, have been adversely affected by the crisis.

In common with other banks in the GCC region, FGB has suffered a deterioration in its portfolio, principally manifested in the form of increases in non-performing loan levels, as a result of such adverse economic conditions (see "*Financial Review – Risk Management – Credit Risk*"). Whilst FGB's non-performing loan levels have shown stability during 2012 and 2013 (with a non-performing loan ratio of 3.2 per cent. as at 31 December 2012 compared to a non-performing loan ratio of 3.6 per cent. as at 30 June 2013), FGB has the majority of its operations in the U.A.E. Consequently, its business and results of operations have been and may continue to be affected by economic developments impacting the U.A.E., in particular, the level of economic activity in the U.A.E.

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

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

FGB's business may be affected if there are geo-political events that prevent FGB from delivering its services. In particular, since early 2011 there has been political unrest in a range of countries in the Middle East and North Africa ("**MENA**") region, including Algeria, Bahrain, Egypt, Libya, Oman, Syria, Saudi Arabia, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and has given rise to increased political uncertainty across the region and, in certain cases, regime changes. FGB does not have operations in any of these countries except in Libya where it has an investment in First Gulf Libyan Bank ("**FGLB**"), which is a 50:50 partnership with the Economic and Social Development Fund of Libya. It is not possible to predict the occurrence of events or circumstances such as, or similar to, a war or the impact of such occurrences and no assurance can be given that FGB would be able to sustain its current profit levels if such events or circumstances were to occur. A general downturn or sustained deterioration in the economy of the U.A.E., instability in certain sectors of the U.A.E. or regional economy, or major political upheaval therein could have an adverse effect on FGB's business, financial condition, results of operations, prospects or ability to make payments due under the Notes.

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

Principal shareholder

FGB's principal beneficial shareholders are the members of the ruling family of Abu Dhabi, holding approximately 64.7 per cent. of FGB's share capital as at 30 June 2013. By virtue of such shareholding, the ruling family of Abu Dhabi has the ability to influence FGB's business significantly through their ability to control and/or block actions that require shareholder approval. If circumstances were to arise where the interests of the ruling family of Abu Dhabi conflict with the interests of the Noteholders, Noteholders could be disadvantaged by any such conflict.

Loan portfolio growth

FGB's loans and advances net of provisions have increased in recent years, growing from AED 95,628.0 million as at 31 December 2010 to AED 104,719.8 million as at 31 December 2011 to AED 114,644.5 million as at 31 December 2012 and to AED 123,088.2 million as at 30 June 2013. The significant increase in the loan portfolio size has increased FGB's credit exposure.

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

Loan portfolio concentration

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

FGB's loans and advances constituted 67.3 per cent. of its total assets, or AED 123.1 billion, as at 30 June 2013. Of such total loans as at 30 June 2013, around 66.0 per cent. were located in Abu Dhabi, 18.0 per cent. were located in Dubai, and the remaining 16.0 per cent. were located in other Emirates of the U.A.E. or outside the U.A.E. FGB's loan portfolio is also concentrated in particular economic sectors. Of total loans as at 30 June 2013, 24.4 per cent. were classified as personal – retail (including retail mortgages but excluding any such mortgages granted as part of the U.A.E. Federal Government's National Home Loans programme), 16.3 per cent. as real estate, and 16.3 per cent. as services (the remainder being of insignificant concentrations and falling within a number of other sectors).

FGB's customers' deposits constituted 80.6 per cent. of its total liabilities, or AED 123.9 billion, as at 30 June 2013, of which 88.0 per cent. were located in the U.A.E.

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

Foreign exchange movements may adversely affect FGB's profitability

FGB maintains its accounts, and reports its results, in U.A.E. dirham. The U.A.E. dirham has been 'pegged' at a fixed exchange rate to the U.S. dollar since 22 November 1980. However, there can be no assurance that the U.A.E. dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects FGB's results of operations and financial condition. Any such de-pegging, particularly if the U.A.E. dirham weakens against the U.S. dollar, would expose FGB to U.S. dollar foreign exchange movements and could have an adverse effect on FGB's business, results of operations, financial condition and prospects, and thereby affect FGB's ability to perform its obligations in respect of the Notes.

Impact of regulatory changes

FGB is subject to the laws, regulations, administrative actions and policies of the U.A.E. and each other jurisdiction in which it operates. These regulations may limit FGB's activities and changes in supervision and regulation, particularly within the U.A.E., could affect FGB's business (such as pursuant to Basel III and/or the new regulations relating to large exposures set out in the 2012 Large Exposures Limits Circular (as defined below under "*The United Arab Emirates Banking Sector and Regulations*")), the products or services offered, the value of its assets and its financial condition. Although FGB works closely with its regulators and continuously monitors the situation, future changes in regulatory, fiscal or other policies cannot be predicted and are beyond the control of FGB. A description of the legal and regulatory environment applicable to banks generally in the U.A.E. is set out below under "*The United Arab Emirates Banking Sector and Regulations*".

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

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the Issuer

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

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

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

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

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

time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

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

The Issuer's obligations under Subordinated Notes are subordinated

The Issuer's obligations under Subordinated Notes (as defined in the Conditions) issued by it will be unsecured and subordinated and, upon the occurrence of any winding up proceedings with respect to the Issuer, will rank junior in priority of payment of obligations owed to Senior Creditors of the Issuer. "**Senior Creditors**" means all creditors of the Issuer (including depositors) other than creditors in respect of indebtedness where, by the terms of such indebtedness, the claims of the holders of that indebtedness rank or are expressed to rank *pari passu* with, or junior to, the claims of the holders of the Subordinated Notes. In addition, Condition 5(b) (*Status – Status of the Subordinated Notes*) requires each holder of Subordinated Notes unconditionally and irrevocably to waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of its Subordinated Notes.

Risks relating to Notes denominated in Renminbi

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

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

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction in control by it in recent years over trade transactions involving the import and export of goods and services, as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong, Singapore and Taiwan have been permitted to engage in the settlement of current account items in Renminbi under certain pilot schemes.

However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually.

On 12 October 2011, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the "Circular on Certain Issues Concerning Direct Investment Involving Cross border Renminbi" (the "**MOFCOM Circular**"). Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts were authorised to approve Renminbi foreign direct investments ("**FDI**") with certain exceptions based on, amongst others, the size and industry of the investment. The MOFCOM Circular also stipulates that the proceeds of FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in domestic companies listed in the PRC through private placements or share transfers by agreement.

On 13 October 2011, the People's Bank of China (the "**PBoC**") promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment" (the "**PBoC FDI Measures**") as part of the implementation of the PBoC's detailed FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBoC further issued the implementing rules for the PBoC FDI Measures. Under the PBoC FDI Measures, special approval for FDI and shareholder loans from the PBoC, which was previously required, is no longer necessary. In some cases, however, post-event filing with the PBoC is still necessary.

As the MOFCOM Circular and the PBoC FDI Measures are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the pilot schemes introduced in Hong Kong, Singapore and Taiwan will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Notes.

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

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

As of 31 July 2013, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately RMB 695,042 million. As of 11 June 2013, the total amount of Renminbi deposits held by Taiwan foreign exchange banks and offshore banking units amounted to approximately RMB 70 billion. While the PBoC has established Renminbi clearing and settlement mechanisms for participating banks in Hong Kong, Singapore and Taiwan through settlement agreements on the clearing of Renminbi business (the "**Settlement Agreements**") with Bank of China (Hong Kong) Limited in Hong Kong, Industrial and Commercial Bank of China, Singapore Branch in Singapore and Bank of China, Taipei Branch in Taiwan (each, an "**RMB Clearing Bank**"), the current size of Renminbi-denominated financial assets outside the PRC is limited.

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

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

If the Issuer is unable to source such Renminbi, the Issuer's obligation to make a payment in Renminbi under the terms of the RMB Notes may be replaced by an obligation to pay such amount in the Relevant Currency (as specified in the relevant Final Terms) converted using the Spot Rate for the relevant Rate Calculation Date (all as defined in the Conditions and further described in Condition 11(k) (*Payments – Bearer Notes – RMB Currency Event*) and Condition 12(d) (*Payments – Registered Notes – RMB Currency Event*)).

Investment in RMB Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions, as well as many other factors. The Issuer will make all payments of interest and principal with respect to the RMB Notes in Renminbi, unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of an investment in RMB Notes in that foreign currency will decline.

Payments for RMB Notes will only be made to investors in the manner specified for such RMB Notes in the Conditions

All payments to investors in respect of the Notes will be made solely: (i) for so long as the RMB Notes are represented by a Temporary Global Note, a Permanent Global Note or a Global Certificate held with the common depository or common safekeeper, as the case may be, for Clearstream, Luxembourg and Euroclear or any alternative clearing system by transfer to a Renminbi bank account maintained in the applicable RMB Settlement Centre(s); or (ii) for so long as the Notes are in definitive form, by transfer to a Renminbi bank account maintained in the applicable RMB Settlement Centre(s) in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

In the event that access to Renminbi becomes restricted to the extent that, by reason of RMB Inconvertibility, RMB Non-transferability or RMB Illiquidity (as defined in the Conditions), the Issuer is unable, or it is impractical for it, to pay interest or principal in Renminbi, the Conditions allow the Issuer to make payment in U.S. dollars at the prevailing spot rate of exchange, all as provided in more detail in the Conditions. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a holder's investment in U.S. dollar or other foreign currency terms will decline.

An investment in RMB Notes is subject to interest rate risks

The PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

Gains on the transfer of RMB Notes may become subject to income taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of RMB Notes by a non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is income derived from sources within the PRC. Under the PRC Enterprise Income Tax Law, a "**non-resident enterprise**" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. However, uncertainty remains as to whether the gain realised from the transfer of RMB Notes by a non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, holders who are residents of Hong Kong, including enterprise holders and individual holders, will not be subject to the PRC EIT or IIT on capital gains derived from a sale or exchange of RMB Notes.

Therefore, if non-PRC enterprise or individual resident holders are required to pay PRC income tax on gains derived from the transfer of RMB Notes (such EIT is currently levied at the rate of 10 per cent. of gains realised and such IIT is currently levied at the rate of 20 percent of gains realised (with deduction of reasonable expenses), unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of RMB Notes reside that reduces or exempts the relevant EIT or IIT), the value of their investment in RMB Notes may be materially and adversely affected.

Risks related to Notes generally

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

Modification

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders

including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

European Monetary Union

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

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). On 10 April 2013, the Luxembourg Ministry of Finance announced that Luxembourg's transitional period will end with effect from 1 January 2015 in favour of automatic information exchange under the EU Savings Directive.

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

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above (see also "*Taxation – The proposed financial transactions tax*"). Investors who are in any doubt as to their position should consult their professional adviser.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, nor any Paying Agent nor any other person would be obliged to pay additional amounts in respect of 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 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.

Payments made on or with respect to the Notes may be subject to U.S. withholding tax

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to: (i) certain payments from sources within the United States; (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime; and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or

intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act.*"

Change of law

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

Notes where denominations involve integral multiples: Definitive Notes

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

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

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

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

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

The payments under the Notes are dependent upon the Issuer making payments to investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary for an investor to bring an action against the Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.

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

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

contrary to public policy, order or morals in the U.A.E., or to any mandatory law of, or applicable in, the U.A.E.

The U.A.E. is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors create greater judicial uncertainty than would be expected in other jurisdictions. The Issuer has confirmed that the Programme limit in the nominal amount of U.S.\$3,500,000,000 does not exceed the Issuer's capitalisation and therefore the update of the Programme and/or any issuance thereunder does not contravene Article 180 of the Commercial Companies Law of the U.A.E.

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

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, 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, in practice, 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 (or any other multilateral or bilateral enforcement convention), remains largely untested. In particular, there remains a risk that notwithstanding Article 238 of Federal Law No. 11 of 1992 (as amended by Federal Law No. 30 of 2005), (the "**Law of Civil Procedure**") or the terms of an applicable multilateral or bilateral enforcement convention, the UAE courts may in practice still consider and apply the grounds set out in the Law of Civil Procedure related to the enforcement of domestic arbitral awards or foreign arbitral awards to the enforcement of a foreign arbitral award in any event. If this is the case, it is likely that a foreign arbitral award will be set aside by the UAE courts.

Reliance on Euroclear and Clearstream, Luxembourg procedures

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

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

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

Risks related to the market generally

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

The secondary market generally

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

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency.

These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls.

An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (1) the Investor's Currency equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes.

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

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

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

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

FINAL TERMS, PRICING SUPPLEMENTS AND DRAWDOWN PROSPECTUSES

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

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

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

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

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

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

FORMS OF THE NOTES

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

Form of Bearer Notes

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

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

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

Temporary Global Note exchangeable for Permanent Global Note

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

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

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within seven days of the bearer requesting such exchange.

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

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 24 October 2013 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Temporary Global Note exchangeable for Definitive Notes

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

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

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

Permanent Global Note exchangeable for Definitive Notes

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

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

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if: (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system is available; or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

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

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

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

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

Form of Registered Notes

Subject as provided below in relation to Global Registered Notes, in respect of each Tranche of Notes issued in registered form, the Issuer will deliver to each holder of such Notes an individual Registered Note and the name of the holder will be recorded in the register which the Issuer shall procure to be kept by the Registrar. Registered Notes will be in substantially the forms (subject to amendment and completion) scheduled to a programme manual containing the forms of the Notes in global and definitive form and dated 24 October 2013 (the "**Programme Manual**"). Notes issued in registered form will not be represented upon issue by a Temporary Global Note and Registered Notes will not be exchangeable for Bearer Notes.

Registered Notes held in Euroclear and/or Clearstream, Luxembourg (or any other clearing system) will be represented by a global Registered Note (a "**Global Registered Note**") which will be registered in the

name of a nominee for, and deposited with, a common depository for Euroclear and Clearstream, Luxembourg (or such other relevant clearing system).

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

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms as being at the option of such holder of a Global Registered Note upon such holder's request; or
- (iii) if: (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention permanently to cease business, and no successor clearing system is available; or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

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

If:

- (a) Individual Registered Notes have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Registered Note; or
- (b) any of the Notes evidenced by the Global Registered Note has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note on the due date for payment in accordance with the terms of the Global Registered Note,

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

Terms and Conditions applicable to the Notes

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

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

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

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

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

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

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

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

Clearing System Accountholders

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

Legend concerning U.S. persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

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

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

TERMS AND CONDITIONS OF THE NOTES

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

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

1. Introduction

- (a) **Programme:** First Gulf Bank P.J.S.C. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$3,500,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) **Final Terms:** Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**") (other than a Tranche of Unlisted Notes which is the subject of a pricing supplement). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) **Agency Agreement:** The Notes are the subject of an amended and restated issue and paying agency agreement dated 24 October 2013 as amended or supplemented from time to time (the "**Agency Agreement**") between the Issuer, Citibank N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent and the Paying Agents and any reference to an "**Agent**" is to each one of them.
- (d) **The Notes:** All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection during normal business hours at the specified office of the Fiscal Agent, the initial specified office of which is set out in the Agency Agreement.
- (e) **Summaries:** Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**", which expression shall where appropriate, be deemed to include holders of Notes issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"), the holders of related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**" respectively) and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency

Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of the Paying Agent, or, if applicable, the Registrar, the initial Specified Offices of which are set out in the Agency Agreement.

2. Interpretation

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

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

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

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

"**Business Day**" means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and
- (iii) in the case of Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settlement payments in the applicable RMB Settlement Centre(s) (as defined below);

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

- (i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided that:**
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day;

Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30;

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

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

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31, in which case D₂ will be 30;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period,

each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

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

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

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

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

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

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

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

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

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

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

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

"Payment Business Day" means:

- (i) if the currency of payment is euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"Permitted Reorganisation" means:

- (i) any solvent winding up or dissolution of a Principal Subsidiary where the remaining assets of such Principal Subsidiary are distributed to the Issuer or any wholly owned Subsidiary of the Issuer;
- (ii) any disposal by any Subsidiary (including, but not limited to, on its solvent winding up) of the whole or a substantial part of its business, undertaking or assets to the Issuer or any wholly owned Subsidiary of the Issuer;
- (iii) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly owned Subsidiary of the Issuer; or
- (iv) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by a modification made by Extraordinary Resolution of the Noteholders pursuant to Condition 18 (*Meetings of Noteholders; Modification and Waiver*);

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

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

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected by the Issuer;

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

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

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

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

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

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

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

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

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

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

"Reference Rate" has the meaning given in the relevant Final Terms;

"Registered Notes" means Notes issued in registered form;

"Regular Period" means:

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

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

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

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

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

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

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

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

"Renminbi" or **"RMB"** means the lawful currency for the time being of the People's Republic of China (the **"PRC"**), which, for these purposes, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Macau Special Administrative Region of the PRC and Taiwan;

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

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

"RMB Illiquidity" means the general RMB exchange market in the applicable RMB Settlement Centre(s) becomes illiquid as a result of which the Issuer cannot obtain sufficient RMB in order to make a payment under the Notes, as determined by the Issuer in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in the applicable RMB Settlement Centre(s);

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

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

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

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

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

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

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

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

"**Spot Rate**" means the spot RMB/Relevant Currency exchange rate for the purchase of the Relevant Currency with Renminbi in the over-the-counter Renminbi exchange market in the applicable RMB Settlement Centre(s) for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (local time at the applicable RMB Settlement Centre(s)) on the Rate Calculation Date, on a deliverable basis by reference to the Relevant Spot Rate Screen Page (Deliverable Basis) (as specified in the relevant Final Terms), or if no such rate is available, on a non-deliverable basis by reference to the Relevant Spot Rate Screen Page (Non-deliverable Basis) (as specified in the relevant Final Terms). If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in the applicable RMB Settlement Centre(s) or elsewhere and the RMB/Relevant Currency exchange rate in the PRC domestic foreign exchange market;

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

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

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

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

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

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

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

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

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under

Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Interpretation – Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement and/or the Deed of Covenant shall be construed as a reference to the Agency Agreement and/or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination and Title**

- (a) **Notes in Bearer Form:** Bearer Notes are issued in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue and may be held in holdings equal to the minimum denomination specified in the relevant Final Terms and integral multiples in excess thereof. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination. Title to Bearer Notes and Coupons will pass by delivery. The holder of any Bearer Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. All Definitive Notes will be serially numbered, with coupons, if any, attached.
- (b) **Notes in Registered Form:** Registered Notes are issued in the Specified Denomination and may be held in holdings equal to the minimum denomination specified in the relevant Final Terms and integral multiples in excess thereof. The holder of each Registered Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Registered Note relating thereto (other than the endorsed form of transfer) or any previous loss or theft of such Registered Note) and no Person shall be liable for so treating such holder. Title to Registered Notes will pass by transfer and registration in the register which the Issuer shall procure to be kept by the Registrar. All individual Registered Notes will be numbered serially with an identity number which will be recorded in the register.
- (c) The Notes are either senior notes or subordinated notes, as indicated in the relevant Final Terms ("**Senior Notes**" and "**Subordinated Notes**" respectively).

4. **Transfers of Registered Notes**

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

- (b) **Issue of new Registered Notes:** Each new Registered Note to be issued upon the transfer of a Registered Note will, within five Relevant Banking Days of the day on which such Note was presented for transfer, be available for collection by each relevant holder at the Specified Office of the Registrar or, at the option of the holder requesting such transfer, be mailed (by uninsured post at the risk of the holder(s) entitled thereto) to such address(es) as may be specified by such holder. For these purposes, a form of transfer received by the Registrar or the Fiscal Agent after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or the Fiscal Agent until the day following the due date for such payment.
- (c) **Charges for transfer or exchange:** The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer, the Fiscal Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.
- (d) **Closed Periods:** Holders of Registered Notes may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

5. **Status**

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

The payment obligations of the Issuer in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) will be subordinated to all unsubordinated payment obligations of the Issuer in the manner described below but will rank *pari passu* with all other subordinated payment obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the payment obligations under the Subordinated Notes and in priority to all claims of shareholders of the Issuer. The rights of the holders of Subordinated Notes against the Issuer are subordinated in right of payment to the claims of all Senior Creditors of the Issuer and, accordingly, payments in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) by the Issuer are conditional upon the Issuer being solvent at the time of such payment and no payment shall be payable by the Issuer in respect of the Subordinated Notes, except to the extent that the Issuer could make such payment and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank *pari passu* with the Subordinated Notes and still be solvent immediately thereafter. For this purpose, the Issuer shall be solvent if: (i) it is able to pay its debts as they fall due; and (ii) its assets exceed its liabilities, and "**Senior Creditors**" shall mean creditors of the Issuer (including depositors) other than creditors in respect of indebtedness where, by the terms of such indebtedness, the claims of the holders of that indebtedness rank or are expressed to rank *pari passu* with, or junior to, the claims of the Noteholders.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note. No collateral is or will be given for the payment obligations under the Subordinated Notes and any collateral that may have been or may in the future be given in connection with other indebtedness of

the Issuer shall not secure the payment obligations of the Issuer in respect of the Subordinated Notes.

6. **Negative Pledge**

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

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

In this Condition:

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

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

- (i) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;
- (ii) any Security Interest arising by operation of law, **provided that** such Security Interest is discharged within 30 days of arising;
- (iii) any Security Interest arising in the ordinary course of banking transactions (such as sale and repurchase transactions and share, loan and bonding lending transactions) **provided that** the Security Interest is limited to the assets which are the subject of the relevant transaction;
- (iv) any Security Interest on assets or property existing at the time the Issuer or any Subsidiary acquired such assets or property **provided that** such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property (other than proceeds of such acquired assets or property), **provided that** the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (v) any Security Interest securing Indebtedness of a Person and/or its Subsidiaries existing at the time that such Person is merged into or consolidated with the Issuer or a Subsidiary, **provided that** such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Issuer or any Subsidiary;
- (vi) any Security Interest created in connection with any Non-recourse Project Financing; and
- (vii) any other Security Interest **provided that** the aggregate outstanding amount secured by that Security Interest and any other Security Interest permitted to be created and in effect under this Condition 6 (*Negative Pledge*) does not, at any time, exceed 10 per cent. of the aggregate share capital and reserves of the Issuer as shown in its most recent audited consolidated (if then prepared by the Issuer) or non-consolidated (if consolidated financial statements are not then prepared by the Issuer) financial statements prepared in accordance with International Financial Reporting Standards.

7. Fixed Rate Note Provisions

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

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

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

8. **Floating Rate Note Provisions**

- (a) **Application:** This Condition 8 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (*Floating Rate Note Provisions – Accrual of Interest*) (as well after as before judgment) until whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either: (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**EURIBOR**") for a currency, the first day of that Interest Period; or (B) in any other case, as specified in the relevant Final Terms.
- (e) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) **Calculation of other amounts:** If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (h) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation

Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

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

9. **Zero Coupon Note Provisions**

- (a) **Application:** This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note provisions are specified in the relevant Final Terms as being applicable.
- (b) **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **Redemption and Purchase**

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*).
- (b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if the Floating Rate Note provisions are specified in the relevant Final Terms as being not applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable),

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

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

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

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

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10 (*Redemption and Purchase – Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent: (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*).

- (c) **Redemption at the option of the Issuer:** If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (d) **Partial redemption:** If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Issuer*):
- (i) in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified; and
 - (ii) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange or quotation system on which the relevant Notes may be listed, traded or quoted.

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

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

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

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

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

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

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

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

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

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

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

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

To exercise the option to require redemption of a Note under Conditions 10(b) (*Redemption and Purchase – Redemption for tax reasons*), 10(c) (*Redemption and Purchase – Redemption at the option of Issuer*) or 10(f) (*Redemption and Purchase – Change of Control Put*) the holder of that Note must, if this Note is in definitive or individual certificate form and held outside Euroclear and Clearstream, Luxembourg,

deliver such Note, on any business day in the city of the specified office of the relevant Paying Agent falling within the period (the "**Put Period**") of 90 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed Put Option Notice in the form scheduled to the Agency Agreement. The Note should be delivered together, as the case may be, with all Coupons appertaining thereto maturing after the date (the "**Optional Redemption Date**" which is the seventh day after the last day of the Put Period) falling which an amount will be deducted from the payment to be made by the Issuer on redemption of the Notes corresponding to the aggregate amount payable in respect of such missing Coupons.

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

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

- (i) if the Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg and if the holder duly specified a bank account in the Put Option Notice to which payment is to be made, on the Optional Redemption Date by transfer to that bank account and in every other case on or after the Optional Redemption Date, in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt and, where appropriate, entry in the Register, at the Specified Office of any Paying Agent in accordance with the provisions of this Condition 10(f) (*Redemption and Purchase – Change of Control Put*); or
 - (ii) if the Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg.
- (g) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (Redemption and Purchase – Scheduled redemption) to 10(e) (Redemption and Purchase – Redemption at the option of Noteholders) above.
- (h) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of

this Condition 10(h) (*Redemption and Purchase – Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) **Purchase:** The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.
- (j) **Cancellation:** All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. **Payments – Bearer Notes**

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

- (a) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) **Interest:** Payments of interest shall, subject to Condition 11(h) (*Payments – Bearer Notes – Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (*Payments – Bearer Notes – Principal*) above.
- (c) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if: (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Bearer Notes in the currency in which the payment is due when due; (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions; and (iii) payment is permitted by applicable United States law.
- (d) **Payments subject to fiscal laws:** All payments in respect of the Bearer Notes are subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Deductions for unmatured Coupons:** If the relevant Final Terms specifies that the Fixed Rate Note provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided that** where this paragraph (A) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

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

- (f) **Unmatured Coupons void:** If the relevant Final Terms specifies that this Condition 11(f) (*Payments – Bearer Notes – Unmatured Coupons void*) is applicable or that the Floating Rate Note provisions are applicable, on the due date for final redemption of any Bearer Note or early redemption in whole of such Bearer Note pursuant to Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*), Condition 10(c) (*Redemption and Purchase – Redemption at the option of the Issuer*), Condition 10(e) (*Redemption and Purchase – Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmaturing Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) **Payments on business days:** If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) **Payments other than in respect of matured Coupons:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(c) (*Payments – Bearer Notes – Payments in New York City*) above).
- (i) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Bearer Note shall become void and no Coupon will be delivered in respect of such Talon.

- (k) **RMB Currency Event:** If "RMB Currency Event" is specified as being applicable in the relevant Final Terms and a RMB Currency Event, as determined by the Issuer acting in good faith and in a commercially reasonable manner, exists on a date for payment of any amount in respect of any Bearer Note or Coupon, the Issuer's obligation to make a payment in RMB under the terms of the Bearer Notes may be replaced by an obligation to pay such amount in the Relevant Currency (as specified in the relevant Final Terms) converted using the Spot Rate for the relevant Rate Calculation Date. Upon the occurrence of a RMB Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.
- (l) **RMB account:** Notwithstanding the foregoing, all payments in respect of any Bearer Note or Coupon in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in the applicable RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in the applicable RMB Settlement Centre(s)).

12. **Payments – Registered Notes**

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

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

failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.

- (c) **Payments subject to fiscal laws:** All payments in respect of the Registered Notes are subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Registered Noteholders in respect of such payments.
- (d) **RMB Currency Event:** If "RMB Currency Event" is specified as being applicable in the relevant Final Terms and a RMB Currency Event, as determined by the Issuer acting in good faith and in a commercially reasonable manner, exists on a date for payment of any amount in respect of any Registered Note, the Issuer's obligation to make a payment in RMB under the terms of the Registered Notes may be replaced by an obligation to pay such amount in the Relevant Currency (as specified in the relevant Final Terms) converted using the Spot Rate for the relevant Rate Calculation Date. Upon the occurrence of a RMB Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.
- (e) **RMB account:** Notwithstanding the foregoing, all payments in respect of any Registered Note in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in the applicable RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in the applicable RMB Settlement Centre(s)).
- (f) In this Condition 12 (*Payments – Registered Notes*), "**business day**" means:
 - (i) any day which is in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in each Additional Financial Centre; or
 - (ii) in the case of surrender of a Registered Note, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place in which the Registered Note is surrendered.

13. **Taxation**

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

political subdivision or any authority thereof or therein having power to tax other than the mere holding of the Note or Coupon; or

- (ii) where such withholding or deduction is imposed on a payment 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
- (iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (iv) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

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

14. **Events of Default**

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

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

- (i) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Notes and the default continues for a period of seven days or fails to pay any amount of interest in respect of the Notes and the default continues for a period of 14 days; or
- (ii) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (iii) **Cross-default of Issuer or Principal Subsidiary:**
 - (A) any Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
 - (B) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) any of its Principal Subsidiaries or (**provided that** no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
 - (C) *the* Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that such event shall not constitute an Event of Default unless the aggregate amount of all such indebtedness, either alone or when aggregated with all other indebtedness in respect of which such an event shall have occurred and be continuing shall be more than U.S.\$10,000,000 (or its equivalent in any other currency or currencies); or

- (iv) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payments of any amount which amount shall not be less than U.S.\$10,000,000 is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (v) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries; or
- (vi) *Insolvency etc.*: (i) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Issuer or any of its Principal Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is appointed (or application for any such appointment is made); (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it; or (iv) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business save in connection with a Permitted Reorganisation; or
- (vii) *Winding up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries save in connection with a Permitted Reorganisation; or
- (viii) *Analogous event*: any event occurs which under the laws of the United Arab Emirates has an analogous effect to any of the events referred to in Conditions 14(a)(iv) (*Events of Default – Events of Default for Senior Notes – Unsatisfied judgment*) to 14(a)(vii) (*Events of Default – Events of Default for Senior Notes – Winding up etc.*) above; or
- (ix) *Failure to take action etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order: (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes; (ii) to ensure that those obligations are legal, valid, binding and enforceable; and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the United Arab Emirates is not taken, fulfilled or done; or
- (x) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes; or
- (xi) *Government intervention*: (A) all or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (B) the Issuer or any of its Principal Subsidiaries is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues,

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

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

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

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

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

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

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

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

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

(iv) *Other Remedies:* No remedy against the Issuer, other than the institution of the proceedings referred to in Conditions 14(b)(i) (*Events of Default – Events of Default for Subordinated Notes – Non-payment*) or 14(b)(iii) (*Events of Default – Events of Default for Subordinated Notes – Breach of obligations*) and the proving or claiming in any dissolution and liquidation of the Issuer, shall be available to the Noteholders or the Couponholders whether for the recovering of amounts owing in respect of the Notes or the Coupons or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Notes or the Coupons.

15. **Prescription**

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

16. **Replacement of Notes and Coupons**

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

17. **Agents**

- (a) **Obligations of Agents:** In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents, the Calculation Agent and the Registrar act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders, and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.
- (b) The initial Paying Agent and Registrar and their initial Specified Offices are listed in the Agency Agreement. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar or the Calculation Agent and to appoint a successor fiscal agent, paying agent, calculation agent or registrar; **provided that:**
- (i) the Issuer shall at all times maintain a Fiscal Agent;
 - (ii) the Issuer shall at all times maintain, in the case of Registered Notes, a Registrar;
 - (iii) the Issuer shall at all times maintain 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;
 - (iv) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;
 - (v) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent (which may be the Fiscal Agent) and a Registrar (for Registered Notes) each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system; and
 - (vi) in the circumstances described in Condition 11(c) (*Payments – Bearer Notes – Payments in New York City*), a paying agent with a Specified office in New York City.

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

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

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the

modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

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

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

19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and date of the first payment of interest) so as to form a single series with the Notes.

20. **Notices**

- (a) **Bearer Notes:** Notices to holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.
- (b) **Registered Notes:** Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an address overseas) by airmail to them (or the first named of joint holders) at their respective addresses recorded in the register kept by the Registrar, and will be deemed to have been given on the fourth business day after the date of such after mailing.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one

half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency (with 0.005 being rounded upwards).

22. **Governing Law and Jurisdiction**

(a) ***Governing law***

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

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

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

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

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

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

- (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (ii) in the event no arbitration is commenced,

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

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

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

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

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

- (i) subject to paragraph (iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;
- (ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (iii) this Condition 22(d) (*Governing Law and Jurisdiction – Effect of exercise of option to litigate*) is for the benefit of the Noteholders only. As a result, and notwithstanding paragraph (i) above, Noteholders may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

- (e) ***Process agent***: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to TMF Corporate Services Limited at its registered office at 6 St Andrew Street, Fifth Floor, London EC4A 3AE, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this Condition shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

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

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

Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

23. **Rights of Third Parties**

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

FORM OF FINAL TERMS

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

Final Terms dated [•]

First Gulf Bank P.J.S.C.

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

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

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 24 October 2013 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"), as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [and its supplement(s)]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus [as so supplemented].

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated [original date] which are incorporated by reference in the Base Prospectus dated 24 October 2013. 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**"), as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) and must be read in conjunction with the Base Prospectus dated 24 October 2013 [and the supplemental Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, as amended, save in respect of the Conditions. In order to get the full information on the Issuer and the Notes described herein, these Final Terms must be read in conjunction with the Base Prospectus dated 24 October 2013 [and the supplemental Prospectuses dated [•]] and [•]]. Copies of the Base Prospectus [and the supplemental Prospectuses] and the Final Terms are available for viewing at the market news section of the London Stock Exchange website (www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) and during normal business hours at the normal business hours at the registered offices of the Issuer at P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

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

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

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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

- (vi) Day Count Fraction: [360/360]/[Actual/Actual (ICMA/ISDA)]/[Actual/365 (Fixed)]
- (vii) [Determination Dates] [[•] in each year] [Not Applicable]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]
- (iii) Specified Interest Payment Dates: [•]
- (iv) [First Interest Payment Date: [•]]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/No Adjustment]
- (vi) Additional Business Centre(s): [[•]/Not Applicable]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Fiscal Agent]): [[•] shall be the Calculation Agent]
- (ix) Screen Rate Determination:
- Reference Rate: [LIBOR/EURIBOR]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [•]
 - Relevant Time: [•]
 - Relevant Financial Centre: [•]
- (x) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (xi) Margin(s): [•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum

	(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
	(xiv)	Day Count Fraction:	[Actual/Actual (ISDA)] Actual/365 (Final) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA)]
16.		Zero Coupon Note Provisions	[Applicable/Not Applicable]
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•]
PROVISIONS RELATING TO REDEMPTION			
17.		Call Option	[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount:	[•] per Calculation Amount
18.		Put Option	[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
19.		Change of Control Put	[Applicable/Not Applicable]
		Change of Control Put Price:	[•] per Calculation Amount
20.		Final Redemption Amount of each Note	100 per cent. of their nominal amount
21.		Early Redemption Amount	[Applicable/Not Applicable]
		Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default:	[•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|-----|---|---|
| 22. | Form of Notes: | Bearer Notes:

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

[Temporary Global Bearer Note exchangeable for Definitive Bearer Notes on [•] days' notice.]

[Permanent Global Bearer Note exchangeable for Definitive Bearer Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Bearer Note].

[Registered Notes: [•]] |
| 23. | Additional Financial Centre(s): | [•]/[Not Applicable] |
| 24. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No] |
| 25. | RMB Settlement Centre(s): | [•]/[Not Applicable] |
| 26. | RMB Currency Event: | [Applicable]/[Not Applicable] |
| 27. | Relevant Currency for Condition 11(k)/12(d): | [•]/[Not Applicable] |
| 28. | Relevant Spot Rate Screen Pages for Condition 11(k)/12(d): | (i) Relevant Spot Rate Screen Page (Deliverable Basis): [•]/[Not Applicable]

(ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): [•]/[Not Applicable] |
| 29. | Party responsible for calculating the Spot Rate for Condition 11(k)/12(d): | [[•] (the " Calculation Agent ")]/[Not Applicable] |

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

By:
Duly Authorised

By:
Duly Authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing and admission to trading: [[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [•] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [•] with effect from [•].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [•]

2. RATINGS

Ratings: The Notes to be issued have been rated:

[Fitch: [•]]
[Moody's: [•]]
[S&P: [•]]

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

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

4. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

5. U.S. SELLING RESTRICTIONS

[TEFRA C/TEFRA D/TEFRA not applicable]

6. OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

Names and addresses of additional [•]
Paying Agent(s) (if any):

7. THIRD PARTY INFORMATION

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

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement for use in connection with each Tranche of Unlisted Notes issued by FGB under the Programme.

Pricing Supplement dated [•]

No base prospectus is required to be produced in accordance with Directive 2003/71/EC (the "**Prospectus Directive**"), as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) for this issue of Notes. The U.K. Listing Authority has neither approved nor reviewed the information contained in this Pricing Supplement.

First Gulf Bank P.J.S.C.

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

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

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 24 October 2013 [and the supplemental Base Prospectus dated [•]]. This document constitutes the pricing supplement relating to the issue of Notes described herein and must be read in conjunction with the Base Prospectus [and its supplement(s)]. This Pricing Supplement must be read in conjunction with the Base Prospectus [as so supplemented].

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated [original date] which are incorporated by reference in the Base Prospectus dated 24 October 2013. This document constitutes the final terms of the Notes described herein and must be read in conjunction with the Base Prospectus dated 24 October 2013 [and the supplemental Prospectus dated [•]]. In order to get the full information on the Issuer and the Notes described herein, this Pricing Supplement must be read in conjunction with the Base Prospectus dated 24 October 2013 [and the supplemental Prospectuses dated [•]] and [•]]. Copies of the Base Prospectus [and the supplemental Prospectuses] and this Pricing Supplement are available for viewing at the market news section of the London Stock Exchange website (www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) and during normal business hours at the registered offices of the Issuer at P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.]

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

4. Aggregate Nominal Amount:
- (i) [Series:] [•]
- (ii) [Tranche:] [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount
[plus accrued interest from [•]]
6. (i) Specified Denominations: [•]
- (ii) Calculation Amount: [•]
7. (i) [Issue Date:] [•]
- (ii) [Interest Commencement Date:] [[•]/Issue Date/Not Applicable]
8. Maturity Date: [•]
9. Interest Basis: [[•] per cent. Fixed Rate]
[[[•] +/- [•] per cent. Floating Rate]
[Zero Coupon]
[specify other]
10. Redemption/Payment Basis: [Redemption at par]
[specify other]
11. Change of Interest or Redemption/Payment Basis: [Applicable/Not Applicable]
12. Put/Call Options: [Not Applicable]
[Investor Put]
[Issuer Call]
13. (i) Status of the Notes: [Senior/Subordinated]
- (ii) [Date [Board] approval for issuance of Notes obtained:] [•]
- (iii) [Date U.A.E. Central Bank approval for issuance of Subordinated Notes obtained:] [•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [•] in each year
- (iii) [First Interest Payment Date:] [•]
- (iv) Fixed Coupon Amount[(s)]: [[•] per Calculation Amount]/[Not Applicable]
- (v) Broken Amount(s): [•]/[Not Applicable]
- (vi) Day Count Fraction: [360/360]/[Actual/Actual (ICMA/ISDA)]/[Actual/365 (Fixed)]

- [specify other]
- (vii) [Determination Dates] [[•] in each year] [Not Applicable]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
- (ix) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Unlisted Notes: [Not Applicable]/[give details]
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]
- (iii) Specified Interest Payment Dates: [•]
- (iv) [First Interest Payment Date: [•]]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/No Adjustment]
- (vi) Additional Business Centre(s): [[•]/Not Applicable]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/[•]]
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Fiscal Agent]): [[•] shall be the Calculation Agent]
- (ix) Screen Rate Determination:
- Reference Rate: [LIBOR/EURIBOR/specify other Reference Rate]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [•]
 - Relevant Time: [•]
 - Relevant Financial Centre: [•]
- (x) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]

- (xi) Margin(s): [•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum
- (xiv) Day Count Fraction: [Actual/Actual (ISDA)]
Actual/365 (Final)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes which are Unlisted Notes, if different from those set out in the Conditions: [Not Applicable]/[specify]

16. **Zero Coupon Note Provisions** [Applicable/Not Applicable]

- (i) [Amortisation/Accrual] Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Unlisted Notes: [•]

PROVISIONS RELATING TO REDEMPTION

17. **Call Option** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[•] per Calculation Amount]/[specify other]
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [•] per Calculation Amount
 - (b) Maximum Redemption Amount: [•] per Calculation Amount

18. **Put Option** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such

amount(s):

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

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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

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

By:
Duly Authorised

By:
Duly Authorised

PART B – OTHER INFORMATION

1. LISTING

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

2. RATINGS

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

[Fitch: [•]]
[Moody's: [•]]
[S&P: [•]]

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

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

4. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

5. U.S. SELLING RESTRICTIONS

[TEFRA C/TEFRA D/TEFRA not applicable]

6. ADDITIONAL SELLING RESTRICTIONS

[•]/[Not Applicable]

7. OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

Names and addresses of additional Paying Agent(s) (if any): [•]

8. THIRD PARTY INFORMATION

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

USE OF PROCEEDS

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

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

OVERVIEW

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

FGB began operations in Ajman in 1979 with a focus on corporate banking and has since developed into a diversified banking group. The Group currently provides a broad range of financial services. FGB's core banking activities include corporate banking (principally comprising of loans and other credit facilities, and deposit and current accounts for corporate, institutional and high net worth customers), treasury and global markets (principally comprising of money market, portfolio management, brokerage, treasury services, foreign exchange and structured derivative products), retail banking (principally comprising of consumer deposits, loans and overdrafts, credit cards and funds transfer facilities) and real estate activities (principally comprising of the development, acquisition, leasing, brokerage, management and resale of properties) to its customers who are predominantly based in the U.A.E. The Group's corporate and retail banking services include both conventional and *Shari'a*-compliant products. FGB operates through its head office and seven other branches in Abu Dhabi and through 15 other branches in Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah. Internationally, FGB has a presence in Singapore and Qatar through respective wholesale banking units, in India and Hong Kong through representative offices and an investment in Libya through FGLB, which is a joint venture with the Economic and Social Development Fund of Libya. FGB also benefits from an extensive network of correspondent banking relationships around the world.

FGB's shareholders include members of the ruling family of Abu Dhabi in their private capacity who, together, held approximately 64.7 per cent. of its shares as at 30 June 2013. Members of the ruling family first became shareholders in 1996 with an original aggregate stake of 45.0 per cent. which was increased to a majority holding in 2005 following a capital increase by FGB. The shareholding by members of the ruling family is diversified as FGB's articles of association provide that no single shareholder can own more than 20.0 per cent. of FGB's shares. In addition to being shareholders, members of the ruling family are also members of the board of directors (the "**Board of Directors**" or the "**Board**").

FGB has progressively grown to become one of the largest banks based in the U.A.E. in terms of total equity and total assets, with total equity of AED 29.2 billion and total assets of AED 182.9 billion as at 30 June 2013 compared to total equity of AED 29.9 billion and total assets of AED 175.0 billion as at 31 December 2012. For the six month period ended 30 June 2013, FGB's operating income was AED 3.9 billion and its net profit for the period was AED 2.2 billion compared to operating income of AED 3.5 billion and net profit of AED 2.0 billion for the six month period ended 30 June 2012.

FGB is required by the U.A.E. Central Bank to maintain its total capital adequacy ratio in excess of 12.0 per cent. FGB's total capital adequacy ratio (calculated in accordance with U.A.E. Central Bank guidelines) was 21.3 per cent. as at 31 December 2012, which decreased to 18.8 per cent. as at 30 June 2013. FGB's Tier 1 capital was AED 26.9 billion as at 31 December 2012, which increased to AED 29.0 billion as at 30 June 2013.

HISTORY

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

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

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

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

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

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

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

In November 2008, FGB publicly opened FGLB, its former banking subsidiary in Libya which carries on commercial banking activities. The venture was a 50:50 partnership with the Economic and Social Development Fund of Libya and was the first international bank to be launched in Libya. In March 2011, FGB suspended its management agreement with FGLB (the principal effect of which was to suspend FGLB's use of FGB's core banking IT system) and all the FGB-nominated members in FGLB resigned. As a result of these changes, FGB de-recognised the assets, liabilities and non-controlling interest relating to FGLB. As of 31 March 2011, FGB's investment in FGLB with a net carrying amount of AED 388.0 million was classified as an available for sale investment. As a result of the lifting of international sanctions against Libya in October 2011, FGB determined to continue its investment in FGLB. FGB's representatives were appointed to the Board of Directors of FGLB at its annual general meeting of shareholders held on 11 December 2011 and the management agreement was reinstated. The Central Bank of Libya approved the appointment of the new FGLB directors on 8 January 2012. FGB accounted for FGLB as a subsidiary in the Group's June 2013 interim financial statements.

In January 2011, FGB approved a plan to convert the mandatory convertible bonds issued by it in 2004 earlier than originally scheduled. After obtaining all necessary approvals, FGB converted the bonds in February 2011. The conversion resulted in the following: (i) the share capital of FGB increased by AED 125.0 million, representing the par value of AED 1.0 for 125 million newly issued shares; and (ii) the legal reserve of FGB increased by AED 3,475.0 million representing the share premium on those additional shares.

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

STRATEGY

FGB has grown significantly since 31 December 2005, with consolidated total assets growing at a compound annual growth rate ("CAGR") of 31.0 per cent. and consolidated net profit growing at a CAGR of 21.0 per cent. between 31 December 2005 and 31 December 2012. FGB's strategy is to become a leading financial institution in the U.A.E. by focusing on sustained growth through a combination of the following:

Organic Growth of Core Banking Activities

Wholesale Banking: One element of FGB's strategy is to build on opportunities with strategic partners as well as key economic players of the "2030 Plan". The 2030 Plan is the Government of Abu Dhabi's

initiative to transform Abu Dhabi into a modern economic state with a focus on diversifying its economy and reducing its dependence on oil. This provides opportunities for FGB to deal and transact with a more diversified client-based industry. In alignment with the 2030 Plan, FGB is determined to enhance its focus on government and public sector segments to support infrastructure projects essential for the growth of the U.A.E. In addition, FGB intends to continue to target large creditworthy U.A.E.-based corporate banking customers and to grow this customer base by selectively expanding its sales and customer relationship presence into the other Emirates outside of Abu Dhabi and Dubai. In targeting new customers in this area, FGB intends to focus on the quality of service and range of products it can offer as factors that distinguish it from its competitors. In addition, FGB is determined to increase its focus on the small and medium-sized ("**SME**") and corporate customer segments, being customers with an annual turnover of between AED 35.0 million and AED 250.0 million. In this regard, FGB is focusing on developing a transaction banking platform that it believes will be attractive to both its SME customers and its government related entity, large local corporate and multinational corporation customers.

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

Consumer Banking: FGB will continue focusing on new revenue opportunities by penetrating different markets and customer segments and strengthening existing customer relationships by delivering new innovative products designed to meet the needs of different customer segments. For example, FGB provides offers to the employees of its key corporate clients for the opening of salary transfer bank accounts, engages in digital sales and marketing through the use of product microsites, FGB corporate websites and partner sites to increase business volumes and has entered into partnerships and alliances across certain products to increase product volumes and market share.

In addition, FGB continues to work towards being the preferred high-quality, low- cost provider of full financial services to its clients. Consumer Banking will continue utilising best practices available in risk analytics and prudent risk policies to manage its asset growth and portfolio.

Establishment of Associated Companies and Subsidiaries

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

FGB is currently in the process of acquiring the remaining 60 per cent. stake which it does not already own in Aseel Finance subject to relevant legal and regulatory formalities being completed. FGB will fully consolidate Aseel Finance in the Group's financial statements once the acquisition has been completed.

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

On 23 June 2013 FGB announced that it had signed an agreement to acquire Dubai First, the consumer financial services business, from Dubai Financial Group LLC for AED 601.0 million in cash.

International and Targeted Regional Growth

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

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

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

Following FGB's decision to continue its investment in FGLB as described above under "*History*", FGLB serves as a strategic investment within the MENA region and management believes that it has significant growth potential.

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

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

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

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

COMPETITION AND COMPETITIVE STRENGTHS

Competition

The Group is subject to competition in the U.A.E. from both locally incorporated and foreign banks. As at 30 June 2013, there were, according to the "U.A.E. Monthly Banking Indicators (June 2013)" report issued by the U.A.E. Central Bank, a total of 51 banks with head offices in the U.A.E., of which 23 were locally incorporated and 28 were foreign. Foreign banks also continue to enter the U.A.E. market via representative offices, which, according to the "Annual Report 2012" issued by the U.A.E. Central Bank, grew from 110 as at 31 December 2011 to 117 as at 31 December 2012. As at 31 July 2013, the U.A.E. Central Bank listed 119 representative offices of foreign banks in the U.A.E.

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

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

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

Competitive Strengths

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

- ***its profitability, efficiency and sound asset quality have kept pace with its growth.*** For the six month period ended 30 June 2013, the Group's annualised return on average assets was 2.5 per cent., its annualised return on average equity was 15.2 per cent., its cost income ratio was 20.6 per cent. and its non-performing loan to gross loan ratio was 3.6 per cent. For the six month period ended 30 June 2012, the Group's annualised return on average assets was 2.4 per cent., its annualised return on average equity was 14.5 per cent., its cost income ratio was 19.5 per cent. and its non-performing loan to gross loan ratio was 4.2 per cent. In addition, FGB's loans and advances (net of provisions and interest in suspense) grew by 7.4 per cent. during the first six months of 2013 compared to loans and advances (net of provisions and interest in suspense) of the U.A.E. banking sector as a whole growing by 4.8 per cent. during the same period (source: U.A.E. Central Bank).
- ***its core banking franchise provides a stable platform from which to expand and diversify its activities and improve its margins*** (see "*– Strategy – Organic Growth of Core Banking Activities*").
- ***its recently established businesses which are complementary to the core banking franchise.*** In terms of diversification, since 2006 the Group has established separate subsidiary and associated companies active in the real estate market, in Islamic banking and in private equity investment. In addition, FGB has established a number of banks operating in other regional emerging markets (see "*– Strategy – Establishment of Associated Companies and Subsidiaries*" and "*– Strategy – International and Targeted Regional Growth*").
- ***its ability to effectively leverage certain of its shareholders and its strong relationship with members of the ruling family of Abu Dhabi.*** FGB's relationship with its current principal shareholders (which began in 1996) provides it with a source of stable deposits and strong management.
- ***its stable and entrepreneurial management team with international experience.*** FGB's current management team is principally responsible for developing the Group from a predominantly corporate bank to its current position offering diversified banking services. The management team has also sought to take advantage of market conditions by focusing the Group's existing real estate activities into new subsidiary and associated companies, including a property development company, and by establishing a private equity investment subsidiary (see "*– Business Activities – Real Estate Activities*" and "*– Subsidiaries and Associates*"). FGB's management team has significant experience in the banking industry and many of its members have served with FGB for relatively long terms in an industry and region where there is frequent movement in top management. FGB's management is focused on risk management, cost discipline, sustainable and profitable growth and revenue diversification.
- ***its strong risk management culture.*** The Group has a well-diversified loan portfolio and limited foreign exchange risk. It has invested and continues to invest significantly in improving its risk management procedures. The ratio of FGB's non-performing loans to gross loans has declined from 15.8 per cent. as at the end of 2002 to 3.6 per cent. as at 30 June 2013. The Group has also adopted a conservative provisioning policy with total provisions being AED 3.7 billion, 2.9 per cent. of gross loans, as at 30 June 2013 compared to AED 3.8 billion, 3.3 per cent., as at 30 June 2012. The Group's provisioning charge divided by its net loans was 0.7 per cent. for the six month period ended 30 June 2013 compared to 0.7 per cent. for the six month period ended

30 June 2012, 1.4 per cent. in 2012, 1.5 per cent. in 2011 and 1.7 per cent. in 2010. FGB has no exposure to the US sub-prime market, special investment vehicles or collateral debt obligations market.

As at 30 June 2013, FGB's authorised, issued and paid up share capital comprised 3,000,000,000 shares with a nominal value of AED 1 each.

FGB's major shareholder groups and their approximate shareholdings as at 30 June 2013 were as follows:

Shareholder	%
Members of the ruling family of Abu Dhabi ⁽¹⁾	64.7
Other U.A.E. companies and individuals.....	20.3
GCC nationals.....	4.5
Other foreign shareholders.....	10.5
Total	100.0

Notes:

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

The articles of association of FGB provide that no single shareholder can own more than 20.0 per cent. of FGB's shares and that non-U.A.E. nationals cannot own, in aggregate, more than 15.0 per cent. of FGB's shares. On 21 June 2011, the Board of Directors resolved to increase the limit on the ownership of FGB's shares by non U.A.E. nationals to, in aggregate, not more than 25.0 per cent. with effect from 27 June 2011, subject to receipt of all necessary regulatory consents. FGB received all such regulatory consents by the end of November 2011. As at 30 June 2013, approximately 15.1 per cent. of FGB's shares were owned by non-U.A.E. nationals.

BUSINESS ACTIVITIES

Overview

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

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

Set out below is a summary of certain financial information for each of these segments for each of the years ended 31 December 2010, 2011 and 2012 and the six month period ended 30 June 2013.

Six months ended 30 June 2013 (unaudited)

	Corporate banking	Treasury	Retail banking	Real estate	Other operations ⁽¹⁾	Total
	<i>(AED millions)</i>					
Assets	72,545.7	43,809.8	43,601.5	9,442.9	13,521.7	182,921.6
Liabilities	100,732.9	10,333.6	31,303.0	1,384.6	9,958.3	153,712.4
Operating income, excluding associates	1,411.7	508.6	1,626.4	68.9	264.3	3,879.9
Share of profit/(loss) of associates	—	—	—	0.90	12.1	13.0
Impaired assets charge	(279.7)	—	(378.8)	—	(193.1)	(851.6)
Profit/(loss) attributable to equity holders of FGB	958.3	469.8	831.4	51.3	(98.2)	2,212.6

Year ended 31 December 2012

	Corporate banking	Treasury	Retail banking	Real estate	Other operations ⁽¹⁾	Total
	<i>(AED millions)</i>					
Assets	68,110.9	44,728.5	41,191.6	9,403.6	11,599.0	175,033.6
Liabilities	98,271.1	5,292.5	26,766.3	1,386.1	13,454.5	145,170.5
Operating income, excluding associates	2,744.3	810.4	2,968.0	201.1	502.9	7,226.7
Share of profit/(loss) of associates	—	—	—	25.4	17.7	43.1
Impaired assets charge	(577.6)	—	(508.9)	—	(566.6)	(1,653.1)
Profit/(loss) attributable to equity holders of FGB	1,836.8	741.4	1,767.2	189.2	(380.3)	4,154.3

Year ended 31 December 2011

	Corporate banking	Treasury	Retail banking	Real estate	Other operations ⁽¹⁾	Total
	<i>(AED millions)</i>					
Assets	64,064.7	37,925.2	37,256.9	7,930.3	10,303.2	157,480.3
Liabilities	85,024.6	15,266.4	19,535.1	1,562.1	9,325.0	130,713.2
Operating income, excluding associates	2,631.5	564.7	2,914.4	88.3	291.6	6,490.5
Share of profit/(loss) of associates	—	—	—	(23.2)	15.6	(7.6)
Impaired assets charge	(674.7)	(0.1)	(681.1)	—	(197.2)	(1,553.1)
Profit/(loss) attributable to equity holders of FGB	1,671.9	509.3	1,626.5	43.8	(144.2)	3,707.3

Year ended 31 December 2010

	Corporate banking	Treasury	Retail banking	Real estate	Other operations ⁽¹⁾	Total
	<i>(AED millions)</i>					
Assets	61,887.2	31,708.4	32,952.6	7,561.1	6,648.6	140,757.9
Liabilities	78,013.6	10,959.4	16,906.7	1,432.5	8,814.7	116,126.9
Operating income, excluding associates	2,424.2	430.7	2,849.9	439.7	198.3	6,342.8
Share of profit (loss) of associates	—	—	—	(26.2)	(11.6)	(37.8)
Impaired assets charge	(650.8)	—	(807.7)	—	(180.6)	(1,639.1)
Profit attributable to equity holders of FGB	1,481.2	376.9	1,521.8	262.2	(221.7)	3,420.4

Note:

⁽¹⁾ Other operations includes the head office, subsidiaries and associates not falling within one of the other categories and unallocated costs.

Wholesale Banking Group

During 2013, FGB created the Wholesale Banking Group ("**WBG**") to include, in addition to the corporate banking group, the Financial Institutions Group ("**FIG**"), the International Banking Group and Islamic Banking.

Through the WBG, FGB is looking to adopt a regional coverage model served by regional and global products with the aim of broadening its bank product capability and deepening its bank client relationships.

In addition to its current product offerings, the Group is looking to establish a Global Transaction Service combining transaction banking, trade solutions and the development of debt market products with an emphasis on advisory, structuring and lending to better deliver full service solutions to its bank clients.

Islamic Banking

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

Shari'a-compliant corporate financings and retail mortgages are also offered through FGB's affiliate Aseel Finance (which has a licence to conduct all Islamic banking activities except the acceptance of retail deposits). Large corporate *Shari'a*-compliant financings and syndicated *Shari'a*-compliant financings and sukuk issues are offered through FGB's Islamic banking division, which manages the governance of Islamic banking in FGB.

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

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

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

Corporate Banking Group

As at 30 June 2013, corporate banking accounted for 40 per cent. of the Group's assets (compared to 41.0 per cent. as at 30 June 2012). For the six month period ended 30 June 2013, corporate banking accounted for 36 per cent. of the Group's operating income excluding associates (compared to 39.1 per cent. for the six month period ended 30 June 2012), and 43 per cent. of its net profit attributable to equity holders (compared to 44 per cent. for the six month period ended 30 June 2012). In addition to traditional banking products for its small, medium and large public and private corporate and governmental customers, in early 2008 the Group established a new unit to manage and market high value corporate depository relationships. Corporate banking also offers private banking services including lending to high net worth customers, principally being members of the ruling family of Abu Dhabi and the companies owned or controlled by them.

In 2012, corporate banking implemented a new model to realign its business with the following customer segments:

- *Large Local Corporates*

The Large Local Corporates team focuses on large corporates within the U.A.E. and is serviced by separate lending teams based in Abu Dhabi (focusing on Abu Dhabi corporates and high net worth individuals), Dubai (focusing on Dubai corporates) and Sharjah (focusing on each of the other Emirates).

- *Multinationals*

The Multinationals team is based in Abu Dhabi and Dubai and focuses on the development of business relationships with multinational and large regional corporate clients who have set up, or are in the process of setting up operations in the U.A.E.

- *Government Related Entities*

The Government Related Entities ("**GRE**") team is based in Abu Dhabi and Dubai and its primary focus is to service and provide customised solutions to FGB's GRE clients within the U.A.E.

- *Small and Medium Sized Enterprises*

As part of FGB's efforts to widen its client base and to further the support that it provides to SMEs in response to the 2030 Plan, FGB launched the Business Banking Unit ("**BBU**") in March 2012 with the aim of targeting medium sized corporates in the SME segment. FGB has since launched two dedicated business banking centres in Deira and Jebel Ali to provide greater reach to its BBU customers.

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

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

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

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

convenience through a fast and secure method of cheque deposit. In line with FGB's strategy to increase market share of transaction banking business with large government and multinational companies, in 2012, FGB launched SWIFT-SCORE connectivity as an additional channel for its corporate customers to transact directly over the SWIFT network.

The Group also offers a range of lending facilities including secured term loans (facilities secured by deposits, guarantees, shares or property and equipment) and unsecured working capital loans (including overdrafts and letters of credit) as well as letters of credit, bill discounting and other trade finance facilities.

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

Financial Institutions Group

The FIG covers banking and non-banking financial institution relationships with over 375 financial institutions globally while supporting FGB's Treasury, Retail and Corporate Banking activities. FGB's corporate and institutional clients have access to international trade and payment products through the strong alliances which the FIG has established with a large network of reputable local and international banks. FGB's correspondent relationships facilitate the offering of various products including the issuance of letters of credit and guarantees, risk participation in trade related transactions and offer opportunities for FGB to participate in syndicated loan transactions relating to financial institution clients. The FIG is among the business areas with strong growth potential given the expanding economy and FGB's international expansion plans.

International Banking Group

FGB's international expansion is part of its diversification strategy to tap into new pools of profitability across new geographies and to further diversify risk in a sustainable manner. As at the date of this Base Prospectus, FGB's international footprint includes a presence in Singapore and Qatar through respective wholesale branches, in India and Hong Kong through representative offices and Libya via FGLB, its joint venture with the Economic and Social Development Fund of Libya.

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

- ***Contractors Financing***

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

- ***Trade Financing***

The Group has identified the local economy as one of its core target markets and supports local trading entities through the provision of working capital finance and through financing of receivables. Large local groups and trade houses also benefit from the Group's foreign trade

services, enabling local importers and re-exporters to conduct their business. This is facilitated by the Group's network of correspondent banks around the world.

- *Manufacturing and Services*

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

- *Secured Lending against Shares*

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

- *Project Finance and Syndication*

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

- *Multinational Companies and Oil and Energy Companies*

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

Treasury and Global Markets Group

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

As at 30 June 2013, services related to the TGMG accounted for 24.0 per cent. of the Group's assets (compared to 22.4 per cent. as at 30 June 2012). For the six month period ended 30 June 2013, the TGMG accounted for 13.0 per cent. of the Group's operating income excluding associates (compared to 11.4 per cent. for the six month period ended 30 June 2012) and 21.0 per cent. of its net profit attributable to equity holders (compared to 18.4 per cent. for the six month period ended 30 June 2012).

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

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

- ***Money Market***

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

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

Through its sales and marketing team, the TGMG offers a comprehensive risk management service to the Group's customers covering foreign exchange, interest rate, credit and commodity asset classes. The sales and marketing team also structures cross-asset investment solutions for distribution through FGB's Retail First Wealth channels.

- ***Investments***

The TGMG manages FGB's proprietary investment portfolio in fixed income, equity, hedge funds and private equity. As at 30 June 2013, the portfolio represented 9.0 per cent. of the Group's assets, with 89.2 per cent. comprising fixed income investments.

- ***Islamic***

The TGMG's *Shari'a*-compliant product offering ranges from basic commodity and goods *murabaha* based-financing, *ijara* and *sukuk* to more sophisticated risk management solutions including *Shari'a*-compliant derivatives.

- ***Margin Trading***

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

- ***Trading***

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

- ***Group Funding***

Group Funding is mandated to raise and manage the medium and long-term liquidity profile of FGB by attracting institutional deposits, issuing both public and private bonds, *sukuk*, certificates of deposit, syndicated and bi-lateral loans from a diversified base of investors across different countries and currencies.

- ***Local Equity Brokerage***

The TGMG offers its local equity brokerage services through First Gulf Financial Services LLC ("FGFS"), which was established in 2001 and deals in local equities in the Abu Dhabi and Dubai stock markets (see "*Subsidiaries and Associates*").

- ***Asset Management***

As at 30 June 2013, the Group had U.S.\$229.2 million in assets under management (compared to U.S.\$244.9 million as at 30 June 2012), principally hedge funds and private equity investments. The Group also manages investment portfolios for its high net worth clients and has developed expertise in equity investing in the MENA region. The Group plans to launch additional equity investment funds on an opportunistic basis.

Consumer Banking

Consumer banking services were first offered by FGB in 2002 and, as at 30 June 2013, these services accounted for 23.9 per cent. of the Group's assets (compared to 23.9 per cent. as at 30 June 2012). For the six month period ended 30 June 2013, consumer banking services accounted for 41.9 per cent. of the Group's operating income excluding associates (compared to 41.3 per cent. for the six month period ended 30 June 2012) and 37.6 per cent. of its net profit (compared to 42.9 per cent. for the six month period ended 30 June 2012).

The Group's consumer banking business has grown significantly since it first commenced operations in 2002 and as at 30 June 2013, the Group had 300,161 customers.

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

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

The Group has also sought to reduce costs in the consumer banking business where possible through maintaining a limited branch network and through the use of remote banking channels such as internet banking, phone banking and mobile banking. As part of a recent reorganisation, the Group has reduced a number of roles in its consumer banking business. This reduction in the workforce underlines the Group's commitment to managing its costs in a prudent and sustainable manner.

The principal consumer products offered by the Group include:

- ***Credit and Debit Cards***

The Group's card products provide transactional settlement convenience. As at 30 June 2013, FGB had issued 436,565 credit cards, including *Shari'a*-compliant credit cards, compared to 388,643 credit cards as at 30 June 2012. FGB offers Visa and Master Card credit cards which are accepted in over 28 million establishments in 200 countries and entitle holders to obtain cash advances from over 1.8 million ATMs around the world. In January 2013, FGB launched the "Masdar Card" in association with Masdar, the Government of Abu Dhabi's renewable energy company. This card allows holders to become more involved in different environmental and sustainability initiatives and is in line with a series of socially aware products that FGB has recently developed. In March 2013, FGB launched the "Ferrari Card" offering a variety of privileges and services aimed at fans of the Ferrari brand and giving its holders the opportunity to win a number of Ferrari related experiences.

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

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

- ***Bancassurance***

The Group successfully launched its Bancassurance business with an objective to offer insurance linked long-term savings plans and other general insurance products. The Group has built a strong distribution team with certification and training to offer quality service to customers. First Insure and Takaful Al Awwal were introduced to launch new product lines in relation to motor,

property, travel and health insurance with conventional and Islamic options. FGB also collaborated with Life Insurance Corporation (International) B.S.C.(c) ("**LIC (I)**"), a subsidiary of India's largest insurance company, Life Insurance Company (LIC) in December 2012. FGB is the only bank in the UAE to offer LIC (I) products.

- **Investments**

First Wealth is FGB's premier banking offering catering to high net-worth individuals with a minimum relationship size of USD 100,000. Since its launch in December 2007, FGB has built a strong relationship management team with a robust product platform offering a range of investment and insurance solutions across asset classes with investment assets under management of over AED 900 million.

- **Deposit Accounts**

For the first time ever in the U.A.E., FGB launched a unique savings programme, "Emirati Al Awwal", exclusively for U.A.E. nationals in February 2010. This programme was amended in July 2012 (in order to make it *Shari'a*-compliant) with the launch of "Emirati Al Awwal Islamic Certificates", which allow customers to make savings as well as offering them a chance to win cash prizes on a regular basis. Deposit accounts include fixed term deposit accounts and call accounts which are offered with various maturities and yields to suit the customer's savings or investment requirements and against which customers may take loans and/or overdrafts. In 2012, FGB launched the Advantage Plus, Power-up and ChildFirst products as well as the FirstSavings Certificate, a unique savings programme that ensures guaranteed interest on a customer's savings and gives them a chance to win a number of prizes throughout the year. In May 2013, FGB also launched Power Plus, a current account that works like a fixed deposit but with greater flexibility and no restrictions or charges on withdrawal. Customers can earn higher rates of interest when they maintain their balances for longer tenures and with certain increases in account balances.

FGB was selected by the Abu Dhabi government in December 2006 to manage an AED 5.0 billion housing loan programme established by it. Under this programme, U.A.E. nationals are loaned up to AED 2.0 million on a zero interest basis by the government to build a single residence. The loan is repayable in monthly instalments over a 30-year period. As at 30 June 2013, FGB has disbursed approximately AED 13,805 million to U.A.E. nationals under this programme.

Real Estate Activities

As at 30 June 2013, the activities of the real estate division accounted for 5.0 per cent. of the Group's total assets (compared to 5.0 per cent. as at 30 June 2012) and, for the six month period ended 30 June 2013, 1.7 per cent. of its total operating income excluding associates (compared to 1.9 per cent. for the six month period ended 30 June 2012) and 2.3 per cent. of its net profit (compared to 2.4 per cent. for the six month period ended 30 June 2012). Prior to 1 January 2007, the Group's real estate activities were centred in its corporate banking division and had principally developed from its expertise in contractors' financing (see "*Business Activities – Wholesale Banking*" above).

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

- **Mismak Properties Co. LLC**

Mismak Properties Co. LLC ("**Mismak**"), which is wholly owned by FGB, acts as a holding company for the Group's real estate investment and development activities. Mismak is managed by staff who were transferred from the Group's corporate banking segment and who had built up expertise in this area during their time with FGB. As at 30 June 2013, Mismak had AED 7.0 billion of investment properties on its balance sheet and was involved, through separate project companies, in 12 ongoing developments. Mismak has an authorised and paid up share capital of AED 1.0 billion. For the six month period ended 30 June 2013, Mismak recorded a net profit of AED 23.2 million.

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

GEP is 40.0 per cent. owned by FGB. The remaining 60.0 per cent. is owned by three major property developers in Abu Dhabi, being ALDAR Properties P.J.S.C., Sorouh Real Estate P.J.S.C. and Reem Investments P.J.S.C. GEP manages properties under development for certain of its clients as well as properties being developed by its founding developer shareholders for which it charges a fee. GEP also acts as a real estate broker buying and selling properties for its customers on a commission basis. GEP has an authorised share capital of AED 500.0 million and a paid up share capital of AED 300.0 million. For the six month period ended 30 June 2013, GEP recorded a net profit of AED 2.0 million.

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

On 9 January 2007, FGB, together with ALDAR Properties P.J.S.C., Sorouh Real Estate P.J.S.C. and Reem Investments P.J.S.C., established Aseel Finance, a *Shari'a*-compliant company which offers mortgages and real estate development finance, principally to customers of its founding developer shareholders. Aseel Finance, managed by FGB, also services the Islamic finance needs of the Group's corporate banking customers, although its principal focus is real estate based. Aseel Finance is currently 40.0 per cent. owned by FGB. The remaining 60.0 per cent. is shared equally among the other joint venture parties who hold 20.0 per cent. each. Aseel Finance has an authorised and paid up share capital of AED 500.0 million. For the six month period ended 30 June 2013, Aseel Finance recorded a net profit of AED 27.1 million.

FGB is currently in the process of acquiring the remaining 60 per cent. stake which it does not already own in Aseel Finance subject to relevant legal and regulatory formalities being completed. FGB will fully consolidate Aseel Finance in the Group's financial statements once the acquisition has been completed.

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

First Gulf Properties L.L.C. ("**FGP**"), which is a wholly owned subsidiary of FGB, is a property management, facility management and hospitality company. FGP commenced operations in August 2011 and, as at 30 June 2013, manages a mixed and varied property portfolio in excess of 13,000 units located across the U.A.E., with a total annual rent roll of more than AED 1.3 billion. FGP has paid up share capital of AED 150,000. For the six month period ended 30 June 2013, FGP recorded a net profit of AED 12.0 million.

BRANCH NETWORK AND PRODUCT DISTRIBUTION

As at 30 June 2013, FGB's U.A.E.-based operations included its head office and a network of 23 branches in the Emirates of Abu Dhabi, Dubai, Ajman, Sharjah, Fujairah and Ras Al Khaimah. In December 2012, FGB opened its first mall branch in Dubai Mall and, in February 2013, opened a further two new branches in Dubai in Jumeirah and Mirdiff. A typical FGB branch in the U.A.E. is headed by a branch manager, staffed by between eight and ten employees and aims to service the needs of the Group's customer base. As at 30 June 2013, FGB had a network of 95 automated teller machines/cash deposit machines ("**ATMs**") and its customers had access to a total shared network of approximately 3,700 ATMs in the U.A.E.

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

SUBSIDIARIES AND ASSOCIATES

FGB is the parent company within the Group. As at 30 June 2013, FGB's subsidiaries and affiliates included in its consolidated financial statements were as follows:

	Activity	Country of incorporation	Percentage of holding
Mismak Properties Co. LLC.....	Real estate investments	U.A.E.	100.0%
Radman Properties Co. LLC ⁽¹⁾	Real estate investments	U.A.E.	80.0%
First Merchant International LLC	Merchant banking services	U.A.E.	100.0%
FGB Sukuk Company Limited.....	Special purpose vehicle	Cayman Islands	100.0%
FGB Sukuk Company II Limited.....	Special purpose vehicle	Cayman Islands	100.0%
First Gulf Financial Services LLC	Brokerage services	U.A.E.	45.0%
First Gulf Libyan Bank ⁽²⁾	Banking Services	Libya	50.0%
	Management and brokerage of		
First Gulf Properties LLC.....	real estate properties	U.A.E.	100.0%
Green Emirates Properties P.J.S.C.	Property management	U.A.E.	40.0%
Aseel Finance P.J.S.C. ⁽³⁾	Islamic finance services	U.A.E.	40.0%
	Management and brokerage of		
First Gulf Properties	real estate properties	U.A.E.	100.0%
Midmak Properties	Real estate activities	U.A.E.	16.0%

Note:

- ⁽¹⁾ The 80.0 per cent. share in Radman Properties Co. LLC is owned by Mismak. Radman was incorporated as a single purpose company to develop a property on Reem Island offshore Abu Dhabi city in conjunction with a single other customer of the Group.
- ⁽²⁾ Although FGB owns 50.0 per cent. of the shares in First Gulf Libyan Bank, First Gulf Libyan Bank is deemed to be a subsidiary as FGB exercises control over it by holding the majority of votes on its board of directors.
- ⁽³⁾ FGB is currently in the process of acquiring the remaining 60 per cent. stake which it does not already own in Aseel Finance subject to relevant legal and regulatory formalities being completed. FGB will fully consolidate Aseel Finance in the Group's financial statements once the acquisition has been completed.

FGFS was established in 2001 and is the vehicle through which the Group offers its local equity brokerage services. As at 30 June 2013, FGFS had an authorised and paid-up share capital of AED 30.0 million, total assets of AED 50.6 million and, for the six months ended 30 June 2013, recorded a net profit of AED 3.5 million. FGFS is licensed to carry out equity brokerage activities on the ADX, the Dubai Financial Market and NASDAQ Dubai (formerly known as the Dubai International Financial Exchange). FGFS is based in Abu Dhabi, with offices at FGB's headquarters in Abu Dhabi, in Dubai and at the Abu Dhabi Securities Exchange. Prior to 1 April 2006, FGB owned 80.0 per cent. of FGFS with the remaining 20.0 per cent. being owned by certain of FGB's shareholders. Since 1 April 2006, FGB's shareholding has been reduced to 45.0 per cent. following a partial sale of the shares held by FGB and the other shareholders, realising a gain for FGB of AED 97.5 million. The purchasers of the shares in FGFS were existing customers of FGB who each hold between 2.0 and 6.0 per cent. of FGFS.

First Merchant International LLC ("**FMI**") was created in late 2006 and has an authorised and paid up share capital of AED 300.0 million. FMI commenced business in January 2007 and for the six months ended 30 June 2013 recorded a net profit of AED 15.4 million. FMI was created to undertake private equity investments as principal although its first two investments undertaken were in the real estate sector. FMI anticipates that, in due course, its real estate investments may be transferred to Mismak.

For a description of GEP, Aseel Finance and Mismak, see "*Business Activities – Real Estate Activities*" above.

RISK AND COMPLIANCE GOVERNANCE STRUCTURE

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

Composition of the Board of Directors

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

Board Level Committees within FGB

Remuneration and Nomination Committee

The Remuneration and Nomination Committee (the "**REMCO**") comprises three members of the Board of Directors including the Managing Director of FGB (the "**MD**"). The key responsibilities of the REMCO include overseeing and making recommendations on the appointment of the Board of Directors and senior management and ensuring that they discharge their responsibilities in the interests of the shareholders and the Group. Other responsibilities of this committee include overseeing the design of any compensation mechanism for the Board of Directors and senior management (including but not limited to fixed and variable salaries, long term incentives and benefits) and ensuring that such reward is appropriate and consistent with the Group's culture, business and risk strategy, performance and control environment as well as with any legal or regulatory requirements.

Executive Committee

The Executive Committee (the "**EC**"), established by resolution of the Board of Directors, oversees the implementation of FGB's policies and the Board of Directors' resolutions, and practices the competencies granted to it by the Board of Directors. The EC comprises five members of the Board of Directors including the MD and the Chief Executive Officer (the "**CEO**"). The EC oversees FGB's overall management and ensures that FGB's business policies and practices are in line with FGB's business interests, as well as with sound corporate governance and compliance standards, including provisions of the U.A.E. Central Bank. The EC meets at least six times a year through its separately convened meetings.

Risk and Compliance Management Committee

The RCMC comprises three members of the Board of Directors including the MD. The Chief Credit and Risk Officer (the "**CCRO**") is also a member of the RCMC. The committee meets as often as it determines as appropriate and at least once in a quarter. Under authority delegated to it by the Board of Directors, the RCMC plays a key role in the fulfilment of corporate governance standards and overall risk management ("**ERM**") by assisting the Board of Directors in the formulation of strategy for enterprise-wide risk management, evaluation of overall risks faced by FGB, alignment of risk policies with business strategies, determination of the level of risks which will be in the best interests of FGB and through risk-based capital planning. The RCMC, by virtue of the powers delegated to it by the Board of Directors, also approves changes in risk management policies as and when required.

Audit Committee

The Audit Committee (the "**AC**") is principally responsible for reviewing the internal audit programme, considering the major findings of each internal audit review, making appropriate investigations and responses, ensuring co-ordination between the internal and external auditors and keeping under review the effectiveness of internal control systems. In particular, the AC is responsible for reviewing the external auditor's management letter and management's responses thereto. Members of the AC include three members of the Board of Directors including the MD. The Head of Internal Audit is also a member of the AC. The committee meets on a quarterly basis.

Executive Committees within FGB

Corporate Banking Credit Committee

The Corporate Banking Credit Committee (the "**Corporate BCC**") is an executive committee which assists the Board of Directors and the EC to put into operation the corporate credit risk strategy and policies and procedures pertaining to the corporate banking business of FGB. The primary objective of the Corporate BCC is to approve credits (within defined portfolio limits, credit granting criteria and the risk appetite of FGB) and monitor the portfolio quality of the Wholesale Banking group, in line with

FGB's defined business and risk strategies. The members of the Corporate BCC include the CEO, CCRO, Head of Wholesale Banking Group, Head of Corporate Credit, Head of Risk Management and Head of Credit Restructuring Department.

Consumer Banking Credit Committee

The Consumer Banking Credit Committee (the "**Consumer BCC**") is an executive committee which assists the Board of Directors and the EC to put into operation the consumer banking credit strategy and policies and procedures. The primary objective of the Consumer BCC is to finalise the consumer banking credit criteria and set portfolio level limits, in line with the defined business and credit risk strategy of FGB. The members of the Consumer BCC include the CEO, CCRO, Head of Consumer Banking Group, Head of Retail Credit and Collections and Head of Enterprise Risk Management Group.

Asset Liability Committee

The Asset Liability Committee (the "**ALCO**") is an executive committee which assists the Board of Directors, the EC and RCMC in fulfilling their responsibility to oversee FGB's asset liability management ("**ALM**") and market risk management functions. ALCO maintains oversight of market risk, interest rate risk and liquidity risk. The primary goal of ALCO's strategy is to achieve optimal return while ensuring adequate levels of liquidity and capital within an effective risk control framework. ALCO is responsible for establishing these policy directives. The members of ALCO include the MD, CEO, Head of Treasury Group, Chief Financial Officer (the "**CFO**"), CCRO, Head of Wholesale Banking Group, Head of Consumer Banking Group, Business Support Director and Head of Enterprise Risk Management Group.

Investment Management Committee

The Investment Management Committee (the "**IMCO**") is an executive committee for the approval of investment limits. Its objective is to ensure that the investment decisions conform to FGB's investment policy and are within the overall limits approved by the EC. The committee discusses new proposals for investments as well as analysing the performance of FGB's existing investments. The members of the IMCO include the MD, CEO, CFO, CCRO, Head of Treasury Group, Business Support Director and Head of Enterprise Risk Management Group.

International Credit Committee

The International Credit Committee ("**ICC**") is an executive committee established through a resolution by the Board of Directors to assist the Board and Board Committees to oversee the role of international credit function. The members of this committee include the CEO, Group Chief Risk Officer ("**GCRO**"), Head of Wholesale Banking Group, Head of International Credit and Head of International Business Operations.

Compliance and Operational Risk Management Committee

The Compliance and Operational Risk Management Committee (the "**CORC**") is an executive committee responsible for overseeing FGB's compliance and operational risk management function. The CORC is also responsible for ensuring compliance with all anti-money laundering ("**AML**") and compliance related requirements. In addition, as a part of its operational risk responsibilities, this committee also oversees the activities relating to information technology ("**IT**") and information security related risks as well as business continuity related risks. The members of the CORC include the CEO, CCRO, CFO, Business Support Director, Head of Treasury Group, Head of Wholesale Banking Group, Head of Consumer Banking Group, Head of Enterprise Risk Management, Head of Internal Audit, Head of Central Operations, Head of Information Technology, Head of Human Resources, Head of Compliance and Head of Operational Risk.

Technology Steering Committee

The Technology Steering Committee (the "**TSC**") is an executive committee responsible for setting of IT related strategic goals and for the successful implementation of the IT objectives. The TSC ensures the alignment of IT strategy to FGB's business strategy and the successful implementation of such IT strategy. The members of the TSC include the CEO, CCRO, CFO, Business Support Director, Head of Wholesale Banking Group, Head of Consumer Banking Group and Head of Information Technology.

HR Steering Committee

The Human Resources Steering Committee (the "HRSC") is an executive committee responsible for implementation of human resource policies applicable to FGB's staff. The objectives of the HRSC include implementation of recommendations made by the REMCO regarding compensation, benefits, rewards, working environment, employee terms and conditions and other issues that form part of the Human Resources strategy. The members of this committee include the MD, CEO, CCRO, CFO, Business Support Director, Head of Treasury Group, Head of Wholesale Banking Group, Head of Consumer Banking Group, Head of Strategy & Planning and Head of Human Resources.

Service Quality Committee

The Service Quality Committee (the "SQC") is an executive committee responsible for improvement of service levels provided by FGB to its external as well as internal customers through process improvements and review of any changes relating to standard practices. The committee reviews any regulatory changes and their impact on standard practices to maintain high level of service to customers. The members of the committee include the CEO, CFO, CCRO, Business Support Director, Head of Wholesale Banking Group, Head of Consumer Banking Group, Head of Strategy & Planning, Head of Human Resources and Head of Service Quality.

RISK AND COMPLIANCE MANAGEMENT FRAMEWORK

Enterprise Risk Management Function

FGB has a centralised risk management function led by the CCRO. The Head of Enterprise Risk Management Group reports to the CCRO. FGB's enterprise risk management function comprises of the Credit Risk Management Unit, Market Risk Management Unit, ALM Risk Management Unit, Operational Risk Management Unit, Compliance Unit and Basel II Unit.

Risk Appetite

FGB has established a comprehensive risk appetite framework comprising a bank wide risk appetite statement and portfolio level key risk indicators and limit structure. This risk appetite framework enables better co-operation between business functions and risk management and has resulted in strong portfolio controls across all business areas for all material risks. Any relevant issues are escalated to the Board of Directors in a timely manner and adjustments to exposure or risk limits are made by the relevant business units whenever necessary in order to continuously align its inherent risks with FGB's business strategy.

Enterprise Risk Management Policy Framework

FGB's Enterprise Risk Management Policy ("ERMP"), aims to accomplish its core objective whilst supporting FGB in being a world class organisation that is maximising its risk adjusted returns for all stakeholders. The core objective of the ERMP is to provide a reasonable degree of assurance to the Board of Directors that any risks that threaten the Group's achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management system. The ERMP covers the following risks within its ambit with specific policy documents: wholesale banking credit risk, retail banking credit risk, market risk, operational risk (including IT and information security risks), liquidity and interest rate risks, AML and compliance risks, and other material risks. In addition to these specific risk management policies, the Group also has detailed business policies and procedures in the wholesale and retail banking areas. This framework is cascaded in a hierarchy of policy manuals throughout the Group and communicates standards, instructions and guidance to the Group's employees.

Overview of Enterprise Risk Management Function

The current structure of the Enterprise Risk Management Function is as follows:

- *Credit Risk Management Unit:* The Credit Risk Management Unit is responsible for active credit risk portfolio management across FGB's wholesale and retail banking areas. It is also responsible for establishing a robust governance structure, sound processes, advanced analytics and a comprehensive Management Information Systems ("MIS") across all business segments. Its responsibilities include:

- review and enhancement of credit risk policies and processes;
 - monitoring of product programmes, budgets, profitability and ensuring these are within established limits;
 - establishing exposure and risk limits with respect to credit risk as well as monitoring mechanisms;
 - active management of the credit portfolio (for example limits, exposures and collateral) on a regular basis across various parameters including customers, products, geography, sectors and tenor;
 - review and support of compliance requirements pertaining to relevant regulatory authorities;
 - preparation and circulation of daily/weekly/monthly reports for senior management;
 - conducting stress testing analysis of wholesale and retail banking portfolios;
 - delivering strategic and tactical initiatives targeting productivity and efficiency gains; and
 - providing support to the Corporate BCC, Consumer BCC and RCMC on a regular basis.
- *Market Risk Management Unit:* All of the Group's treasury exposures fall under market risk management including fixed income bonds, regional and international equities, private equity, hedge funds, foreign exchange trading, derivatives and money markets. The Market Risk Management Unit's responsibilities include:
 - review and revision of market risk policies and processes;
 - setting up exposure and risk limits with respect to market risk as well as monitoring mechanisms;
 - preparation of daily reports pertaining to market risk;
 - conducting scenario analysis pertaining to the trading portfolio;
 - providing support to the ALCO and IMCO on a regular basis;
 - review and support for compliance requirements pertaining to relevant regulatory authorities; and
 - providing front office and back office treasury support.
- *ALM Risk Management Unit:* The ALM Risk Management Unit primarily assists the ALCO in management of the liquidity risk and interest rate risk in the banking book. Its responsibilities include:
 - review of ALM policy including FGB's contingency funding plan;
 - preparation and monitoring of the liquidity gap and re-pricing gap by taking into consideration all on and off balance sheet exposures;
 - setting up exposure and risk limits with respect to ALM risks as well as monitoring mechanisms;
 - conducting stress testing analysis for liquidity interest rate risk; and
 - reviewing and revising models used for behavioural modelling of non-maturity accounts.

- *Operational Risk Management Unit:* The Operational Risk Management Unit is responsible for the review and revision of the operational risk framework, clear articulation of factors that constitute operational risk and determination of the Group's appetite and tolerance for such factors through policies and procedures. Its responsibilities include:
 - review and revision of tools for operational risk management including process mapping, self-assessment processes, risk profiling, risk indicators, risk reduction planning, internal losses and MIS so as to enable these risks to be identified and controlled before any significant financial or reputational loss is incurred;
 - review and revision of minimum standards of control and management disciplines that must be adopted whenever any type of transaction is processed;
 - determining accountability for operational risk control and undertaking investigations for operational risk issues;
 - formulating the business continuity plan for the Group and assisting the CORC in its disaster recovery plan;
 - providing support to the CORC on a regular basis; and
 - co-ordinating with the Compliance Unit to ensure that operational risk requirements specified by any relevant regulatory authorities are met.

- *Compliance Unit:* The Compliance Unit is responsible for ensuring that all processes, procedures and transactions within the Group comply with all regulatory and other mandatory guidelines. Its major responsibilities include:
 - correspondence with the U.A.E. Central Bank and any other relevant regulatory authorities on regulatory issues;
 - tracking transactions for AML reporting;
 - review of bank-wide policies and procedures;
 - providing necessary support to the CORC; and
 - compliance reviews across the Group.

- *Basel II Unit:* The Basel II Unit is responsible for fulfilment of Basel II (Pillar I, Pillar II – ICAAP, Pillar III) and other risk related reporting requirements for the U.A.E. Central Bank and the Government of Abu Dhabi Ministry of Finance. This unit is in the process of initiating the internal ratings-based approach of credit risk within the Group. Its responsibilities include:
 - correspondence with the U.A.E. Central Bank on all Basel II related issues;
 - Basel II reporting to U.A.E. Central Bank and the Government of Abu Dhabi Ministry of Finance; and
 - undertaking risk management projects across multiple risk areas.

Though the Basel III related capital ratios are yet to be implemented in the U.A.E., FGB is already in conformity with the revised capital adequacy and leverage ratios. With respect to liquidity risk related ratios, the U.A.E. Central Bank has decided to postpone implementation until a final agreement is reached on the requirements. FGB is in compliance with the U.A.E. Central Bank's interim ratios i.e. Liquid Asset Ratio ("**LAR**") & Uses (of funds) to Stable to Stable Resources Ratio ("**USRR**"). Furthermore, FGB is also in compliance with the Basel III defined glide path for the Liquidity Coverage Ratio ("**LCR**"). All these ratios are monitored and reviewed by FGB's ALCO.

Compliance Systems

The Group has implemented as of 8 June 2010 integrated compliance and AML system from Norkom Technologies ("**Norkom**"). Norkom is a provider of financial crime and compliance software to the global financial services industry with operations spanning over 100 countries. The Norkom system is a state of the art system which integrates transaction monitoring through scenario management, name checking and a SWIFT monitoring function, all of which is provided via a single platform.

Norkom provides FGB with a facility for name scanning, transaction monitoring and payment filtering. Intelligent business scenarios are implemented to capture the transactions for monitoring purposes. The alerts generated are actioned by the relevant FGB officer. Sanction-related queries are addressed by the "Watch List Manager" (the "**WLM**"), a filtering mechanism that enables the Group to comply with national and international legislation in the area of account and transaction review against certain sanctions-related watch lists. When the WLM finds a similarity between an input record (customer or transaction) and a watch list entry, an alert is generated which is escalated for further review and/or investigation by management. The WLM supports a large number of industry- and regulatory-provided watch lists including those of the Office of Foreign Assets Control of the United States Department of the Treasury, Her Majesty's Treasury and the European Union.

INVESTMENTS

The Group's investment securities are all currently classified as "available for sale", "held to maturity" or "investments at fair value through income statement". All these investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges (except for investments carried at fair value through income statement) associated with the investment. Available for sale investments are periodically re-measured at fair value where that value can be reliably identified unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Investments held to maturity by the Group are stated at amortised cost, less a provision for any impairment in their value. Investments classified as "investments at fair value through income statement" are periodically re-measured at fair value with all changes in fair value being recorded in the income statement.

The TGMG made significant progress in terms of diversifying the Group's proprietary investment portfolio. Under extremely volatile conditions, the division managed proprietary capital with utmost caution in order to protect the interests of investors. The Group's strong risk management framework ensures that parameters set for different products are strictly complied with.

The table below shows certain information in relation to the Group's investment securities as at each of 31 December 2010, 2011 and 2012 and 30 June 2013:

	31 Dec 2010	31 Dec 2011	31 Dec 2012	30 June 2013 (unaudited)
	<i>(AED millions)</i>			
<i>Carried at fair value through income statement</i>				
Investments in managed funds ⁽¹⁾	138.9	152.9	168.3	164.2
Investments in equities – quoted.....	246.3	197.1	149.1	164.7
– unquoted.....	—	19.2	19.2	19.2
Debt Securities.....	21.6	134.0	159.8	198.1
<i>Available for sale investments</i>				
Investments in equities – quoted.....	—	—	28.6	15.3
– unquoted.....	80.2	464.9	70.6	70.6
Investments in private equity funds ⁽²⁾	1,268.3	1,379.3	1,398.0	1,372.2
Structured notes.....	183.7	485.5	1,193.7	826.4
Debt Securities – quoted.....	767.3	2,299.7	4,008.2	5,868.8
– unquoted.....	187.5	138.2	13.1	361.7
<i>Held to maturity investments⁽³⁾</i>				
Debt securities ⁽⁴⁾ – quoted.....	9,854.3	11,172.3	9,061.1	7,091.7
– unquoted.....	2,240.2	2,346.4	1,008.6	616.9
Total	14,988.3	18,789.5	17,278.3	16,769.8
Analysis of debt securities:				
Fixed rate.....	11,276.0	14,113.1	12,197.2	12,774.9
Floating rate.....	1,978.6	2,462.9	3,247.2	2,188.7

Note:

- (1) Investments in managed funds represent investments made in managed hedge funds which invest in equities, debt securities and derivatives with the objective of generating superior returns on a risk-adjusted basis using a diversified portfolio approach. The decrease in value of the investment in managed funds is due to the liquidation of the instruments under this category in line with the Group's exit strategy from these investments.
- (2) Investments in private equity funds represent investments made in funds and limited partnerships to fund primary investment commitments in target companies with the objective of generating returns outperforming the public equity markets.
- (3) The fair value of held to maturity investments as at 30 June 2013 amounted to AED 8.0 billion (31 December 2012: AED10.5 billion; 31 December 2011: AED 13.5 billion; and 31 December 2010: AED 12.1 billion).
- (4) Debt securities represent bonds with maturities ranging up to 10 years from the balance sheet date. Of the debt securities as at 31 December 2012, 55.0 per cent. (2011: 69.0 per cent. and 2010: 85.0 per cent.) comprise bonds which are either guaranteed by governments or issued by entities owned by governments. As at 31 December 2012, the Group's holding of debt securities issued by a single issuer accounted for 12 per cent. (2011: 33.0 per cent. and 2010: 69.0 per cent.) of total investments. These securities were issued by the US sovereign. As at 31 December 2012, debt securities with a carrying value of AED 3.1 billion (2011: AED 10.8 billion and 2010: AED 10.2 billion) were pledged under repurchase agreements with overseas financial institutions with a principal value of AED 3.0 billion (2011: AED 10.4 billion and 2010: AED 10.1 billion). As at 31 December 2012, the rating of these overseas financial institutions by Standard & Poor's was at least investment grade (A- and higher).
- (5) Investments in equities amounting to AED 5.7 million as at 31 December 2012, AED 23.1 million as at 31 December 2011 and AED 43.8 million as at 31 December 2010 are held in the name of third parties with the beneficial interest assigned to FGB.
- (6) All unquoted available for sale equity securities are recorded at fair value except for investments amounting to AED 2.3 million as at 31 December 2012 (2011: AED 2.4 million and 2010: AED 2.4 million) which are recorded at cost since their fair values cannot be reliably estimated. There is no active market for these investments and the Group intends to hold them for the long term.
- (7) During 2008, FGB entered into an exchange agreement (the "**Agreement**") in respect of an investment it held in a quoted equity, whereby the rights and benefits to the investment were transferred to the counterparty under the Agreement in exchange for the payment of interest at the rate of EURIBOR plus 0.5 per cent. for the five year duration of the Agreement. Under the Agreement, any appreciation or decline in value of the investment at maturity or upon termination of the Agreement, if earlier, would be ceded to the counterparty. Accordingly, the investment in the quoted equity was de-recognised and the balance outstanding from the third party representing the value of the investment of Euro 260 million (equivalent to AED 1,406 million at the inception of the Agreement) was recorded under other assets. During 2011, FGB, being the registered holder of the equity investment, participated, on behalf of the counterparty to the Agreement, in a rights issue offering by the investee and purchased an additional investment with a total value of AED 128 million. During 2012, FGB and the third party decided to unwind the Agreement. The third party has agreed to return a specific number of shares to FGB over a specified period of time. As a result, FGB acquired a certain number of shares during the period. The carrying amount of the interest bearing asset as at 30 June 2013 amounted to AED 340 million (31 December 2012: AED 689 million).

INVESTMENT PROPERTIES

The value of the Group's investment properties as at 31 December 2010, 2011, 2012 and 30 June 2013, stated at fair value, representing the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, is set out below:

	<u>31 Dec 2010</u>	<u>31 Dec 2011</u>	<u>31 Dec 2012</u>	<u>30 June 2013</u>
	<i>(AED millions)</i>			
Balance as at 1 January.....	6,000.4	7,049.3	7,537.9	7,771.8
Additions.....	999.5	661.2	532.5	114.3
Disposal	(89.5)	(116.5)	(360.9)	(11.0)
Transfer from properties and equipment.....	—	—	—	—
Transferred from properties held for sale.....	10.9	—	—	—
Gain (loss) from fair value adjustment.....	128.0	(56.1)	62.3	—
Balance as at 31 December/30 June.....	<u>7,049.3</u>	<u>7,537.9</u>	<u>7,771.8</u>	<u>7,875.1</u>

All investment properties are valued by independent professional valuers during the fourth quarter as per internal policy. As at each of 31 December 2011 and 2012 all investment properties were valued by independent professional valuers. As per the revised International Accounting Standard, being IAS-40, properties under construction for future use as investment properties were transferred from property and equipment to investment properties effective 1 January 2009.

The property rental income earned by the Group from its investment properties that are leased out under operating leases, amounted to AED 38.2 million in the six month period ended 30 June 2013 (30 June 2012: AED 30.8 million). This compared to AED 67.3 million in the year ended 31 December 2012 (2011: AED 51.4 million and 2010: AED 119.2 million).

INFORMATION TECHNOLOGY

The Group's IT department is responsible for the Group's IT strategy and delivery of all IT services throughout the Group. The Group's IT strategy is focused on providing reliable information systems to the Group's customers and employees in a secure environment.

For the Group's banking customers, the IT department focuses on providing a convenient and efficient banking service. For its internal business, the IT department focuses on providing effective methods and solutions and processes for promoting and delivering services to its customers.

FGB has a stable, updated core banking system and regularly upgrades its servers and computers as well as the network infrastructure. In addition to the core banking system, FGB offers remote banking facilities by offering technology based banking services via a number of channels, including its call centre, interactive voice response technology, internet banking and mobile banking. As part of its strategy to utilise the best technology available to meet its banking requirements, FGB has also implemented systems such as "**Loan Origination**", "**Wealth Management**", "**Oracle enterprise GL**", trading systems for equities, risk management systems (as a part of Basel II compliance), business process management systems and document management systems. To meet the information and analytical needs of its business, FGB has also implemented an Enterprise Data Warehouse which will allow FGB to store and utilise information collected on its client base more easily.

On the core technology front, FGB has state of the art hardware, network and storage infrastructure. Given the sensitivity of securing its banking data, FGB has implemented a number of security initiatives including a strong multi-tiered firewall system, an intrusion prevention system and a data leakage prevention system, in addition to having sophisticated end-point protection. Given the importance of customer service to its business, FGB has also implemented a robust disaster management programme involving investment in remote fully-fledged business continuity sites in Al Ain and Singapore, where critical systems are replicated to be made available in the event of an unforeseen exigency.

To ensure that it adequately supports FGB's risk management policies, FGB's IT systems utilise various automated tools and processes, which are subject to both internal and external audits. FGB is also certified to international standards, including ISO 27001 and ISO 20000.

PROPERTY

FGB's principal fixed assets include its head office building in Abu Dhabi and its other branch buildings and offices. Such properties had a net book value of AED 354.8 million as at 30 June 2013 (31 December 2012: AED 288.5 million; 31 December 2011: AED 256.4 million; 31 December 2010: AED 272.3 million).

MANAGEMENT AND EMPLOYEES

The Board of Directors is responsible for the overall direction, supervision and control of the Group. The day-to-day management of the Group is conducted by the EC, the MD and the CEO.

The principal role of the Board of Directors is to oversee the implementation of the Group's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures. The Board of Directors meets regularly (at least six times a year). The Board of Directors (which is required to have between three and fifteen members) currently comprises six members.

Each Director holds his position for three years, which may then be renewed for a further three year term.

Decisions of the Board of Directors are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting. The Board of Directors and FGB's senior management have delegated certain powers to committees, as described below.

Board of Directors

The members of the Board of Directors are:

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

Vice Chairman *Ahmed Ali Al Sayegh*

Ahmed Ali Al Sayegh is the Chairman of Abu Dhabi Future Energy Company (MASDAR), and serves as the Vice Chairman of the Emirates Wildlife Society. He is also the CEO of Dolphin Energy Limited, a strategic energy initiative involving the production and processing of natural gas from Qatar and its transportation to the markets of the U.A.E. and Oman. He holds a degree in Economics and Finance from Lewis & Clark College, USA.

Managing Director *Abdulhamid Saeed*

Board Member

Abdulhamid Saeed has over 30 years of experience in banking. Apart from being the Managing Director and a board member of FGB, he is a board member of the ADX, Emirates Investment Authority, Mubadala Development Company and Sky News Arabia. He is also the Vice Chairman of Emirates Integrated Telecommunications Company (Du), Chairman of FGFS and the Managing Director of Al Reem Investments. He has a Bachelor of Science degree in Business Administration from the University of Arizona, USA.

Board Member *Sultan Khalfan Sultan Hudairem AlKtebi*

Sultan Khalfan Sultan Hudairem AlKtebi is a private advisor for one of FGB's largest shareholders (a member of the Al Nahyan ruling family). He is Vice Chairman of Al Ain International Group and a board member in several companies in the U.A.E. and other GCC countries. He has a Bachelor of Science degree in General Administration from the United Arab Emirates University.

Board Member *Khaldoon Khalifa Al Mubarak*

Khaldoon Khalifa Al Mubarak began his career at the Abu Dhabi National Oil Company and held a number of positions at the U.A.E. Offsets Group before assuming his position at FGB.

He is the CEO and Managing Director of Mubadala Development Company, an investment vehicle wholly owned by the Government of Abu Dhabi. He is the Chairman of the Executive Affairs Authority of the Government of Abu Dhabi and also of The Imperial College London Diabetes Center. He is a member of the Abu Dhabi Executive Council, Abu Dhabi Education Council and Abu Dhabi Council for Economic Development. He is a board member of Dolphin Energy Limited, the Emirates Foundation and Piaggio Aero, and also the Vice Chairman of LeasePlan Corporation. He holds a degree in Economics and Finance from Tufts University, Boston, USA.

Board Member *Mohammed Saif Al Suwaidi*

Mohammed Al Suwaidi is currently the Director General of the Abu Dhabi Fund for Development. He also served as the Director of Operations Department at the Abu Dhabi Fund for Development for 11 years where he was in charge of all the projects financed by the fund.

In 2009, he joined the Arab Bank for Investment and Foreign Trade as the Vice Chairman of the board and later in 2012 he became the Chairman. In 2010, he became a board member of Al Hilal Bank. He is also the Chairman of Al Ain Farms for Livestock Production and a board member of the Center of Food Security of Abu Dhabi. He holds a Bachelor of Science degree in Business Administration from California Baptist University, USA.

The business address of each member of the Board of Directors and senior management is P.O. Box 6316, Abu Dhabi, United Arab Emirates. No member of either the Board of Directors or the senior management has any actual or potential conflict of interest between his duties to FGB and his private interests and/or other duties.

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

Certain members of the Board of Directors, their families and companies of which they are principal owners are customers of the Group in the ordinary course of business. The transactions with these parties were made on the same terms, including interest rates, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk (see "*Selected Financial Information – Related Party Transactions*").

Senior Management

The Senior Management of the Group is as follows:

Chief Executive Officer *André Sayegh*

After holding several key positions at FGB, André Sayegh has been serving as the CEO since February 2006. He has over two decades of banking and financial services experience. Prior to his nomination as CEO, André was the Chief Operating Officer of FGB and was responsible for Operations, Human Resources, Merchant Banking, Real Estate, Corporate Restructuring and Credit Policy Supervision. He was also the Head of Wholesale Banking.

Before joining FGB, André also worked with leading regional and financial institutions. He was with Citibank for over 18 years, with Arab Bank in Lebanon and with Strategic Business Trends in Canada, a leading international financial institution. André holds a BBA in Finance and a MBA in Corporate Finance and Banking from the American University of Beirut, Lebanon.

Fluent in Arabic, English and French, André also did a two-year project at the Columbia University where he focused on the evolution of financial institutions.

Head of Consumer Banking Group

Amit Wanchoo

Amit Wanchoo has been with FGB since 2001 and has been heading the Consumer banking business since 2002. Prior to joining FGB, Amit was with Citibank in Hong Kong and the U.A.E. In Hong Kong he was Citibank Sales Director for Asia Pacific and in the U.A.E. he was the Marketing/Sales Director. As Head of the Consumer Banking Group, Amit is responsible for growing FGB's consumer banking franchise in the U.A.E. across a full suite of asset and liability products including cards, loans and wealth management in conventional and Islamic banking. Amit has also worked with Mashreq Bank in the U.A.E. as well as Pepsico in India as head of franchise. He is a business school graduate from the Asian Institute of Management, Manila, Philippines and an Economics Honours graduate from St. Stephens College in Delhi, India.

Chief Operation Officer *Zulfiqar Ali Sulaiman*

Zulfiqar Sulaiman, the Chief Operation Officer is responsible for support functions that include administration, central operations, service quality, IT

and information security as the Business Support Director. Zulfiqar has more than 22 years of banking experience and has held senior positions such as Head of CitiBank in Oman, and Chief Financial Officer, Country Compliance and Control Head at Citibank. He holds a Bachelors Degree in Commerce, majoring in Accounting and Finance from Karachi University, Pakistan as well as a Certificate in the Master of Business Administration Program in Accounting and Finance from the Institute of Business Administration, Karachi, Pakistan.

Chief Risk Officer

Arif Shaikh

Arif is the Chief Risk Officer at FGB and is in charge of Market Risk, Credit Risk and Operational Risk. Arif has been with the bank since 2001 and has over 25 years of financial services experience. He has also worked with Standard Chartered Bank in India, ANZ Grindlays in India and Australia, Hong Kong Bank and KPMG Peat Marwick. He holds a Bachelor's Degree in Law from Bombay University and is a Chartered Accountant and an Associate Member of the Institute of Chartered Accountants in India.

Chief Financial Officer

Karim Karoui

Karim has more than 18 years of banking experience and also has extensive experience in company audit and financial management. Before joining FGB, Karim worked with leading regional and financial institutions, including Citibank in Tunisia for over eight years. Karim is also a board member in two associate companies of FGB; Aseel Finance and FGFS. He holds a Masters Degree in Accounting from IHEC, Carthage, Tunisia.

Head of Human Resources

Gareth Powell

Gareth has over 21 years of experience in human resources and is a fellow of the Chartered Institute of Personnel and Development. His responsibilities at FGB include helping to design optimal organisational structures for FGB, and enhancing overall employee performance. Gareth started his career as an accountant and worked as a consultant in Eastern Europe before joining HSBC in 1992 where he held a number of positions in Asia, the United Kingdom, the USA, Latin America and the U.A.E. He holds a bachelors degree from King's College, London.

Head of Treasury & Global Markets Group

Christopher Wilmot

As part of his responsibilities at FGB, Christopher Wilmot manages FGB's overall liquidity and interest risks, within internal and external regulatory frameworks, to ensure that FGB meets all its obligations. He is responsible for managing FGB's Treasury activities, generating profits from foreign exchange, interest rate, and proprietary investment transactions and customer servicing and risk management activities.

He has 25 years of treasury and investment experience and was previously Group Treasurer with Ahli United Bank and General Manager of Treasury and Investment at Saudi Hollandi Bank. He is fully conversant with both conventional and Islamic banking disciplines and products.

Head of Internal Audit

KS Nurendra Perera

KS Nurenda Perera joined FGB in 2001 as Head of Internal Audit. Nurendra has 24 years of banking experience and has previously worked with the National Bank of Umm Al Quwain in the U.A.E. as well as Sampath Bank in Sri Lanka. His primary responsibility as Head of Internal Audit is carrying out risk-based audits in the wider scope of the overall risk

management framework covering credit, market and operational risks and internal control environments, whilst ensuring regulatory compliance. He has varied bank-wide exposure to business such as Corporate Credit, Retail Credit, Trade Finance, Branch Operations, Financial Control, Treasury, Investments and IT in order to identify, measure, monitor and control evolving associated risks, moving towards the best practices in the Basel III Accord guidelines. He has a Master's degree in business administration with a specialisation in finance. He is also a certified auditor (CIA, CFSA – USA, CISA and CRISC, all from the USA).

Head of Strategy and Planning

Hana Al Rostamani

Hana Al Rostamani has extensive experience in banking and, in her current role at FGB; she is responsible for developing and managing the strategic direction of FGB and all its lines of business. She has also worked across corporate communications, branding, branch management, product development, retail credit policy, card operations management and consumer behaviour metrics. She has a Master's degree in Information Management from the George Washington University, USA and has also completed a Certificate in Bank Card Management from Visa International Association and the U.K. Chartered Institute of Bankers.

Chief Credit Officer

Shireesh Bhide

Shireesh Bhide has around 22 years of experience in the banking industry. Shireesh worked with Citibank in India and Africa for over 18 years in various leadership roles and left in 2009 to join the National Commercial Bank in Saudi Arabia as its Head of Risk Management, being based in Jeddah for almost four years. He joined FGB as its Chief Credit Officer in March 2013.

Shireesh holds postgraduate degrees from the University of Poona, India and the London School of Economics.

Head of Wholesale and International Banking

Simon Penny

Simon is responsible for FGB's corporate and institutional clients, debt markets, transaction banking, advisory, Islamic finance and syndications. In this role, Simon is responsible for growing FGB's product offerings and ensuring FGB maintains its leading market position with corporate and institutional clients.

Prior to joining FGB, Simon was the CEO of the Royal Bank of Scotland ("**RBS**") for the Middle East and Africa. In that role, Simon maintained strong relationships with the region's leading companies and GREs, ensuring RBS maintained its leading position with selected clients servicing their local and cross border investment banking needs. Key clients included Mubadala Development Company, International Petroleum Investment Company, Abu Dhabi National Energy Company, International Development Company and the Department of Finance in the U.A.E.

Before moving to the U.A.E., Simon was the CEO of ABN AMRO (latterly acquired by RBS) in South Africa and Head of Debt Capital Markets for Central and Eastern Europe and Africa.

Simon has a Bachelor of science degree from Reading University, United Kingdom, and a MBA from Nottingham University, United Kingdom.

Board Committees

FGB has the following Board committees:

Executive Committee

The members of this committee include:

- Abdulhamid Saeed (Managing Director and Chairman of the EC);
- Ahmed Ali Al Sayegh (Member of EC);
- Khaldoon Khalifa Al Mubarak (Member of EC); and
- André Sayegh (CEO and Member of EC).

In addition:

- Mohammed Saif Al Suwaidi is available to attend EC meetings if either representative from the Board of Directors' is absent; and
- Arif Shaikh is available to attend EC meetings if the representative from Management is absent.

Risk and Compliance Management Committee

The members of this committee include:

- Khaldoon Khalifa Al Mubarak (Chairman of RCMC);
- Abdulhamid Saeed (Managing Director and Member of RCMC);
- Sultan Khalfan Sultan Hudairam AlKtebi (Member of RCMC); and
- Arif Shaikh (GCRO and Member of RCMC).

Audit Committee

The members of this committee include:

- Ahmed Ali Al Sayegh (Chairman of AC);
- Abdulhamid Saeed (Managing Director and Member of AC);
- Mohammed Saif Al Suwaidi (Member of AC); and
- Nurendra Perera (Head of Internal Audit and Member of AC).

Employees

As at 30 June 2013, FGB employed 1,017 members of staff as compared to 994 as at 31 December 2012, 877 as at 31 December 2011 and 873 as at 31 December 2010. These staff members do not include the approximately 1,870 members of the outsourced workforce assigned to the Group (who principally work within the retail areas of sales, collections, call centre operations and credit card processing).

FGB's people strategy is aligned to its vision and ambitious growth plans. One of FGB's key strategic imperatives is 'Invest in Our People and Their Growth' and FGB endeavours to achieve this through the implementation of an effective resourcing model, world class learning solutions, market driven compensation and robust performance management systems. Over 85 per cent. of employees across FGB attend at least one training programme that is aligned to their specific needs every year.

In common with all U.A.E. banks, FGB is required by the U.A.E. Central Bank to achieve certain targets for employing U.A.E. nationals, known as Emiratisation targets. Unlike many other banks in the U.A.E., FGB has been substantially compliant with these targets year on year. As at 30 June 2013, FGB's Emiratisation target stood at 30 per cent. with a number of initiatives designed and launched during the year for graduate intake, U.A.E. National mentoring programme and summer trainees.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, FGB's consolidated financial statements and the notes thereto as at and for the years ended 31 December 2012 and 2011 and as at and for the six month period ended 30 June 2013, which have each been incorporated by reference into, and form part of this Base Prospectus (the "Financial Statements").

The following table sets out selected consolidated financial information of FGB for the years ended 31 December 2010, 2011 and 2012 and for the six month period ended 30 June 2013, as extracted from the Financial Statements. The ratios have been prepared based on management information and information in the Financial Statements. FGB prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

	As at 31 December			As at 30 June (unaudited)
	2010	2011	2012	2013
	<i>(AED millions)</i>			
Selected balance sheet data:				
Cash and balances with U.A.E. Central Bank.....	8,526.3	9,586.8	12,844.3	16,575.7
Due from banks and financial institutions.....	10,267.5	12,225.3	18,329.1	14,349.6
Loans and advances, net.....	95,628.0	104,719.8	114,644.5	123,088.2
Investments.....	14,988.3	18,789.5	17,278.3	16,769.8
Total assets.....	140,758.0	157,480.3	175,033.6	182,921.6
Customers' deposits.....	98,741.9	103,473.7	119,304.6	123,889.4
Term loans.....	11,723.7	12,694.7	13,400.8	9,976.3
Sukuk financing instruments.....	—	2,387.5	4,224.0	4,224.0
Total liabilities.....	116,126.9	130,713.2	145,170.5	153,712.4
Share capital.....	1,375.0	1,500.0	3,000.0	3,000.0
Treasury shares.....	(1,056.3)	—	—	—
Capital notes.....	4,000.0	4,000.0	4,000.0	4,000.0
Legal reserve.....	5,305.1	8,780.1	8,780.1	8,780.1
Retained earnings.....	8,955.1	8,256.6	9,227.5	11,320.1
Total equity.....	24,631.1	26,767.1	29,863.1	29,209.2
Total equity and liabilities.....	140,758.0	157,480.3	175,033.6	182,921.6
	Year ended 31 December			Six months ended 30 June (unaudited)
	2010	2011	2012	2013
	<i>(AED millions)</i>			
Selected income statement data:				
Net interest income and income from Islamic financing.....	4,257.2	5,078.9	5,520.4	2,849.4
Operating income.....	6,305.0	6,482.9	7,269.8	3,892.9
General and administrative expenses.....	(1,121.5)	(1,222.5)	(1,425.9)	(802.5)
Impaired assets charge.....	(1,639.1)	(1,553.1)	(1,653.1)	(851.6)
Non-controlling interests.....	123.9	(1.5)	16.5	8.0
Profit for the period attributable to the Equity holders of FGB....	3,420.4	3,707.3	4,154.3	2,212.6
Basic and diluted earnings per share (AED) ⁽¹⁾	2.1	1.2	1.3	0.73
Selected ratios:				
Return on average assets ⁽²⁾	2.6	2.5	2.5	2.5
Return on average equity ⁽³⁾	14.7	14.6	14.8	15.2
Cost income ratio ⁽⁴⁾	17.8	18.9	19.6	20.6
Non-performing loans ratio ⁽⁵⁾	4.6	4.0	3.3	3.6
Provisioning charge/net loans ⁽⁶⁾	1.7	1.5	1.4	1.4
Net loans/customer deposits.....	96.8	101.2	96.1	99.4
Total capital ratio⁽⁷⁾.....	22.9	21.5	21.3	18.8

Notes:

(1) See Note 16 to the Financial Statements for the six months ended 30 June 2013, Note 26 to the Financial Statements for the year ended 31 December 2012, Note 26 to the Financial Statements for the year ended 31 December 2011 and Note 25 to the Financial Statements for the year ended 31 December 2010.

- (2) Profit for the year attributable to equity holders divided by average assets for the year. Average assets is determined by adding total assets at the beginning and end of the year and dividing by two and amounted to AED 133,115.3 million in 2010, AED 149,119.2 million in 2011 and AED 166,257.0 million in 2012. For the six month period ended 30 June 2013, average assets are determined by adding total assets at the beginning and at the end of the period and dividing by two which amounted to AED 178,977.6 million.
- (3) Profit for the year attributable to equity holders divided by average shareholders' equity for the year. Average shareholders' equity is determined by adding total shareholders' equity at the beginning and end of the year and dividing by two and amounted to AED 23,322.1 million in 2010, AED 25,388.9 million in 2011 and AED 27,999.8 million in 2012. For the six month period ended 30 June 2013, average shareholders' equity is determined by adding shareholders' equity at the beginning and at the end of the period and dividing by two which amounted to AED 29,019.7 million.
- (4) General administrative expenses divided by operating income.
- (5) Non-performing loans (being those on which interest is not being accrued) divided by gross loans.
- (6) Net loans at the balance sheet date.
- (7) Calculated according to U.A.E. Central Bank methodology, see "*Financial Review – Capital Adequacy*".

Funding

An analysis of the Group's funding is set out under "*Financial Review – Funding*".

Credit Commitments and Contingent Items

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of the Group's customers.

The table below sets out the Group's credit-related commitments as at 31 December 2010, 2011, 2012 and 30 June 2013.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>(AED millions)</i>			
Acceptances	1,697.3	2,320.1	4,456.4	4,684.5
Letters of credit	16,365.3	21,785.8	25,696.1	27,773.1
Guarantees	43,808.8	43,247.6	43,541.5	47,849.3
Total contingent liabilities	61,871.4	67,353.5	73,694.0	80,306.9
Commitments to extend credit maturing within one year	2,849.4	2,071.9	2,943.8	4,553.2
Commitments for future capital expenditure	2,514.7	1,905.6	1,430.1	1,411.9
Commitments for future private equity investments	799.9	639.8	517.6	646.6
Total commitments	6,164.0	4,617.3	4,891.6	6,611.7
Total commitments and contingent liabilities	68,035.4	71,970.8	78,585.6	86,918.6

Letters of credit, guarantees and acceptances commit the Group to make payments on behalf of customers in the event of a specific act, such as the export or import of goods, or contingent upon the failure of the customer to perform under the terms of a contract. These contracts would have market risk if issued or extended at a fixed rate of interest. However, these contracts are primarily made at a floating rate.

Commitments to extend credit represent contractual irrevocable commitments to make loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Related Party Transactions

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

The table below sets out the amounts outstanding as at 31 December in each of 2010, 2011 and 2012 in respect of transactions entered into by the Group with related parties (other than shareholders).

	As at 31 December		
	2010	2011	2012
	<i>(AED millions)</i>		
<i>Board members and key management personnel</i>			
Loans and advances to customers	13,373.7	12,496.8	6,368.9
Customers' deposits	4,339.1	4,455.7	3,823.3
Commitments and contingent liabilities.....	2,870.6	3,152.5	875.7
Interest and commission income	835.1	747.2	316.4
Interest expense	145.5	128.9	85.6
<i>Associates</i>			
Loans and advances to customers	785.5	977.1	876.3
Customers' deposits	158.1	477.8	95.0
Commitments and contingent liabilities.....	763.0	763.0	756.3
Interest and commission income	37.1	40.3	44.3
Interest expense and Islamic financing expense	2.9	4.4	3.3
Compensation of key management personnel:			
Short term employee benefits.....	83.3	76.7	89.6
Post employment benefits.....	8.3	9.2	12.6

FINANCIAL REVIEW

The following discussion should be read in conjunction with the Financial Statements. The financial data discussed below has been extracted without material adjustment from the Financial Statements.

References in this financial review to 2010, 2011 and 2012 are for the 12 months ended 31 December and to 2013 are for the six month period ended 30 June 2013 and references to average balances in relation to a year and period of six months are (except where otherwise stated) references to monthly averages based on management information prepared by FGB. As a result of rounding, the totals stated in the tables below may not be an exact arithmetical sum of the numbers in respect of which they are expressed to be a total.

Overview

FGB was incorporated in the U.A.E. in 1979 and began operations in that year with a focus on corporate banking and has since developed into a diversified banking group. The Group currently provides a broad range of financial services including corporate banking (principally comprising loans and other credit facilities and deposit and current accounts for corporate, institutional and high net worth customers), treasury and investment operations (principally comprising money market, portfolio management, brokerage, treasury services, foreign exchange and structured derivative products), retail banking (principally comprising consumer deposits, loans and overdrafts, credit cards and funds transfer facilities) and real estate activities (principally comprising the development, acquisition, leasing, brokerage, management and resale of properties) to its customers who are predominantly based in the U.A.E. FGB operates through its head office and seven other branches in Abu Dhabi and through 15 other branches in Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah.

The principal revenue earning activities of the Group comprise lending, including the making of guarantees and commitments (which generates interest, fee and commission income), investment activities (which generate investment income) and other services (including the provision of plastic cards, brokerage and fund management) which principally generate fee and commission income.

As at 30 June 2013, the Group had total assets of AED 182.9 billion compared with AED 175.0 billion at 31 December 2012, total net loans and advances to customers of AED 123.1 billion at 30 June 2013 compared with AED 114.6 billion at 31 December 2012 and total deposits from customers of AED 123.9 billion at 30 June 2013 compared with AED 119.3 billion at 31 December 2012. For the six month period ended 30 June 2013, the Group recorded total operating income of AED 3.9 billion and net profit attributable to equity holders of AED 2.2 billion compared with total operating income of AED 7.3 billion and net profit of AED 4.2 billion for the year ended 31 December 2012. The Group's shareholders' equity was AED 29.2 billion at 30 June 2013 compared with AED 29.9 billion at 31 December 2012. The Group's annualised return on average assets for the six month period ended 30 June 2013 was 2.5 per cent. and its return on average equity was 15.2 per cent. For 2012, the return on average assets was 2.5 per cent. and its return on average equity was 14.8 per cent. (compared with 2.5 per cent. and 14.6 per cent., respectively in 2011 and 2.6 per cent. and 14.7 per cent., respectively in 2010). For each of the six month period ended 30 June 2013 and the years ended 31 December 2012, 2011 and 2010 these returns were calculated on period end averages only. The Group's annualised net interest margin for the six month period ended 30 June 2013 was 3.6 per cent. compared with 3.7 per cent. for the year ended 31 December 2012, 3.8 per cent. for the year ended 31 December 2011 and 3.6 per cent. for the year ended 31 December 2010.

Significant Factors Affecting Results of Operations

The Group's results during the three full years and six month period under review have been affected, among other things, by: (a) a stock market decline in the U.A.E and (b) generally decreasing real estate values in the U.A.E. after 2008.

Stock Market Decline

During 2008, stock markets in the U.A.E. and the wider GCC region experienced a significant decline in share valuations, stabilising through 2009 and 2010 and declining again more recently. As a result, the Group's portfolio of investments carried at fair value through the income statement showed a loss of AED 10.6 million in 2010, a loss of AED 23.7 million in 2011, a loss of AED 0.5 million in 2012 and a loss of

AED 20.6 million during the six month period ended 30 June 2013. The table below illustrates the stock market changes by reference to the indices published by each of the ADX and the Dubai Financial Market.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
Abu Dhabi Securities Market Index.....	2,719.9	2,402.3	2,630.9	3,551.2
Dubai Financial Market Index.....	1,630.5	1,353.4	1,662.5	2,222.6

Source: Bloomberg

Real Estate Values

Real estate values increased significantly in the U.A.E. up to the third quarter of 2008, and experienced a decreasing trend thereafter until the first quarter of 2011. The Group's investment properties have grown from AED 7,049.3 million at 31 December 2010, to AED 7,537.9 million at 31 December 2011, AED 7,771.8 million at 31 December 2012 and AED 7,875.1 million at 30 June 2013. Due to a revised IFRS accounting standard, being IAS 40, properties under construction are treated as investment properties. This was implemented by FGB with effect from 1 January 2009.

In 2010, the Group's gain on revaluation of its investment properties was AED 128.0 million, in 2011 the Group's loss on such revaluation was AED 56.1 million and in 2012 the Group's gain on such revaluation was AED 62.3 million.

Critical Accounting Policies

Certain accounting policies for the Group's business involve management estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingencies. The most important of these accounting policies are discussed below. For more information on the Group's accounting policies and the use of estimates in the preparation of the Financial Statements, see Note 2 to the 2012 Financial Statements.

Classification of Investments

FGB's management decides on the categorisation of its investments at the time of their acquisition. Trading investments (being those acquired primarily for the purpose of making a short-term profit) and non-trading investments classified at fair value through the income statement are recorded in the accounts at cost and periodically marked to market with any gains and losses arising on such revaluation being recorded as profit or loss in the income statement. Particularly at times of stock market volatility, this classification can have a material effect on the Group's investment income.

Impairment of Investments

Available for sale investments are treated as impaired when there has been a significant or prolonged decline in fair value below the cost of the investment or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires management judgment. Available for sale investments are recorded at cost and periodically marked to market with any gains and losses arising on such revaluation being recorded as a separate component of equity until the investment is sold or determined to have been impaired. On sale or impairment, the cumulative gain or loss of the investment concerned is recorded in the income statement for the period concerned.

Impairment of Loans and Advances

All loans and advances are stated at cost, as adjusted for effective hedges, and net of interest in suspense, any amounts written off and any provision for impairment. Loans and advances are reviewed quarterly to determine whether any provision for impairment should be recorded in the income statement. Management judgment is required in this respect, in particular with regard to the estimation of the amount and timing of future receipts when determining the level of provision required. In addition to specific provisions against individually significant loans and advances, the Group also makes a collective provision against loans and advances which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of this provision is

based on the historical loss pattern for such loans and advances and is adjusted to reflect current economic conditions.

Results of Operations for six months ended 30 June 2013 compared to six months ended 30 June 2012 (unaudited)

Net Interest Income and Income from Islamic Financing

The following table sets out the Group's interest income and income from Islamic financing, interest expense and Islamic financing expense and the resulting net interest income and income from Islamic financing for each of the periods indicated.

	6 months ended 30 June		Percentage change June
	2012	2013	2012/2013
	<i>(AED millions)</i>		
Interest income and income from Islamic financing.....	3,724.7	3,847.8	3.3
Interest expense and Islamic financing expense	(1,078.7)	(998.4)	7.4
Net interest income and income from Islamic financing	2,646.0	2,849.4	7.7

Net Interest Income and Income from Islamic Financing and Margin

During the six month period ended 30 June 2013, the Group recorded a net interest income and income from Islamic financing of AED 2,849.4 million compared to AED 2,646.0 million for the six month period ended 30 June 2012. This increase principally reflects the increase in the volume of average interest earning assets.

The Group's net interest margin (defined as net interest income and income from Islamic financing divided by the average of total interest earning assets) was 3.6 per cent. annualised for the six month period ended 30 June 2013, compared to 3.7 per cent. annualised for the six month period ended 30 June 2012. The Group's interest spread (defined as the difference between the rate of interest earned on average interest earning assets and the rate of interest paid on average interest bearing liabilities) was 3.8 per cent. annualised for the six month period ended 30 June 2013, compared to 3.8 per cent. annualised for the six month period ended 30 June 2012.

Other Operating Income and Share of Profits of Associates

The following table sets out the Group's other operating income for each of the periods indicated.

	6 months ended 30 June		Percentage change June
	2012	2013	2012/2013
	<i>(AED millions)</i>		
Investment income (loss).....	35.7	66.9	87.4
Commission income	224.6	259.6	15.6
Fee income.....	290.4	366.1	26.1
Brokerage and fund management fee income.....	5.1	6.6	29.4
Foreign exchange income.....	32.8	46.3	41.2
Derivative income.....	4.7	31.2	563.8
Fees and commissions on credit cards	136.2	180.2	32.3
Gain on sale of investment properties	3.5	2.0	(42.9)
Share of profits of associates	7.1	13.0	83.1
Rental income	30.8	38.2	24.0
Management fee on leasing properties.....	27.7	24.2	(12.6)
Other	6.7	9.2	37.3
Total other operating income and share of profits of associates	805.3	1,043.5	29.6

The Group earns investment income on its investment securities portfolio, fee income principally on loans made by it (although it also charges a range of treasury, cash management and other fees), foreign exchange and derivative income on foreign exchange and derivative products traded by it for its customers, commission income principally from guarantees and letters of credit granted by it and fees

charged by it on credit cards issued by it. Together, these sources of operating income accounted for 91.7 per cent. of other operating income for the six month period ended 30 June 2013 compared to 90.6 per cent. for the six month period ended 30 June 2012. Each of the key sources of operating income is described further below.

The Group's share of profits of associates was AED 13.0 million during the six month period ended 30 June 2013 compared to a share of profits of associates of AED 7.1 million during the six month period ended 30 June 2012.

Investment Income

The following table sets out the Group's investment income for each of the periods indicated.

	6 months ended 30 June		Percentage change June
	2012	2013	2012/2013
	<i>(AED millions)</i>		
Gains on disposal of available for sale investments.....	22.0	64.0	190.9
Gains on disposal of investments carried at fair value through income statement	6.3	12.7	101.6
Change in fair value of investments carried at fair value through income statement	(1.4)	(20.6)	(1,371.4)
Other investment income.....	8.7	10.8	24.1
Total investment income	35.6	66.9	87.9

Net gains on the disposal of investments totalled AED 64.0 million during the six month period ended 30 June 2013 compared to AED 22.0 million during the six month period ended 30 June 2012.

Fee Income

The Group's fee income amounted to AED 366.1 million for the six month period ended 30 June 2013 compared to AED 290.4 million for the six month period ended 30 June 2012, principally reflecting the increase in the origination of the Group's personal loans.

Foreign Exchange Income

The Group's foreign exchange income amounted to AED 46.3 million for the six month period ended 30 June 2013 compared to AED 32.8 million for the six month period ended 30 June 2012 principally reflecting the increase in the trading volume.

Derivative Income

The Group's derivative income amounted to AED 31.2 million for the six month period ended 30 June 2013 compared to AED 4.7 million for the six month period ended 30 June 2012, principally reflecting the increase in the trading volume and number of these products brokered for the Group's clients.

Commission Income

The Group's commission income amounted to AED 259.6 million for the six month period ended 30 June 2013 compared to AED 224.6 million for the six month period ended 30 June 2012, principally reflecting an increase in the volume of contingent liabilities, being acceptances, letters of credit and guarantees, (which increased from AED 68.0 billion as at 30 June 2012 to AED 80.3 billion as at 30 June 2013).

Fees and Commissions on Credit Cards

The Group's fees and commission on credit cards amounted to AED 180.2 million for the six month period ended 30 June 2013 compared to AED 136.2 million for the six month period ended 30 June 2012, principally reflecting the increase in the volume of cards issued by the Group.

Results of Operations for the years ended 2010, 2011 and 2012

Net Interest Income and Income from Islamic Financing

The following table sets out the Group's interest income and income from Islamic financing, interest expense and Islamic financing expense and the resulting net interest income and income from Islamic financing for each of the years indicated.

	Year ended 31 December			Percentage change	
	2010	2011	2012	2010/2011	2011/2012
	(AED millions)				
Interest income and income from Islamic financing.....	6,578.9	7,073.3	7,644.5	7.5	8.1
Interest expense and Islamic financing expense	(2,321.7)	(1,994.4)	(2,124.1)	14.1	(6.5)
Net interest income and income from Islamic financing.....	4,257.2	5,078.9	5,520.4	19.3	8.7

The following table sets out the principal components of the Group's interest income and income from Islamic financing for each of the years indicated.

	Year ended 31 December			Percentage change	
	2010	2011	2012	2010/2011	2011/2012
	(AED millions)				
Interest income					
Loans and advances	5,972.2	6,248.1	6,600.4	4.6	5.6
Deposits with banks	79.4	115.3	172.1	45.2	49.3
Investment Securities– Available for sale.....	33.6	80.7	487.3	140.2	503.8
– Held to maturity	127.3	224.5	—	76.4	—
Notional interest on impaired loans and advances.....	26.9	93.3	96.1	246.8	3.0
Total	6,239.4	6,761.9	7,355.9	8.4	8.8
Income from Islamic financing					
Islamic financing income	339.5	311.5	288.6	(8.2)	(7.4)
Total	339.5	311.5	288.6	(8.2)	(7.4)
Interest income and income from Islamic financing.....	6,578.9	7,073.4	7,644.5	7.5	8.1

The Group principally derives interest income from loans and advances which it makes to its customers, from its investments in fixed income securities and from deposits which it makes with other banks. Together, these sources accounted for 94.4 per cent. of the Group's total interest income and income from Islamic financing in 2010 compared to 94.3 per cent. in 2011 and 95.0 per cent. in 2012. Interest income, excluding income from Islamic financing increased in 2012 by AED 594.0 million, or 8.8 per cent., as compared to 2011 and increased in 2011 by, AED 522.4 million, or 8.4 per cent., as compared to 2010. These increases were primarily due to increases in interest income from loans and advances to customers, principally reflecting an increase in the underlying asset portfolio. The average balance of loans and advances to customers increased in 2012 by AED 9.5 billion, or 9.5 per cent., as compared to 2011 and increased in 2011 by AED 7.2 billion, or 7.7 per cent., as compared to 2010. The average rate of interest earned on the Group's portfolio of loans and advances was 6.2 per cent. in 2012 compared to 6.5 per cent. in 2011 and 6.5 per cent. in 2010 and the average rate on interest earned on its debt securities portfolio was 2.9 per cent. in 2012 compared to 1.8 per cent. in 2011 and 1.5 per cent. in 2010.

The Group also earns significant interest income from short-term deposits it makes with other banks in the U.A.E. and abroad. The amount of this income has varied over the period under review, reflecting variations in the Group's funds available for placement on a short-term basis.

In 2006, the Group commenced its Islamic finance business, principally offering floating profit rate *ijara* (lease) and *murabaha* (cost plus) financings. Income from this business totalled AED 339.5 million in 2010, AED 311.5 million in 2011 and AED 288.6 million in 2012.

Interest Expense and Islamic Financing Expense

The following table sets out the principal components of the Group's consolidated interest expense and Islamic financing expense for each of the years indicated.

	Year ended 31 December			Percentage change	
	2010	2011	2012	2010/2011	2011/2012
	(AED millions)				
Interest expense					
Customers' deposits	1,898.2	1,464.2	1,349.9	(22.9)	(7.8)
Bank deposits	21.8	47.9	50.3	119.7	5.0
Term loans	313.0	343.0	367.4	9.6	7.1
Total	2,233.0	1,855.1	1,767.6	(16.9)	(4.7)
Islamic financing expense					
Islamic financing expense	88.7	139.3	356.5	57.0	155.9
Total	88.7	139.3	356.5	57.0	155.9
Interest expense and Islamic financing expense ...	2,321.7	1,994.4	2,124.1	(14.1)	6.5

The Group principally pays interest on deposits made by its customers. This expense accounted for 81.8 per cent. of the Group's total interest and Islamic financing expense in 2010 compared to 73.4 per cent. in 2011 and 63.6 per cent. in 2012.

Interest expense decreased in 2012 by AED 87.5 million, or 4.7 per cent., compared to 2011 and decreased in 2011 by AED 377.9 million, or 16.9 per cent., compared to 2010. In 2012 and 2011, the decrease was principally due to a decrease in the cost of customers' deposits. The average balance of customer deposits increased in 2012 by AED 10.3 billion, or 10.2 per cent., compared to 2011 and increased in 2011 by AED 8.5 billion, or 9.2 per cent., compared to 2010. The average rate of interest paid on customer deposits was 1.4 per cent. in 2012 compared to 1.6 per cent. in 2011 and 2.2 per cent. in 2010.

Net Interest Income and Income from Islamic Financing and Margin

The Group's net interest income and income from Islamic financing in 2011 increased by 19.3 per cent. compared to 2010 to AED 5,078.9 million and in 2012, increased by 8.7 per cent. compared to 2011 to AED 5,520.4 million.

The Group's net interest margin (defined as net interest income and income from Islamic financing divided by the average of total interest earning assets) was 3.7 per cent. in 2012 compared to 3.8 per cent. in 2011 and 3.6 per cent. in 2010. The Group's interest spread (defined as the difference between the rate of interest earned on average interest earning assets and the rate of interest paid on average interest bearing liabilities) was 3.9 per cent. in 2012 compared to 3.9 per cent. in 2011 and 3.6 per cent. in 2010.

Other Operating Income and Share of Profit of Associates

The following table sets out the Group's other operating income and share of profit of associates for each of the years indicated.

	Year ended 31 December			Percentage change	
	2010	2011	2012	2010/2011	2011/2012
	(AED millions)				
Gain/(loss) on revaluation of investment properties	128.0	(56.1)	62.3	(143.8)	211.1
Investment income	44.8	63.2	77.4	41.1	22.5
Fee income	736.8	486.6	475.8	(34.0)	(2.2)
Foreign exchange	91.4	68.7	79.0	(24.8)	15.0
Derivative income/(loss)	25.0	(25.8)	40.4	(203.2)	256.6
Commission income	471.7	460.7	502.1	(2.3)	9.0
Fees and commissions on credit cards	266.6	253.9	299.1	(4.8)	17.8
Brokerage and fund management fee income	11.5	11.0	22.9	(4.3)	108.2
Gain on sale of development/investment properties	178.6	13.9	(10.1)	(92.2)	(172.7)
Gain (Loss) on sale of property and equipment	(3.1)	—	—	(100)	(33.3)
Rental income	119.2	51.4	67.3	(56.9)	30.9
Other	15.1	84.1	90.1	457.0	7.1

	Year ended 31 December			Percentage change	
	2010	2011	2012	2010/2011	2011/2012
	<i>(AED millions)</i>				
Share of profits (losses) of associates.....	(37.8)	(7.6)	43.1	(79.9)	667.1
Total other operating income and share of profits of associates	2,047.8	1,404.0	1,749.4	(31.4)	24.6

The Group earns investment income on its investment securities portfolio, fee income principally on loans made by it although it also charges a range of treasury, cash management and other fees, foreign exchange and derivative income on foreign exchange and derivative products traded by it for its customers, commission income principally from guarantees and letters of credit granted by it and fees charged by it on credit cards issued by it. Together, these sources of operating income accounted for 79.9 per cent. of other operating income in 2010, 93.1 per cent. of other operating income in 2011 and 84.2 per cent. of other operating income in 2012. Each of these sources of operating income is described further below.

The Group's share of profits (losses) of associates was AED (37.8) million in 2010, AED (7.6) million in 2011 and AED 43.1 million in 2012. The increase in the share of profits of associates is due to recognition of revenue from the sale of villas and mark to market valuation impact of land from Mismak properties in 2012. The Group's brokerage and fund management fee income was AED 11.5 million in 2010, AED 11.0 million in 2011 and AED 22.9 million in 2012.

The Group's other sources of operating income have experienced a decrease in 2011 and subsequent increase in 2012, mainly due to a decrease and increase in fee income and gains from the revaluation and sale of properties.

Investment Income

The following table sets out the Group's investment income for each of the years indicated.

	Year ended 31 December			Percentage change	
	2010	2011	2012	2010/2011	2011/2012
	<i>(AED millions)</i>				
Gains on disposal of available for sale investments.....	63.7	58.2	51.8	(8.6)	(11.0)
Gains (losses) on disposal of investments carried at fair value through income statement	(15.6)	18.9	15.3	221.2	(19.0)
Change in fair value of investments carried at fair value through income statement.....	(10.6)	(23.6)	0.5	(122.6)	102.1
Other investment income.....	7.3	9.7	9.9	32.9	2.1
Total investment income	44.8	63.2	77.5	41.1	22.6

Net gains on the disposal of investments totalled AED 48.1 million in 2010, AED 77.1 million in 2011 and AED 67.1 million in 2012. The Group's portfolio of investments carried at fair value through the income statement (which it marked to market at the end of 2010, 2011 and 2012) showed a loss of AED 10.6 million in 2010 compared to a loss of AED 23.6 million in 2011 and a gain of AED 0.5 million in 2012. Other investment income comprises dividend income less brokerage expenses and has been relatively steady over the period.

Fee Income

The Group's fee income amounted to AED 736.8 million in 2010, AED 486.6 million in 2011 and AED 475.8 million in 2012, principally due to an increase in 2010 and a subsequent decrease in both 2011 and 2012 in loan origination. At 31 December 2010, the Group had granted AED 33.9 billion in personal loans. By 31 December 2011, this had increased to AED 38.2 billion and by 31 December 2012, it was AED 42.2 billion. Fees charged on personal loans accounted for 74.1 per cent. of the Group's total fee income in 2010, compared to 58.2 per cent. in 2011 and 30.0 per cent. in 2012. The Group also charges fees on the corporate and syndicated loans it grants, although the income from these fees was more variable over the period under review.

Foreign Exchange and Derivative Income

The Group's foreign exchange and derivative income amounted to AED 116.4 million in 2010, AED 42.9 million in 2011 and AED 119.4 million in 2012, principally reflecting an increase in trading volumes.

Commission Income

The Group's commission income amounted to AED 471.7 million in 2010, AED 460.7 million in 2011 and AED 502.1 million in 2012, principally reflecting the increase in its contingent liabilities, being acceptances, letters of credit and guarantees, which grew from AED 61.9 billion at 31 December 2010 to AED 67.4 billion at 31 December 2011 and to AED 73.7 billion at 31 December 2012.

Fees and Commissions on Credit Cards

The Group's fees and commission on credit cards amounted to AED 266.6 million in 2010, AED 253.9 million in 2011 and AED 299.1 million in 2012. At 31 December 2010 the Group had approximately 355,000 credit cards in issue compared to approximately 371,707 credit cards at 31 December 2011 and approximately 424,227 credit cards at 31 December 2012, representing an increase of 4.7 per cent. and 14.1 per cent., respectively.

General and Administrative Expenses

The following table sets forth the principal components of the Group's general and administrative expenses for the years indicated.

	Year ended 31 December			Percentage change	
	2010	2011	2012	2010/2011	2011/2012
	<i>(AED millions)</i>				
Staff costs.....	556.3	570.8	685.5	2.6	20.1
Depreciation.....	61.1	70.0	62.0	14.6	(11.4)
Other general and administrative expenses.....	504.2	583.2	678.4	15.7	16.3
Total general and administrative expenses.....	1,121.6	1,224.4	1,425.9	9.1	16.5

Staff costs and depreciation together accounted for 55.0 per cent., 52.4 per cent. and 52.4 per cent. of its total general and administrative expense in 2010, 2011 and 2012, respectively. The Group incurs a range of other operating expenses, including the fees paid to the entity which manages its direct sales force, the fees paid to the entity to which it has outsourced the management of its credit cards, equipment costs, communications costs, advertising and other costs.

Staff Costs

Staff costs increased by AED 14.5 million, or 2.6 per cent., in 2011 compared to 2010 and increased by AED 114.7 million, or 20.1 per cent., in 2012 compared to 2011. The increase in 2012 reflected an increase in direct staff costs due mainly to the reconsolidation of FGLB. Based on the number of full time equivalent staff at the start and end of each year, the Group employed an average of 963 staff during 2010, an average of 943 staff during 2011 and an average of 1,021 staff during 2012, a decrease of 2.0 per cent. in 2011 compared to 2010 and an increase of 8.3 per cent. in 2012 compared to 2011. The staff cost per employee was AED 578,000 in 2010 compared to AED 606,000 in 2011 and AED 671,000 in 2012, an increase of 4.7 per cent. in 2011 compared to 2010 and an increase of 10.9 per cent. in 2012 compared to 2011. As a percentage of total general and administrative expenses, staff cost was 48.1 per cent. in 2012, 46.6 per cent. in 2011 and 49.6 per cent. in 2010.

Depreciation

Depreciation increased by 14.6 per cent. in 2011 compared to 2010 and decreased by 11.4 per cent. in 2012 compared to 2011. As a percentage of total general and administrative expenses, depreciation was 5.4 per cent. in 2010, 5.7 per cent. in 2011 and 4.3 per cent. in 2012.

Other general and administrative expenses

The most significant components of other general and administrative expenses are the Group's outsourcing costs which together comprised 29.1 per cent. of other general and administrative expenses in 2010, 31.5 per cent. in 2011 and 36.2 per cent. in 2012, principally reflecting increases in the size of the Group's outsourced sales force over the period.

Impaired Assets Charge

The Group's impaired assets charge net of recoveries was AED 1,639.1 million in 2010, AED 1,553.1 million in 2011 and AED 1,653.1 million in 2012. Recoveries were AED 17.1 million in 2010, AED 41.5 million in 2011 and 158.6 million in 2012. The full amount of the impaired assets charge was charged against the Group's portfolio of loans and advances. As a percentage of the Group's average net loans and advances (based only on numbers at the start and end of each year), the impairment charge (net of recoveries) was 1.8 per cent. in 2010, 1.6 per cent. in 2011 and 1.5 per cent. in 2012.

Financial Condition as at 31 December 2010, 2011 and 2012 and as at 30 June 2013

Total Assets

As at 31 December 2010, the Group had total assets of AED 140.8 billion as compared to AED 157.5 billion at 31 December 2011, AED 175.0 billion at 31 December 2012 and AED 182.9 billion at 30 June 2013. The increases over the discussed period principally reflect increases in cash and balances with the U.A.E. Central Bank, due from banks, loans and advances to customers and in non-trading investments.

Loans and Advances, Net

As at 31 December 2010, the Group had net loans and advances of AED 95.6 billion as compared to AED 104.7 billion at 31 December 2011, AED 114.6 billion 31 December 2012 and AED 123.1 billion at 30 June 2013. The increases over the discussed period were mainly the result of strong demand for loans by the Group's customers, particularly in the retail, trading and public sectors. As a percentage of total assets, net loans and advances were 67.9 per cent. at 31 December 2010, 66.5 per cent. at 31 December 2011, 65.5 per cent. at 31 December 2012 and 67.3 per cent. at 30 June 2013.

The Group's loan portfolio comprises loans and advances to corporate and retail customers across a range of economic sectors made on both a conventional and Islamic basis. The table below sets out the gross loans and advances portfolio by economic sector, and as a percentage of the total portfolio, as at 31 December 2010, 2011 and 2012.

	As at 31 December					
	2010		2011		2012	
	(AED millions, except percentages)					
Agriculture	292.5	0.3%	110.2	0.1%	97.7	0.1%
Energy	797.7	0.8%	1,367.4	1.3%	2,654.0	2.2%
Trading	3,703.0	3.7%	7,654.6	7.1%	8,882.2	7.5%
Construction	4,840.3	4.9%	4,740.4	4.4%	4,594.7	3.9%
Transport	723.3	0.7%	906.1	0.8%	776.9	0.7%
Personal Retail Loans & CC	22,570.9	22.8%	24,595.0	22.7%	27,739.7	23.4%
Personal Retail Mortgages	3,015.7	3.1%	3,188.1	2.9%	1,906.7	1.6%
Personal Retail Mortgage National Housing Loan	8,343.9	8.4%	10,369.4	9.6%	12,514.6	10.6%
Personal – others	6,085.6	6.2%	6,006.5	5.5%	2,822.1	2.4%
Government	532.7	0.5%	338.9	0.3%	502.1	0.4%
Share financing	4,045.7	4.1%	3,289.9	3.0%	2,664.9	2.3%
Real estate	18,444.5	18.6%	19,521.8	18.0%	19,844.4	16.8%
Services	15,884.7	16.1%	14,300.1	13.2%	17,673.8	14.9%
Public sector	6,268.1	6.3%	9,206.9	8.5%	10,644.5	9.0%
Manufacturing	3,374.2	3.4%	2,746.2	2.5%	5,077.9	4.2%
Total gross loans and advances	98,922.8	100.0%	108,341.5	100.0%	118,396.2	100%
Less provision for impaired loans and advances	(3,294.8)	—	(3,621.7)	—	(3,751.7)	—
Total net loans and advances	95,628.0	—	104,719.8	—	114,644.5	—
of which:						
Conventional loans and advances	89,857.9	94.0%	99,287.9	94.8%	109,395.5	95.4%
Islamic financing	5,770.1	6.0%	5,431.9	5.2%	5,249.0	4.6%

The majority of the growth in the Group's loans and advances between 31 December 2010 and 31 December 2012 is concentrated in the retail, real estate and services sectors. The growth in the retail portfolio reflects the Group's focus on growing this business. The retail portfolio largely consisting of personal loans secured by salary assignments, credit cards to individuals and small business solutions lending to business entities. The Group's loans to the real estate sector are subject to a limit of 20.0 per cent. of its deposit base and, at 31 December 2012, comprised 13.1 per cent. of its deposit base.

Investments

As at 31 December 2010, the Group had an investments portfolio of AED 15.0 billion as compared to AED 18.8 billion at 31 December 2011, AED 17.3 billion at 31 December 2012 and AED 16.8 billion at 30 June 2013. The changes over the period discussed reflected a change in USD-denominated investments within the fixed income portfolio. As a percentage of total assets, investments were 10.6 per cent. at 31 December 2010, 11.9 per cent. at 31 December 2011, 9.9 per cent. at 31 December 2012 and 9.2 per cent. at 30 June 2013. Information on the Group's investments portfolio is set out under "*Description of First Gulf Bank P.J.S.C. – Investments*".

Total Liabilities

As at 31 December 2010, the Group had total liabilities of AED 116.1 billion as compared to AED 130.7 billion at 31 December 2011, AED 145.2 billion at 31 December 2012 and AED 153.7 billion at 30 June 2013. The increases over the period under discussion principally reflect increases in customer deposits.

Customers' Deposits

As at 31 December 2010, the Group had total customers' deposits of AED 98.7 billion compared to AED 103.5 billion at 31 December 2011, AED 119.3 billion at 31 December 2012 and AED 123.9 billion at 30 June 2013. The increases over the discussed period principally reflect the Group's strong relationships with its key corporate and governmental depositors and the need to fund the Group's growth. As a percentage of the Group's total liabilities, customers' deposits were 85.0 per cent. at 31 December 2010, 79.2 per cent. at 31 December 2011, 82.2 per cent. at 31 December 2012 and 80.6 per cent. at 30 June 2013.

Funding

The table below sets out the principal sources of the Group's funding as at 31 December 2010, 2011, 2012 and at 30 June 2013.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>(AED millions)</i>			
Customer deposits.....	98,741.9	103,473.7	119,304.6	123,889.4
Term loans	11,723.7	12,694.7	13,400.8	9,976.3
Sukuk financing instruments	—	2,387.5	4,224.0	4,224.0
Due to banks	1,527.1	8,247.3	3,919.5	11,041.8
Shareholders' equity.....	24,631.1	26,767.1	29,863.1	29,209.2

The Group's funding base principally consists of customer deposits, which grew from AED 98.7 billion as at 31 December 2010 to AED 119.3 billion as at 31 December 2012, and further increased to AED 123.9 billion at 30 June 2013. As at 30 June 2013, the Group had a 9.9 per cent. market share of customer deposits in the U.A.E. compared to 10.2 per cent. at 31 December 2012, based on total U.A.E. bank deposits data published by the U.A.E. Central Bank.

Customers' Deposits

The following table sets out the break-down of funding from customers' deposits for the Group as at 31 December 2010, 2011 and 2012.

	As at 31 December		
	2010	2011	2012
	<i>(AED millions)</i>		
Current accounts	7,886.8	7,819.3	13,694.4
Saving accounts	896.7	1,172.6	1,460.6
Time deposits	78,684.3	80,091.1	88,030.5
Call and other deposits	11,274.1	14,390.7	16,119.1
Total	98,741.9	103,473.7	119,304.6

A significant proportion of the Group's customer deposits are from its major corporate customers and have maturities of less than three months. Although short-term in theory, in practice these deposits have tended to be stable. As at 31 December 2010, the five largest depositors accounted for around 29.0 per cent. at that date as compared to around 27.0 per cent. at 31 December 2011 and 27.0 per cent. at 31 December 2012. As at 31 December 2012, the 10 largest and 20 largest depositors accounted for approximately 37.0 per cent. and 49.0 per cent., respectively, of total customer deposits.

As at 31 December 2012, time deposits included AED 2.5 billion from overseas financial institutions held against the sale of debt securities under an arrangement to repurchase the debt securities at a fixed future date compared to AED 6.3 billion at 31 December 2011 and AED 9.2 billion at 31 December 2010.

In December 2006, FGB received an amount of AED 5.0 billion from the Government to fund a housing loans scheme for U.A.E. nationals which is recorded in call and other deposits. The scheme is being administered by FGB based on various terms and conditions agreed with the Government including the requirement for FGB to advance the full AED 5.0 billion within 30 years, failing which any outstanding amount is to be transferred back to the Government. As at 30 June 2013, the Government time deposits amounted to AED 14,077.0 million compared with AED 12,845.0 million at 31 December 2012, AED 10,700.0 million at 31 December 2011 and AED 8,754.0 million at 31 December 2010. As at 30 June 2013 housing loans amounting to AED 13,805.0 million, compared with AED 12,515.0 million at 31 December 2012, AED 10,369.0 million at 31 December 2011 and AED 8,344.0 million at 31 December 2010, had been disbursed by FGB. Interest is payable on this deposit at market rates based on the amount of the deposit net of housing loans disbursed.

As at 31 December 2008, time deposits also included deposits of AED 4,510.1 million placed by the U.A.E. Federal Government for a period of 3-5 years which was subject to FGB meeting certain minimum capital ratios and other U.A.E. Central Bank compliance requirements. In 2009, the U.A.E. Federal Government granted an option to convert the time deposits into a Tier 2 Capital qualifying loan which bears interest at the rate of 4.0 per cent. per annum for the first two years and steps up to 4.5 per cent. per annum and 5.0 per cent. per annum in the third and fourth years, and from the fifth year onwards at 5.25 per cent. per annum. FGB exercised the conversion option and the deposit was re-categorised as a subordinated loan as of 31 December 2009. The loan matures on 31 December 2016, subject to annual redemption arrangements after 5 years. The U.A.E. Federal Government loan of AED 4,510 million was repaid in full on 3 March 2013.

Syndicated Loan

As at 30 June 2013, FGB had one syndicated loan of U.S.\$900.0 million outstanding repayable in December 2015. The loan bears interest at LIBOR plus a margin of 1.30 per cent. per annum plus a mandatory cost, if any, calculated by the facility agent as the weighted average of the lenders' additional cost rates. Under the loan, FGB has covenanted to maintain a capital adequacy ratio at least equal to the Basel minimum capital requirement as implemented in the U.A.E. The loan also contains other standard provisions including a negative pledge, non-disposal covenant and events of default.

Bank Loans

As at 30 June 2013, FGB had four bank loans totalling U.S.\$600.0 million outstanding, consisting of two bank loans of U.S.\$200.0 million each repayable in July 2013 and April 2014 and two further bank loans

of U.S.\$150.0 million and U.S.\$50.0 million repayable in December 2014 and March 2016, respectively. The bank loans of U.S.\$600 million bear interest at LIBOR plus a margin.

Sukuk Financing Instruments

In August 2011, FGB raised financing by way of a sukuk issued by FGB Sukuk Company Limited (a special purpose vehicle) amounting to U.S.\$650.0 million (equivalent to AED 2,387.0 million) and maturing in August 2016 (the "**2011 Sukuk**"). The 2011 Sukuk carries a fixed profit rate of 3.797 per cent. per annum payable semi-annually and is listed on the London Stock Exchange. The 2011 Sukuk was the inaugural issuance under the U.S.\$3.5 billion trust certificate issuance programme. Pursuant to the sukuk structure, FGB Sukuk Company Limited (as Rab-al-Maal and Trustee) will receive certain payments from FGB (as mudareb of certain mudaraba assets and wakeel of certain wakala assets). FGB Sukuk Company Limited will use such amounts received from FGB to discharge its payment obligations under the 2011 Sukuk. Such payment obligations of FGB rank *pari passu* with all other senior unsecured obligations of FGB.

On 18 January 2012, FGB Sukuk Company Limited issued its second tranche of trust certificates amounting to U.S.\$500.0 million (equivalent to AED 1,836.0 million) due in 2017 under the same trust certificate issuance programme.

Due to banks

The following table sets out the breakdown of due to banks for the Group as at 31 December 2010, 2011 and 2012.

	As at 31 December		
	2010	2011	2012
	<i>(AED millions)</i>		
Current and demand accounts	193.5	75.3	35.7
Deposits maturing within one year	1,333.6	8,172.0	3,883.8
Total	1,527.1	8,247.3	3,919.5

Total Equity

The Group's total equity amounted to AED 24.6 billion at 31 December 2010 as compared to AED 26.8 billion at 31 December 2011, AED 29.9 billion at 31 December 2012 and AED 29.2 billion at 30 June 2013. The Group's total equity comprises its issued share capital (the latter of which was AED 1.38 billion at 31 December 2010, AED 1.50 billion at 31 December 2011, AED 3.0 billion at 31 December 2012 and AED 3.0 billion at 30 June 2013), its reserves and its retained earnings (the latter of which were AED 9.0 billion at 31 December 2010, AED 8.3 billion at 31 December 2011, AED 9.2 billion at 31 December 2012 and AED 11.3 billion on 30 June 2013). Of the reserves, the most significant is the legal reserve into which, under U.A.E. law and FGB's articles of association, 10.0 per cent. of net profit each year must be contributed until the legal reserve reaches 50.0 per cent. of the nominal value of the Group's paid up share capital. This reserve is not available for distribution and amounted to AED 8.8 billion at both 30 June 2013 and 31 December 2012 and 2011 and AED 5.3 billion at 31 December 2010.

At 30 June 2013, shareholders' equity includes AED 4.0 billion Tier 1 capital notes issued by FGB in February 2009 to the Government.

Other potential funding sources

In June 2007, FGB established a Euro Medium Term Note Programme (the "**EMTN Programme**"). In October 2012, FGB issued a five year Euro medium term note (the "**outstanding notes**") with an aggregate principal amount of U.S.\$650.0 million (equivalent of AED 2,387.0 million). The outstanding notes are due in October 2017 and carry a coupon rate of 2.862 per cent. per annum payable semi-annually. Use of the EMTN Programme is intended to increase diversification of the Group's sources of funding and its liquid investment portfolio provides a further potential source of diversification, see "*Description of First Gulf Bank P.J.S.C. – Investments*" and "*Description of First Gulf Bank P.J.S.C. – Investment Properties*".

In November 2010, FGB entered into several transactions with a foreign bank to obtain financing against the sale of debt securities, with arrangements to repurchase such debt securities at a fixed future date. As at 31 December 2012 these amounted to a total of U.S.\$143.1 million (equivalent of AED 525.6 million). The maturity dates of these transactions range from August 2013 to April 2019.

In addition, on 16 February 2011, FGB issued five year bonds with an aggregate principal amount of CHF 200.0 million (equivalent of AED 819.0 million) under the EMTN Programme together with additional required Swiss documentation. The maturity date of the bonds is 16 February 2016 and they carry a coupon rate of 3.0 per cent. per annum payable annually.

On 27 November 2012, FGB issued bonds with an aggregate principal amount of CHF 100 million (equivalent of AED 401.0 million). The bonds are due in January 2016 and carry a coupon at the rate of 3 month CHF LIBOR plus a margin of 1.15 per cent. payable quarterly.

On 23 April 2013, FGB issued bonds with an aggregate principal amount of CHF 100 million (equivalent of AED 389 million). The bonds are due in April 2015 and carry a coupon at the rate of 3 month CHF LIBOR plus a margin of 0.60 per cent. payable quarterly.

Capital Adequacy

The U.A.E. Central Bank is FGB's principal regulator. It sets and monitors its capital requirements on both a consolidated and an unconsolidated basis. The U.A.E. Central Bank requires each U.A.E. based bank or banking group to maintain a minimum ratio of total capital to risk-weighted assets of 12.0 per cent., taking into account both on and off balance sheet transactions. This is greater than the 8.0 per cent. minimum ratio recommendation of the Basel Committee under its 1988 Capital Accord.

In accordance with U.A.E. Central Bank timelines, FGB has implemented the Basel II standardised approach in relation to credit risk, market risk and operational risk and steps are underway to move towards more advanced approaches towards risk based capital management.

The Group's capital management is aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always meeting minimum regulatory capital adequacy ratio requirements. The principal difference between the U.A.E. Central Bank's guidelines and Bank for International Settlements ("BIS") requirements is that, under the U.A.E. Central Bank's guidelines, GCC government exposure is risk weighted at zero per cent. Details of the Group's risk weighted assets and capital base as at each of 31 December 2010, 2011, 2012 and 30 June 2013, calculated in accordance with U.A.E. Central Bank guidelines are set out in the table below.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>(AED millions)</i>			
Share capital.....	1,375.0	1,500.0	3,000.0	3,000.0
Capital notes.....	4,000.0	4,000.0	4,000.0	4,000.0
Legal reserves.....	5,305.1	8,780.1	8,780.1	8,780.1
Special reserves.....	846.6	846.6	1,262.1	1,262.1
General reserves.....	120.0	120.0	120.0	120.0
Retained earnings.....	8,953.1	8,256.6	9,227.5	11,320.1
Proposed bonus shares.....	—	1,500.0	—	—
Mandatory convertible bonds.....	3,600.0	—	—	—
Own shares held.....	(1,056.3)	—	—	—
Non-controlling interests.....	504.8	115.7	514.9	518.0
Tier I capital (A)	23,648.3	25,119.0	26,904.6	29,000.3
Tier II federal government loan.....	4,510.1	4,510.1	3,608.1	-
Asset revaluation reserves ⁽¹⁾	39.4	39.4	39.4	39.4
Foreign currency translation reserve.....	(18.5)	(22.5)	(22.3)	(28.3)
Cumulative changes in fair value.....	11.8	83.1	393.2	149.6
Tier II capital (B)	4,542.8	4,610.1	4,018.4	160.7
Investments in unconsolidated associates.....	(516.8)	(443.8)	(393.0)	(406.0)
Total deductions (C)	(516.8)	(443.8)	(393.0)	(406.0)
Total capital base (A+B-C)	27,674.3	29,285.3	30,530.0	28,755.0

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>(AED millions)</i>			
Risk weighted assets:				
Balance sheet items	92,918.4	105,758.1	112,308.7	119,971.4
Off-balance sheet exposures.....	27,740.8	30,221.8	31,138.5	32,817.8
Total risk weighted assets	120,659.2	135,979.9	143,447.2	152,789.2
Tier 1 capital adequacy ratio (%).....	19.6%	18.5%	18.8%	19.0%
Total capital adequacy ratio (%).....	22.9%	21.5%	21.3%	18.8%

Note:

(1) The revaluation reserve represents the impact of revaluation of land held for own use to its estimated fair value based on professional valuations performed by independent real estate valuers. This is reflected as a part of equity in FGB's financial statements. 45 per cent. of the revaluation reserve is treated as asset revaluation reserves, which are reflected as Tier II capital.

In March 2009, FGB's capital adequacy ratio benefited from the injection of AED 4.0 billion by the Government through the subscription of Tier 1 capital notes issued by FGB. FGB intends to maintain a tier 1 ratio of approximately 12.0 to 15.0 per cent. FGB's ALCO is responsible for monitoring FGB's capital adequacy ratio on a quarterly basis.

The table below reflects FGB's view of the impact of Basel II capital calculations on the Group's capital adequacy ratio as at 31 December 2012 and 30 June 2013. This information is unaudited information prepared by the Group.

	As at 31 December 2012		As at 30 June 2013	
	Basel I	Basel II	Basel I	Basel II
	<i>(AED millions)</i>			
Tier I capital.....	26,904.6	26,882.4	29,000.3	28,972.0
Tier II capital	4,018.4	5,521.8	160.7	1,453.8
Deductions	(393.0)	(393.0)	(406.0)	(266.0)
Total capital.....	30,530.0	32,011.2	28,755.0	30,159.8
Risk weighted assets				
Credit risk	143,447.1	141,201.4	152,789.2	148,662.4
Market risk.....	—	3,109.4	—	1,000.1
Operational risk	—	7,596.3	—	7,596.3
Total risk weighted assets	143,447.1	151,907.1	152,789.2	157,258.8
Capital adequacy ratio.....	21.3%	21.1%	18.8%	19.2%

Risk Management

Overview

In common with other financial institutions, the Group faces a range of risks in its business and operations including: (i) credit risk; (ii) market risk (including interest rate risk in the trading book, currency risk, equity risk in the trading book); (iii) liquidity risk; (iv) interest rate risk in the banking book; and (v) operational risk (including legal risk). Each of these risks is described in more detail below and is also discussed in Note 32 to the Group's consolidated financial statements as at and for the year ended 31 December 2012, which are incorporated by reference in this document (the "**2012 Financial Statements**"), Note 32 to the Group's consolidated financial statements as at and for the year ended 31 December 2011, which are incorporated by reference in this document (the "**2011 Financial Statements**") and in Note 31 to the Group's consolidated financial statements as at and for the year ended 31 December 2010, which are incorporated by reference in this document (the "**2010 Financial Statements**").

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

Risk management structure

The overall responsibility for risk management lies with the Board of Directors. The principal role of the Board of Directors is to oversee implementation of FGB's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures. Several Board level committees and management level committees form part of the overall risk management structure within the Group. The Board level committees include: (i) the EC, which is responsible for overseeing of FGB's overall business strategy and ensuring that the business policies and practices are in line with the overall strategy and in alignment with sound corporate governance and related regulatory requirements and guidelines; (ii) the RCMC, which is responsible for establishment, monitoring and review of the compliance and risk management framework within the Group; (iii) the AC, which has overall responsibility for assessing the internal audit findings, directing the implementation of audit recommendations and overseeing the internal audit activities being undertaken; and (iv) the REMCO, which is responsible for overseeing the appointment of the Board of Directors and senior management and ensuring that they discharge their responsibilities in the interests of the shareholders and FGB as well as overseeing the overall compensation and reward mechanism of the Group. The management level committees include: (i) ALCO, which has principal responsibility for the Group's ALM process; (ii) the Corporate BCC, which is responsible for approval and decisions on the wholesale banking funded and non-funded credit limits / exposures; (iii) the Consumer BCC, which is responsible for approval and decisions on the retail banking funded and non funded credit limits / exposures; (iv) the ICC, which is responsible for approval and decision on the funded and non funded credit limits / exposures pertaining to Group's international banking activities; (v) the IMCO, which has the responsibility of approving investment decisions within the limits set by the EC.; (vi) the Compliance and Operational Risk Management Committee, which is responsible for overseeing Group's compliance and operational risk functions; (vii) the HRSC, which is responsible for implementation of human resource policies applicable to the bank staff; (viii) the TSC, which is responsible for implementation of IT related goals of the Group; and (ix) the SQC which is responsible for improvement of service levels provided by FGB to its external and internal customers. The Group's Chief Risk & Credit Officer ("**CRCO**") is responsible for risk management for the Group and is a member of each of the above committees, except the EC and AC.

The Group has also established an independent risk management unit, responsible for continuous monitoring identification, measurement, control, mitigation and reporting of risks arising out of the Group's activities. The risk management unit also monitors compliance with regulatory policies and procedures (including the Group's anti-money laundering procedures). The head of the risk management unit reports to the CRCO and is responsible for day-to-day risk management for the Group. The risk management unit has separate sub-units responsible for management of credit risk, market risk, ALM risk, operational risk, compliance and Basel II. Each of these sub-units reports to the head of the risk management unit.

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

Risk monitoring, measurement, control and reporting

The Group has established an ERM framework that aims to accomplish its core values and purpose of being a world class organisation maximising its risk adjusted returns for all stakeholders. The core objective of ERM framework is to provide a reasonable degree of assurance to the Board of Directors that the risks threatening the Group's achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management system covering credit risk, market risk, operational risk, interest rate risk, liquidity risk and all other material risks including strategic risk, country risk, reputation risk, etc framework that spans across the Group.

As a part of the ERM framework, the Group is in the process of establishing a formal risk appetite structure in the form of a top-down approach to incorporate requirements of various stakeholders, including shareholders, holders of its debt securities, regulators, etc. through a dialogue process between risk taking functions after a careful consideration of the risk-return trade-off.

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

Credit Risk

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

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

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

The table below sets out the Group's maximum exposure to credit risk for the different components of the balance sheet, including derivatives as at 31 December 2010, 2011 and 2012. This exposure does not take into account netting and collateral agreements that serve as credit risk mitigants. Where financial instruments are recorded at fair value, the amounts shown in the table represent the then current credit risk exposure but not the maximum credit risk exposure that could arise in the future as a result of changes in values.

	As at 31 December		
	2010	2011	2012
	<i>(AED millions)</i>		
Balances with the U.A.E. Central Bank.....	8,269.8	9,301.4	12,531.9
Due from banks and financial institutions.....	10,267.5	12,225.3	18,329.1
Loans and advances.....	95,628.0	104,719.8	114,644.5
Investments.....	13,254.5	16,575.9	15,444.5
Other assets.....	3,099.2	3,516.9	3,091.1
Total	130,519.0	146,339.3	164,041.1
Contingent liabilities.....	61,871.4	67,353.5	73,694.0
Commitments.....	2,849.4	2,071.9	2,943.7
Total	64,720.8	69,425.4	76,637.7

	As at 31 December		
	2010	2011	2012
	(AED millions)		
Derivatives.....	380.7	602.5	678.3
Total	380.7	602.5	678.3
Total credit risk exposure	195,620.5	216,367.2	241,357.1

In terms of concentration, the Group's funded and non-funded credit exposure to its top five borrowers as at 31 December 2012 was AED 20,693.1 million compared to AED 21,635.3 million at 31 December 2011 and AED 19,834.5 million at 31 December 2010, in each case before taking account of any collateral or other credit enhancements. Net of this protection, the credit exposures were AED 14,277.3 million at 31 December 2012, AED 13,756.3 million at 31 December 2011 and AED 11,540.6 million at 31 December 2010.

The table below sets out the Group's financial assets by geographic region and by industry sector at 31 December 2010, 2011 and 2012.

	As at 31 December		
	2010	2011	2012
	(AED millions)		
Geographic region			
U.A.E.	111,444.8	122,479.5	134,477.9
Other Arab countries	4,183.3	3,028.6	9,982.8
Europe.....	4,619.7	7,114.2	6,833.8
USA	9,432.5	6,994.2	2,468.6
Rest of the world.....	838.7	6,722.8	10,277.9
Total financial assets subject to credit risk.....	130,519.0	146,339.3	164,041.0
Non-financial assets.....	10,239.0	11,141.0	10,992.6
Total assets	140,758.0	157,480.3	175,033.6
Industry sector			
Commercial and business	63,001.9	72,162.1	78,455.0
Personal.....	32,952.6	37,256.9	41,191.6
Government	19,598.1	15,838.8	16,551.3
Banks and financial institutions	12,807.2	18,579.2	25,497.6
Other	2,159.2	2,502.2	2,345.6
Total financial assets subject to credit risk.....	130,519.0	146,339.2	164,041.1
Non-financial assets.....	10,239.0	11,141.0	10,992.6
Total assets	140,758.0	157,480.2	175,033.7

The Group controls credit risk by monitoring credit limits / exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties, diversification of lending activities, compliance with internal limits to avoid undue concentrations of risks and by obtaining security as appropriate. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

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

The Group's credit risk limits are set in line with its credit criteria and reviewed on an annual basis. Credit exposure to individual customers or groups of customers is controlled through a tiered hierarchy of delegated approval authorities and is based on the risk rating of the customer. The risk rating system is being revised towards transformation to a dual rating system as per Basel II requirements.

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

The Group operates a system of approval limits for its corporate lending, which is reviewed on a regular basis. The approval powers within these approval limits have been vested in the Wholesale Banking

Credit Committee by the Board of Directors. Exposures beyond these limits are approved by the EC. All funded exposures exceeding seven per cent. of the Group's capital are referred to the U.A.E. Central Bank for approval in accordance with the U.A.E. Central Bank's regulations.

The Group's retail lending mainly consists of loans to U.A.E. nationals and resident expatriates fulfilling certain specified criteria. Loans are generally secured by salary assignment, with a maximum loan amount of AED 250,000. A new credit scoring system based on the Basel II dual rating framework is being developed for application and behavioural scoring of customers.

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

In assessing its credit exposure, the Group's corporate customers are classified into 10 rating categories ranging from 1 (highest rating) to 10 (default rating). For regulatory reporting purposes, the Group reports its loans to the U.A.E. Central Bank as per five grade scale where 1 is performing, 2 is watch list, 3 is sub-standard, 4 is doubtful and 5 is loss. In accordance with Circular 28/2010 issued by the U.A.E. Central Bank on 11 November 2010, Grades 1 and 2 are considered as performing whereas Grades 3, 4 and 5 are considered as non-performing.

The tables below set out the Group's categorisation by credit quality of the following asset classes at 31 December 2010, 2011 and 2012.

As at 31 December 2010				
	Pass	Watch	Past due or individually impaired	Total
	<i>(AED millions)</i>			
Cash and balances with U.A.E. Central Bank.....	8,269.8	—	—	8,269.8
Due from banks and financial institutions.....	10,267.5	—	—	10,267.5
Loans and advances.....	88,784.4	3,755.7	6,382.7	98,922.8
Other assets.....	3,099.2	—	—	3,099.2
Investments.....	13,254.5	—	—	13,254.5
Total.....	123,675.4	3,755.7	6,382.7	133,813.8

As at 31 December 2011				
	Pass	Watch	Past due or individually impaired	Total
	<i>(AED millions)</i>			
Cash and balances with U.A.E. Central Bank.....	9,301.4	—	—	9,301.4
Due from banks and financial institutions.....	12,225.3	—	—	12,225.3
Loans and advances.....	95,861.9	5,990.9	6,488.7	108,341.5
Other assets.....	3,516.9	—	—	3,516.9
Non-trading investments.....	16,575.9	—	—	16,575.9
Total.....	137,481.4	5,990.9	6,488.7	149,961.0

As at 31 December 2012				
	Pass	Watch	Past due or individually impaired	Total
	<i>(AED millions)</i>			
Cash and balances with U.A.E. Central Bank.....	12,531.9	—	—	12,531.9
Due from banks and financial institutions.....	18,329.1	—	—	18,329.1
Loans and advances	103,770.7	7,081.9	7,563.5	118,396.1
Other assets	3,091.1	—	—	3,091.1
Non-trading investments.....	15,444.5	—	—	15,444.5
Total	153,340.8	7,444.9	7,007.0	167,792.7

Loans and advances categorised under the "watchlist" grade are those which exhibit some weakness in the borrower's financial condition and credit worthiness, requiring more than normal attention but no allocation of provisions. "Substandard" loans are those where payment of principal is in arrears beyond 90 days or some loss is possible due to adverse factors. These are the assets which exhibit credit weaknesses, where the paying capacity of the obligor is not assured and timely repayment of the obligations is in jeopardy. They are characterised by the distinct possibility that the bank will sustain some loss unless the deficiencies are corrected. Such assets are considered as Non Performing Assets ("NPAs"). "Doubtful" loans are those wherein full recovery seems doubtful on the basis of information available, leading generally to a loss of part of these loans. Such assets are also considered as NPAs. Loans falling under the "Loss" grade are loans in respect of which FGB has exhausted all courses of action available but has failed to recover anything or where there is possibility that nothing will be recovered. The tables below set out an analysis of past due loans by age at 31 December 2010, 2011, 2012.

As at 31 December 2010					
	<30 days	31 to 60 days	61 to 90 days	>91 days	Total
	<i>(AED millions)</i>				
Past due but not impaired loans and advances	1,111.3	450.5	254.2	—	1,816.0
Past due and impaired loans and advances.....					6,382.7
Less:					
Past due but not impaired loans and advances					(1,815.9)
Impaired loans and advances:					
Loans and advances under restructuring					880.0
Other loans and advances					3,686.8
					4,556.8
Impaired loans, excluding loans and advances under restructuring					3,686.8

As at 31 December 2011					
	<30 days	31 to 60 days	61 to 90 days	>91 days	Total
	<i>(AED millions)</i>				
Past due but not impaired loans and advances	1,412.1	509.6	265.2	316.0	2,502.9
Past due and impaired loans and advances.....					6,804.8
Less:					
Past due but not impaired loans and advances					(2,502.9)
Impaired loans and advances:					
Loans and advances under restructuring					620.7
Other loans and advances					3,681.1
					4,301.8
Impaired loans, excluding loans and advances under restructuring					3,681.1

As at 31 December 2012					
<u><30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>>91 days</u>	<u>Total</u>	
<i>(AED millions)</i>					
Past due but not impaired loans and advances	2,023.6	633.0	444.7	536.5	3,637.8
Past due and impaired loans and advances					7,543.5
Less:					
Past due but not impaired loans and advances					(3,637.9)
Impaired loans and advances:					
Loans and advances under restructuring					456.5
Other loans and advances					3,449.2
					3,905.7
Impaired loans, excluding loans and advances under restructuring					3,449.2

The table below shows the movements in the Group's provision for impairment of loans and advances.

	<u>2010</u>	<u>2011</u>	<u>2012</u>
<i>(AED millions)</i>			
At 1 January	2,529.8	3,294.8	3,621.7
Amounts written off	(847.2)	(1,132.9)	(1426.9)
Recoveries	(17.1)	(41.5)	(158.6)
Charge for the year/period	1,656.2	1,594.6	1,811.7
Notional interest on impaired loans and advances	(26.9)	(93.3)	(96.1)
At 31 December	3,294.8	3,621.7	3,751.8

The total carrying amount of loans and advances which have been renegotiated at 30 June 2013 was AED 4,605.9 million compared to AED 3,801.5 million at 31 December 2012, AED 5,444.3 million at 31 December 2011 and AED 3,826.8 million at 31 December 2010.

Corporate loans are deemed non-performing when an instalment of principal or interest is unpaid for 90 days. The Group reviews its problem loans and advances on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated income statement. Specific provisions are taken in accordance with the regulations of the U.A.E. Central Bank. In addition, specific provisions are made in accordance with IAS 39 and reflect the short-fall in net present value of future cash flows. The Group also makes portfolio provisions against the corporate loan book on the recommendation of the Wholesale Banking Credit Committee for wholesale business and the Consumer Banking Credit Committee for consumer business.

Retail loans are monitored in buckets once overdue by more than 30 days. Interest on overdue retail loans is suspended after 90 days and provisions are taken in accordance with the regulations of the U.A.E. Central Bank. In addition, collective provisions are made against retail loan average net receivables and credit card balances.

Prior to an account becoming non-performing, loans may be placed on the watch list and such loans are monitored by the Group's dedicated team responsible for monitoring impaired corporate and retail loans.

The Group ceases to accrue income on any loan wherein a reasonable doubt, with respect to collection of unpaid interest or fees, exists or where a loan is more than 180 days overdue. At 31 December 2012, loans and advances on which interest is not being accrued or is suspended amounted to AED 3,905.7 million (equal to 3.3 per cent. of total gross loans at 31 December 2012).

At 31 December 2010 the provision for impaired loans and advances amounted to AED 3,294.8 million representing 72.1 per cent. of all non-accruing loans (which totalled AED 4,566.8 million at the same date). In comparison, the provision for impaired loans and advances at 31 December 2011 amounted to AED 3,621.7 million representing 84.2 per cent. of all non-accruing loans (which totalled AED 4,301.9 million at the same date) and the provision for impaired loans and advances at 31 December 2012 amounted to AED 3,751.8 million representing 96.1 per cent. of all non-accruing loans (which totalled AED 3,905.7 million at the same date). As at 30 June 2013, the provision for impaired loans and advances amounted to AED 3,665.1 million representing 80.1 per cent. of all non-accruing loans (which

totalled AED 4,572.9 million at the same date). The ratio of non-accruing loans to total gross loans was 4.6 per cent. at 31 December 2010, 4.0 per cent. at 31 December 2011, 3.3 per cent. at 31 December 2012 and 3.6 per cent. at 30 June 2013.

In 2010, non-performing loans increased mainly due to changes in the rules relating to the classification of non-performing loans. As per a revised circular, the U.A.E. Central Bank changed the past due criteria for classification of non-performing loans to 90 days from 180 days, which resulted in additional provisions and non-performing loans for the Group.

It is the Group's policy to write off impaired assets only after all reasonable restructuring and collection efforts have been undertaken and where the possibility of any further recovery is considered remote. The Group has written off most of its historical debts which were carried forward from the previous management. For the year ended 31 December 2010, the Group wrote off AED 847.2 million compared to AED 1,133.0 million in 2011 and AED 1,426.9 million in 2012. The increase in write-offs was mainly due to the write-off of retail loans as per the Group's policy. The EC has approved these write-offs. For the six months ended 30 June 2012, the Group wrote-off AED 569.9 million compared to AED 890.5 million for the six months ended 30 June 2013.

In 2010, provisions net of recoveries (which were AED 17.1 million) were AED 1,639.1 million compared to AED 1,553.1 million net of recoveries (which were AED 41.5 million) in 2011 and AED 1,653.1 million net of recoveries (which were AED 158.6 million) in 2012.

At 31 December 2010, the provision for impaired loans and advances included AED 82.0 million in respect of loans and advances to Dubai World Group which totalled AED 880.0 million. During 2011, these loans and advances were restructured and have now been upgraded as performing as at 31 December 2011 and 31 December 2012. The balance of loans and advances to Dubai World Group was AED 884.0 million at 31 December 2011 and AED 894.0 million at 31 December 2012.

At 31 December 2012, the provision for impaired loans and advances included AED 149.0 million in respect of loans and advances to the subsidiaries of Dubai Holding (which totalled AED 456.0 million), which are in the process of being restructured. At 31 December 2012, other balances in accounts classified as impaired amounted to AED 3,449.0 million (as compared to AED 3,681.0 million at 31 December 2011).

Market Risk

Market risk is defined as the risk of losses in the Group's trading book positions arising from movements in interest rates, foreign exchange rates and the prices of its debt, equity and commodity investments.

The Group has established policies for conducting its investment (including trading investments) and foreign exchange business with stipulated limits for these activities. In addition, investments are made in accordance with defined investment criteria which are formulated by the IMCO and are reviewed by the EC on a yearly basis which aims to ensure that the investments are of a satisfactory quality and liquidity.

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

Owing to the limited size of the trading book portfolio and the requirement of sophisticated software systems, the Group does not currently use Value-at-Risk as a risk measure. However, this tool shall be introduced as part of its risk management initiatives in a phased manner.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Group manages this risk through hedging and by reviewing the re-pricing of assets and liabilities through risk management strategies. The ALM risk team monitors the gaps and reports both interest rate risk and liquidity risk to the ALCO on a monthly basis.

Note 32.4 to the 2012 Financial Statements includes a table which shows the sensitivity to a reasonable possible change in interest rates of the Group's consolidated income statement as at 31 December 2012 and 31 December 2011. The sensitivity of the income statement is the effect of an assumed increase or decrease of 0.5 per cent. in interest rates on net interest income for one year based on floating rate financial assets and financial liabilities held at 31 December 2012, assuming all other variables remain constant. An increase of 0.5 per cent. in rates would have had a theoretical negative impact on the Group's net interest income in 2012 of AED 73.1 million (as compared with a negative impact of AED 6.1 million in 2011). An equivalent decrease in interest rates would have had exactly the opposite theoretical effect. The Group's sensitivity to interest rate changes is reduced by the fact that a very significant part of its loans and advances can be re-priced on either a monthly or quarterly basis.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's functional currency is the U.A.E. dirham. As the U.A.E. dirham has been pegged to the U.S. dollar since 1980, positions in U.S. dollars have not generally been considered as a significant currency risk, although this assessment changed in the second half of 2007 as market speculation grew concerning the possible abolition of the currency peg in a number of GCC countries. The Group's foreign exchange positions are monitored on a daily basis to ensure that they are maintained within established limits set by the IMCO. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

Note 32.4 to the 2012 Financial Statements includes a table which shows the currencies to which the Group had significant exposure at 31 December 2012 and 31 December 2011. The analysis estimates the effect of an increase or decrease of 1.0 per cent. in certain currency exchange rates on the Group's operating income for one year based on its monetary assets and liabilities held at 31 December 2012 and 31 December 2011, respectively, and its forecast cash flows, assuming all other variables remain constant. An increase of 1.0 per cent. in the U.S. dollar exchange rates would have had a theoretical negative impact on the Group's operating income in 2012 of AED 65.9 million (as compared with a negative impact of AED 12.3 million in 2011). An equivalent decrease in interest rates would have had exactly the opposite theoretical effect.

Equity price risk

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

Note 32.4 to the 2012 Financial Statements includes a table which shows the sensitivity to a possible change in equity markets of the Group's income statement. The sensitivity of the income statement is the effect of an assumed change of 5.0 per cent. in one or more appropriate benchmarks on the fair value of investments carried at fair value through the income statement based on the Group's portfolio of those securities held at 31 December 2012 and 31 December 2011, respectively, assuming all other variables remain constant. The table shows that a change of 5.0 per cent. in the Abu Dhabi Exchange Market Index and the Dubai Financial Market Index would have had a theoretical effect of AED 1.6 million and AED 0.5 million respectively on the Group's net income in 2012 and AED 4.9 million and AED 0.8 million respectively on the Group's net income in 2011. An equivalent change in the net asset value of the managed funds in which the Group was invested would have had a theoretical effect of AED 8.4 million on the Group's net income in 2012 and AED 7.6 million on the Group's net income in 2011.

Note 32.4 to the 2012 Financial Statements also includes a table which shows the effect on the Group's equity (as a result of a change in the fair value of equity investments held as available for sale at 31 December 2012 and 31 December 2011, respectively) due to a reasonably possible change in one or more appropriate benchmarks based on the Group's portfolio of those securities held at 31 December 2012 and 31 December 2011, respectively, assuming all other variables remain constant. A change of 5.0 per cent. in the net asset value of the private equity funds in which the Group was invested would have had a

theoretical effect of AED 69.9 million on the Group's equity as at 31 December 2012 and AED 69.0 million on the Group's equity as at 31 December 2011.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or deterioration in the Group's credit quality which may adversely impact certain sources of funding. Liquidity risk management seeks to ensure that, even under adverse conditions, the Group has access to the funds necessary to cover customer needs, maturing liabilities and the capital requirements of its operations. Liquidity risk arises in the general funding of the Group's financing, trading and investment activities and in the management of liquidity positions. This risk involves both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

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

The liquid assets of the Group (cash and due from the U.A.E. Central Bank and financial institutions) amounted to AED 18.8 billion at 31 December 2010, AED 21.8 billion at 31 December 2011 and AED 31.1 billion at 31 December 2012.

The following table sets out the percentage of liquid assets (cash and due from the U.A.E. Central Bank and financial institutions) compared to total assets for each of the three years ended 31 December 2010, 2011 and 2012.

	As at 31 December		
	2010	2011	2012
	<i>(per cent.)</i>		
Liquid assets	13.4	13.9	17.8
Loans and advances	67.9	66.5	65.5
Investments	10.6	11.9	9.9
Other assets	8.1	7.7	6.8
Total assets	100.0	100.0	100.0

The day-to-day management of liquidity within the framework of the Group's liquidity risk policy is the responsibility of the treasury money market desk which is overseen in this regard by the ALCO. The Group uses a maturity ladder (time bucket) approach for managing its liquidity.

The tables below summarise the maturity profile of the Group's financial assets and liabilities as at 31 December in each of 2010, 2011 and 2012 based on contractual repayment arrangements (which do not take into account the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds).

	As at 31 December 2012				
	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>(AED millions)</i>				
ASSETS					
Cash and balances with U.A.E. Central Bank	5,844.3	7,000	—	—	12,844.3
Due from banks and financial institutions	17,908.5	420.6	—	—	18,329.1
Loans and advances, net	31,704.7	14,546.1	35,945.3	32,448.3	114,644.4
Investments	2,882.3	1,203.4	8,675.4	4,517.2	17,278.3
Other assets	3,147.0	—	—	—	3,147.0
Financial assets	61,486.8	23,170.1	44,620.7	36,965.5	166,243.1
Non-financial assets					8,790.4
Total assets					175,033.6

As at 31 December 2012					
	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>(AED millions)</i>				
LIABILITIES					
Due to banks	3,182.6	736.9	—	—	3,919.5
Customers' deposits	62,525.3	39,625.4	4,309.2	12,844.8	119,304.7
Term loans	—	800.7	12,540.5	59.5	13,400.7
Sukuk financing instruments	—	—	4,224.0	—	4,224.0
Other liabilities	4,321.7	—	—	—	4,321.7
Total liabilities	70,029.6	41,163.0	21,073.7	12,904.3	145,170.6
As at 31 December 2011					
	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>(AED millions)</i>				
ASSETS					
Cash and balances with U.A.E. Central Bank	3,586.8	6,000.0	—	—	9,586.8
Due from banks and financial institutions	10,443.9	1,781.4	—	—	12,225.3
Loans and advances, net	28,477.7	10,264.4	31,127.4	34,850.3	104,719.8
Non-trading investments	6,374.9	230.4	6,336.5	5,847.6	18,789.4
Other assets	3,557.0	—	—	—	3,557.0
Financial assets	52,440.3	18,276.2	37,463.9	40,697.9	148,878.3
Non-financial assets					8,602.0
Total assets					157,480.3
LIABILITIES					
Due to banks	8,176.8	70.6	—	—	8,247.4
Customers' deposits	71,328.0	18,523.9	2,696.4	10,925.4	103,473.7
Term loans	—	6,138.5	6,347.9	208.3	12,694.7
Sukuk financing instruments	—	—	2,387.5	—	2,387.5
Other liabilities	3,910.0	—	—	—	3,910.0
Total liabilities	83,414.8	24,733.0	11,431.8	11,133.7	130,713.3
As at 31 December 2010					
	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>(AED millions)</i>				
ASSETS					
Cash and balances with U.A.E. Central Bank	4,026.3	4,500.0	—	—	8,526.3
Due from banks and financial institutions	10,212.4	55.1	—	—	10,267.5
Loans and advances, net	22,431.0	14,319.3	29,644.1	29,233.6	95,628.0
Non-trading investments	8,968.1	2,290.9	646.6	3,082.7	14,988.3
Other assets	3,156.2	—	—	—	3,156.2
Financial assets	48,794.0	21,165.3	30,290.7	32,316.3	132,566.3
Non-financial assets					8,191.7
Total assets					140,758.0
LIABILITIES					
Due to banks	1,527.1	—	—	—	1,527.1
Customers' deposits	67,548.9	20,205.5	2,233.5	8,754.0	98,741.9
Term loans	—	551.0	6,454.4	4,718.3	11,723.7
Other liabilities	4,134.2	—	—	—	4,134.2
Total liabilities	73,210.2	20,756.5	8,687.9	13,472.3	116,126.9

The above tables illustrate the fact that the Group's liabilities, in particular its customer deposits, are principally short-term in nature whereas its assets, in particular its loans and advances, are generally of a longer term. The Group believes that this apparent maturity gap is mitigated by the fact that a large part of its customer deposits, although contractually of a short-term nature as is customary practice in the U.A.E., historically have been maintained for longer periods. The Group believes that this reflects the strength of its relationship with its principal depositors. Other mitigants include the Group's liquid asset balances, including a part of its investment portfolio and the fact that a number of its loans repay on an

instalment basis whereas the above tables reflect payments due only on their final maturity. Notwithstanding these facts, there remains a risk that the Group could be exposed to liquidity risks should there be a significant downturn in market conditions allied with a significant removal of deposits from the Group. This potential risk may be exacerbated by the Group's deposit concentrations, evidenced by the fact that at 31 December 2012 its five largest depositors accounted for 27.0 per cent. of its total customer deposits and its 10 largest depositors accounted for 37.0 per cent. of its total customer deposits.

The table below shows the contractual expiry by maturity date of the Group's contingent liabilities and commitments at 31 December 2010, 2011 and 2012.

	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>(AED millions)</i>				
31 December 2012					
Contingent liabilities.....	49,357.2	11,869.4	12,467.4	—	73,694.0
Commitments.....	232.7	4,166.2	492.6	—	4,891.5
Total	<u>49,589.9</u>	<u>16,035.6</u>	<u>12,960.0</u>	<u>—</u>	<u>78,585.5</u>
31 December 2011					
Contingent liabilities.....	43,132.9	9,762.3	14,458.4	—	67,353.6
Commitments.....	532.5	3,560.9	523.9	—	4,617.3
Total	<u>43,665.4</u>	<u>13,323.2</u>	<u>14,982.3</u>	<u>—</u>	<u>71,970.9</u>
31 December 2010					
Contingent liabilities.....	37,373.6	6,032.2	18,465.5	—	61,871.3
Commitments.....	956.6	4,567.4	639.9	—	6,163.9
Total	<u>38,330.2</u>	<u>10,599.6</u>	<u>19,105.4</u>	<u>—</u>	<u>68,035.2</u>

Prepayment Risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay, or request repayment, earlier or later than expected. The effect on profit for one year, assuming 10.0 per cent. of repayable financial instruments were to repay at the beginning of the year, with all other variables held constant, is estimated at AED 369.6 million for the year ended 31 December 2012, AED 413.3 million for the year ended 31 December 2011 and AED 435.2 million for the year ended 31 December 2010.

Derivatives

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

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

The total derivatives book by notional value at 30 June 2013 was AED 63.9 billion compared to AED 55.0 billion at 31 December 2012, AED 37.2 billion at 31 December 2011 and AED 32.6 billion at 31 December 2010. Further information on the Group's transactions involving derivatives is set out in Note 3 to the 30 June 2013 Financial Statements, Note 30 to the 2012 Financial Statements, Note 30 to the 2011 Financial Statements and Note 29 to the 2010 Financial Statements.

Operational Risk and Legal Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes / people / systems or from external events. The Group has set up an independent operational risk team within the risk

management unit for development and automation of an operational risk framework, for monitoring of operational losses on a regular basis and for necessary reporting to senior management.

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

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

OVERVIEW OF THE UNITED ARAB EMIRATES

The U.A.E. is a federation of seven Emirates. Formerly known as the Trucial States, the Emirates were a British protectorate until they achieved independence in December 1971 and merged to form the federation of the United Arab Emirates. Each Emirate – being Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Fujairah and Ras Al Khaimah – has a local government headed by the Ruler of the Emirate. There is a federal government, the Federal Government of the U.A.E., which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers of the seven Emirates (the "**Supreme Council**"). The Supreme Council elects from its own membership the President and the Vice President (for renewable five year terms). HH Sheikh Zayed Bin Sultan Al-Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. Following his death, his son HH Sheikh Khalifa Bin Zayed Al-Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the U.A.E.

According to International Monetary Fund ("**IMF**") data published in April 2013, the U.A.E. is the second largest economy in the GCC region after the Kingdom of Saudi Arabia, based on nominal GDP, and has been steadily growing over the last decade, faltering only twice, in 1998 and 2001, due to lower oil prices and the Organisation of the Petroleum Exporting Countries ("**OPEC**")-mandated production cuts. Although it has a more diversified economy than most of the other countries in the GCC region, its wealth is still largely based on oil and gas. According to data gathered by OPEC, at 31 December 2011, the U.A.E. had approximately 6.6 per cent. of proven global oil reserves (giving it the sixth largest oil reserves in the world), generating, according to estimated data produced by the U.A.E National Bureau of Statistics (the "**NBS**"), 38.4 per cent. of the U.A.E GDP in 2011. Fluctuations in energy prices do have a bearing on economic growth, but the U.A.E. is viewed as being in a less vulnerable position than some of its GCC neighbours, due to the robust growth in its non-oil sector and the sizeable wealth of the Government of Abu Dhabi. The governments of Abu Dhabi and Dubai, which contribute around 80 per cent. of the U.A.E.'s GDP, are spending substantial amounts on expanding infrastructure.

The NBS has estimated on a preliminary basis that real GDP in the U.A.E. for 2011 was AED 982.7 billion, representing a real GDP growth rate of 5.2 per cent., reflecting the general economic recovery in the wake of the global economic crisis and the increase in oil prices during 2011 and 2010. Based on IMF data (extracted from the World Economic Outlook (April 2013)) real GDP growth in the UAE increased by 3.9 per cent. in 2012, 5.2 per cent. in 2011 and 1.3 per cent. in 2010, having decreased by 4.8 per cent. in 2009.

On 28 January 2012, Moody's Singapore reaffirmed the U.A.E.'s long-term rating of Aa2 with a stable outlook. In its report, Moody's Singapore cited the fact that the Federal Government of the U.A.E. is fully supported by the Government of Abu Dhabi. The U.A.E. is not rated by any other rating agencies.

The U.A.E. population was estimated to have reached almost 8.3 million people in mid-2010 according to data released on 31 March 2011 by the NBS. The current census for 2011 is underway but, as of the date of this Base Prospectus has not been published. The U.A.E. enjoys good relations with the other states in the GCC and its regional neighbours. The U.A.E. does have, however, a long-standing territorial dispute with the Islamic Republic of Iran over three islands in the Gulf and, as such, is not immune to the political risks and volatility that have over-shadowed the region, particularly in the last couple of years. The economy remains heavily protected and nearly all utilities and most major industries are controlled by the state. However, tight restrictions placed on foreign investment are gradually being relaxed. For example, foreigners are not permitted to have a controlling interest in U.A.E. businesses and corporates. Reflecting this rule, many of the Emirates have established trade and industry free zones as a means of attracting overseas investment and diversifying the economy. Despite the U.A.E.'s membership of the World Trade Organisation ("**WTO**"), progress towards economic liberalisation has been slow, though trade agreements with Europe and the United States are being negotiated.

THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

Summary

The global financial crisis has had an effect on the U.A.E. banking sector and the key concerns facing the sector include a liquidity shortage and a fall in real estate and equities prices. Although the U.A.E. could be viewed as an over-banked market, even by regional standards, there has traditionally been little impetus for consolidation. The U.A.E.'s membership in the WTO will require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the U.A.E. and across the region generally.

As a banking regulator, the U.A.E. Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the U.A.E. The U.A.E. Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the U.A.E. Central Bank.

Historically, the U.A.E. Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirs of each Emirate.

Characteristics of the Banking System

Lack of Consolidation

The U.A.E. may be seen as being over-banked with 51 different banks (comprised of 23 locally-incorporated banks and 28 foreign banks) licensed to operate inside the U.A.E. (excluding the Dubai International Financial Centre (the "DIFC")) as at 31 December 2012 (source: U.A.E. Central Bank), serving a population estimated to be in the region of approximately 8.3 million people (source: the NBS). 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 U.A.E. has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation. However, in October 2007, the U.A.E.'s second and fourth largest banks, Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C., merged to become Emirates NBD P.J.S.C. and, in October 2011, Dubai Bank was acquired by Emirates NBD P.J.S.C. pursuant to a decree of the Ruler of Dubai.

The relatively small size of most U.A.E. banks has sometimes hindered them from competing for large financing transactions in the region. It also means that they have comparatively small franchises with which to absorb capital costs, such as IT system development. The advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, possibly even creating banks with pan-Gulf franchises.

Domestic Focus

The U.A.E. incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross border business.

With a large number of banks competing for a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a consequence, IT costs have been a prominent feature of many banks' expenses.

Limited Foreign Ownership

In 1987, the U.A.E. Federal Government placed a freeze on new foreign banks opening operations in the U.A.E. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the U.A.E. Central Bank following an agreement to allow market access to banks of GCC state origin in line with continuing efforts in regional integration.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

Exposure to the Oil Sector

With much of the economy directly or indirectly dependent on the oil sector, U.A.E. banks are potentially vulnerable to business erosion during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the U.A.E. economy is becoming less susceptible to oil price movements.

Islamic Banking

Shari'a (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The U.A.E. is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates Islamic Bank, Dubai Bank, Noor Islamic Bank, Sharjah Islamic Bank, Dubai Islamic Insurance and Reinsurance Company (AMAN), Islamic Arab Insurance Co. (P.S.C.) (Salama), Tamweel and Amlak Finance. The number of Islamic banks continues to rise, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer *Shari'a* compliant products.

Legal Environment

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

Supervision of Banks

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

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the U.A.E. Central Bank to issue government debt. However, the U.A.E. Central Bank does issue certificates of deposit ("**CDs**") to the banks, denominated in both U.S. dollars and U.A.E. dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the U.A.E. Central Bank at

any time. In 2007, the U.A.E. Central Bank introduced an auction system and allowed U.S. dollar drawings against U.A.E. dirham CD holdings.

The U.A.E. dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in reality, the U.A.E. dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices.

The U.A.E. Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering. It has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The U.A.E. has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

The U.A.E. further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the "NATC"). The NATC serves as a U.A.E. inter-agency liaison.

Although the U.A.E. Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the U.A.E., the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. The U.A.E. Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

Lack of Developed Capital Markets

The absence of mature bond or equity markets in the U.A.E. means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the ADX (both of which were established in 2000), have grown rapidly over recent years, such growth has been affected by the recent global financial crisis.

The NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009 the Dubai Financial Market announced its intention to acquire the NASDAQ Dubai, with completion of the acquisition having occurred in July 2010.

Government Involvement

There is a high degree of state involvement in the U.A.E. banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to happen in practice. The state is also the banking sector's largest customer, in terms of both deposits and project financing.

Expatriate Workforce

An unusual feature of the U.A.E. economy is its reliance on overseas labour, with expatriates making up approximately 80 per cent. of the workforce. The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the U.A.E. has been an increasing concern for the U.A.E. Federal Government and as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase U.A.E. nationals on their payroll to 40 per cent. by 2009. Generally, banks have been moving closer to, or have met, this target, providing better training and compensation for U.A.E. nationals.

Accounting Standards

Since 1 January 1999, all U.A.E. banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (IAS)). Although this has led to a

substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector. Basel II was introduced effective as from 1 January 2008.

Structure of the Banking System

Banking institutions in the U.A.E. fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as "National" banks, of which there are 23 as at the date of this Base Prospectus (source: U.A.E. Central Bank), are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by U.A.E. nationals. Licensed foreign banks, of which there are 28 as at the date of this Base Prospectus (source: U.A.E. Central Bank), need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the U.A.E. The Union Law also licenses "financial institutions" (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

Recent Trends in Banking

Profitability

The performance of the U.A.E. economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the U.A.E. between 2004 and 2008 allowed U.A.E. banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the global financial crisis, may represent a risk to the U.A.E. banking system. Equity prices declined generally in the U.A.E. in 2008 but, more recently, have rebounded with the ADX's General Index declining from 2,719.9 at 31 December 2010 to 2,402.3 at 31 December 2011 before increasing to 2,630.9 at 31 December 2012 and 3,551.2 at 30 June 2013, and the Dubai Financial Market index declining from 1,630.5 at 31 December 2010 to 1,353.4 at 31 December 2011 before increasing to 1,662.5 at 31 December 2012 and 2,222.6 at 30 June 2013 (source: Bloomberg). During 2008 to 2010, a number of banks have also been affected by the impact of mark to market accounting rules on their international investment portfolios. However, return on equity for most U.A.E. banks compares well internationally, reflecting the high margins that can be earned, particularly on retail lending and low cost income ratios.

Liquidity

The U.A.E. Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the U.A.E. Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

U.A.E. banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. According to data made available by the U.A.E. Central Bank, together, these deposits constituted approximately 60.0 per cent. of total deposits of the U.A.E. banking sector as at 31 December 2012. The U.A.E. Federal Government and the public sector contributed approximately 25.0 per cent. as at 31 December 2012. Non-resident and other sources contributed approximately 15.0 per cent. as at the same date.

In response to the global financial crisis, the U.A.E. Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the U.A.E. In September 2008, the U.A.E. Central Bank established an AED 50.0 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 U.A.E. Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the U.A.E. Central Bank.

In addition to these measures, the U.A.E. Federal Government also provided AED 50.0 billion in deposits to U.A.E. banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the U.A.E. have converted the U.A.E. Federal Government deposits made with them into Tier 2 capital.

During 2008, Abu Dhabi government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance) subscribed for, in aggregate, a sum of AED 16.0 billion in subordinated Tier I Capital Notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi P.J.S.C., Abu Dhabi Commercial Bank P.J.S.C., FGB, Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank P.J.S.C.

A press statement issued by the Department of Finance of the Government of Dubai on 25 February 2009 announced that it had established a U.S.\$20.0 billion funding programme and that the first tranche, valued at U.S.\$10.0 billion with a five year tenure and paying a coupon rate of four per cent. per annum, had been issued in its entirety to the U.A.E. Central Bank. In November 2009, the Department of Finance of the Government of Dubai announced that a second U.S.\$5.0 billion tranche was fully subscribed equally by National Bank of Abu Dhabi P.J.S.C. and Al Hilal Bank P.J.S.C.

In line with Basel III Accord ("**Basel III**") requirements, the U.A.E. Central Bank issued Circular 30/2012 ("**Circular 30/2012**") dated 12 July 2012 entitled "Liquidity Regulations at Banks", which includes a set of qualitative and quantitative liquidity requirements for U.A.E. banks. The qualitative requirements set out in Circular 30/2012 elaborate on the responsibilities of a U.A.E. bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the U.A.E. and are in line with the Basel Committee for Banking Supervision recommendations and international best practices. These requirements (which, as at the date of this Base Prospectus, have not come into effect) include the following:

- Responsibilities of the Board of Directors:
 - to bear ultimate responsibility for liquidity risk management within the relevant U.A.E. bank;
 - to be familiar with liquidity risk management with at least one Board member having detailed understanding of liquidity risk management; and
 - to ensure the clear articulation of liquidity risk tolerance in line with the relevant U.A.E. bank's objectives, strategy and risk appetite.
- Responsibilities of Senior Management:
 - to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the Board of Directors;
 - to review the U.A.E. bank's strategy and to report to the Board of Directors on regulatory compliance on a regular basis; and
 - to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

- Liquidity risk framework:

Circular 30/2012 requires each U.A.E. bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;

- a robust liquidity risk management framework (which must be shared with the U.A.E. Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular stress testing of portfolios for a variety of scenarios; results to be communicated to the Board of Directors and the U.A.E. Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plan;
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against range of liquidity stress scenarios; and
- a transfer pricing framework developed to reflect the actual cost of funding.

The quantitative requirements set out in Circular 30/2012 are intended to ensure that each U.A.E. bank holds a minimum level of liquid assets which allow it to sustain a short term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which are intended to apply until the Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio come into effect. These include the following:

	<u>Ratio</u>	<u>Applicability Period</u>
Interim ratios	Liquid Asset Ratio (LAR \geq 10%) Uses to Stable Resources Ratio (USRR < 100%)	1 January 2013 – December 2014 1 June 2013 – December 2017
Basel III ratios	Liquidity Coverage Ratio (LCR > 100%) Net Stable Funding Ratio (NSFR < 100%)	January 2015 onwards January 2018 onwards

The LAR is an interim ratio designed to apply until the LCR comes into effect (as described below). Under the LAR, U.A.E. banks are required to hold an amount equivalent to 10 per cent. of their liabilities in high quality liquid assets (including cash held with the U.A.E. Central Bank, U.A.E. Central Bank CDs and certain U.A.E. local government and public sector entity publicly traded instruments). The USRR is an interim ratio designed to prepare U.A.E. banks for the implementation on NSFR (as described below). The USRR identifies key uses of funds as well as different types of funding sources used by banks. It assigns stability factors to sources of funds and required stable funding (usage) factors to asset classes.

The LCR represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario. The LCR requires that U.A.E. banks should always be able to cover the net cash outflow with eligible liquid assets at the minimum LCR determined by the U.A.E. Central Bank. The Basel III Accord requires that this minimum is 100 per cent. Circular 30/2012 describes in detail eligible liquid assets for this purpose.

The Net Stable Funding Ratio ("**NSFR**") is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant U.A.E. banks contingent liabilities. The NSFR mirrors the Basel III NSFR standard.

The NSFR identifies the key uses of funds and the different types of funding sources used by the U.A.E. banks. It assigns available stable funding ("**ASF**") factors to the sources of funds and required stable funding ("**RSF**") (usage) factors to asset classes and off balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III NSFR standard.

As at the date of this Base Prospectus the implementation of Circular 30/2012 has been suspended by the U.A.E. Central Bank.

Position of Depositors

There is no formal deposit protection scheme in the U.A.E. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities.

In October 2008, in response to the global financial crisis, the U.A.E. Federal Government announced that it intended to guarantee the deposits of all U.A.E. banks and foreign banks with core operations in the U.A.E. Following therefrom, in May 2009 the U.A.E.'s National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

Prudential Regulations

The U.A.E. Central Bank has supervisory responsibility for banking institutions in the U.A.E. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the U.A.E. Central Bank with more up to date information on credit, market and operational risks within the banking sector.

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 1 January 2008. Since 1993, the U.A.E. Central Bank has imposed a 10 per cent. minimum total capital ratio. In a circular dated 30 August 2009, the U.A.E. Central Bank announced amendments to their capital adequacy requirements stating that U.A.E. banks were required to have total capital adequacy ratios of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier I capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter through its circular dated 17 November 2009, the U.A.E. Central Bank stated that it was expected that the main banks in the U.A.E. would move to the Foundation Internal Ratings Based approach of Basel II in due course. Through this circular, the U.A.E. Central Bank reiterated that all banks operating in the U.A.E. were required to maintain a capital adequacy ratio at a minimum of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital.

Whilst the calculation of capital adequacy ratios in the U.A.E. follows the BIS guidelines, claims on or guaranteed by GCC central governments, GCC government non-commercial public sector entities and central banks are risk-weighted at zero per cent.

Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by U.A.E. banks have to be authorised in advance by the U.A.E. Central Bank.

Reserve Requirements

Reserve requirements are used by the U.A.E. Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

Credit Controls

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

By a circular dated 23 February 2011 on retail banking, the U.A.E. Central Bank introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. These regulations may be amended in the future in accordance with notice no. 3871/2012 dated 30 December 2012 (which, as at the date of this Base Prospectus, has not come into effect), which specifies that the amount of mortgage loans for non-nationals should not exceed 50 per cent. of the property value for a first purchase of a home, and 40 per cent. for second and subsequent homes (with the limits for U.A.E. nationals being set at 70 per cent. and 60 per cent., respectively).

Large Exposures

The U.A.E. Central Bank defines large exposures as any funded on-or-off balance sheet exposure to a single borrower or group of related borrowers exceeding prescribed limits.

On 4 April 2012, the U.A.E. Central Bank published a circular (the "**2012 Large Exposure Limits Circular**") amending certain of the large exposure limits then in place. The 2012 Large Exposure Limits Circular was effective as of its date and U.A.E. banks had until 30 September 2012 to meet the revised limits set out therein. The 2012 Large Exposure Limits Circular introduced new limits of 100 per cent. of the bank's capital base for all lending to U.A.E. local governments and their non-commercial entities, together with a 25 per cent. limit to any single such borrower. Set out below is a table showing a summary of the changes introduced by the 2012 Large Exposure Limits Circular (defined as a percentage of the bank's capital base calculated under Basel II):

	New Limit		Old Limit	
	Individual	Aggregate	Individual	Aggregate
U.A.E. Federal Government and their non-commercial entities ..	Exempt	Exempt	Exempt	Exempt
U.A.E. local government and their non-commercial entities.....	25%	100%	Exempt	Exempt
Commercial entities of federal government and U.A.E. local government.....	25%; max 15% funded	100%	25%	None
Shareholders who own 5 per cent. or more of the bank's capital and related entities	20%; max 10% funded	50%; max 25% funded	7%	None
Exposure to bank's subsidiaries and affiliates.....	10%	25%	20%	60%
Board members (funded and unfunded).....	5%	25%	5%	25%

In addition, the aggregate of the items set out in the table above is not permitted to exceed 800 per cent. of the relevant bank's capital.

The U.A.E. Central Bank lending limits also require that:

- no commercial bank can hold shares or bonds issued by commercial companies in excess of 25 per cent. of the bank's own funds; and
- no bank is permitted to grant loans or advances for the purpose of funding commercial or residential real estate construction in an amount exceeding 20 per cent. of its total deposits, unless it has prior authorisation from the U.A.E. Central Bank as an institution specialising in this type of business.

Provisions for Loan Losses

The U.A.E. Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

Banks in the U.A.E. generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and/or

financings carried on the balance sheets of U.A.E. banks when compared to banks operating in other economies.

TAXATION

The following is a general description of certain United Arab Emirates and European Union tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

United Arab Emirates Taxation

The following summary of the anticipated tax treatment in the U.A.E. in relation to payments on the Notes is based on the taxation law and practice in force at the date of this Base Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of any payments with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the oil industry, some related service industries and branches of foreign banks operating in the U.A.E. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of U.A.E. or Abu Dhabi taxation in respect of payments of interest and principal to any holder of the Notes. In the event of such imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject to certain limited exceptions.

The Constitution of the U.A.E. specifically reserves to the U.A.E. government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The U.A.E. has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

U.S. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of FATCA impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to: (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA; and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer is classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of: (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "**grandfathering date**", which is the later of: (a) 1 July 2014; and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date; and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthrough payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

The Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if: (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA; or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent or the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

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

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

EU Savings Tax Directive

Under the EU Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). On 10 April 2013, the Luxembourg Ministry of Finance announced that Luxembourg's transitional period will end with effect from 1 January 2015 in favour of automatic information exchange under the EU Savings Directive.

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

person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

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

The proposed financial transactions tax

The European Commission has published a proposal for a directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Australia and New Zealand Banking Group Limited, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Daiwa Capital Markets Europe Limited, DBS Bank Ltd., Deutsche Bank AG, London Branch, First Gulf Bank P.J.S.C., HSBC Bank plc, ING Bank N.V., Merrill Lynch International, Mitsubishi UFJ Securities International plc, National Bank of Abu Dhabi P.J.S.C., Natixis, Nomura International plc, Standard Chartered Bank and Wells Fargo Securities International Limited (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated Dealer Agreement dated 24 October 2013 (the "**Dealer Agreement**") and made between, amongst others, the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

General

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has (to the best of its knowledge and belief) complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus, any Final Terms or any Pricing Supplement or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus, any Final Terms or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus, any Final Terms or any Pricing Supplement or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

With regard to each Tranche of Unlisted Notes or Notes which are the subject of a Pricing Supplement or Drawdown Prospectus, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement or Drawdown Prospectus.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder. The relevant Final Terms (or, as applicable, the relevant Pricing Supplement) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA rules are not applicable.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the

Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) **Qualified investors:** at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) **Fewer than 100 offerees:** 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 Issuer for any such offer; or
- (c) **Other exempt offers:** at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, 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.

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 "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**Ordinance**") and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the Ordinance and any rules made under the Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold Notes, and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The People's Republic of China

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold or delivered, to any person for reoffering or resale or redelivery, in any such case directly or indirectly, in the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan), in contravention of any applicable laws.

Malaysia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia; and

- (b) accordingly, the Notes have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Notes have been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the Capital Markets and Services Act 2007 of Malaysia, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

Singapore

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and that it will not offer or sell any 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 SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(b)(i)(B) of the SFA (in the case of that trust);
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the 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 U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules 2012 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

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the "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**"), through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates to a Saudi Investor will comply with the KSA Regulations.

Each 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 pursuant to a private placement 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 CMA and: (a) the Notes are offered or sold to a "sophisticated investor" under Article 10 of the KSA Regulations; (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has not offered or sold, and will not offer or sell any Notes except on a private placement basis to persons in Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Qatar

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has not offered or sold, and will not offer or sell or deliver, 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 debt financing instruments in Qatar.

GENERAL INFORMATION

1. **Authorisation**

The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer passed on 19 June 2007. The update of the Programme and issue of Notes thereunder was authorised by a resolution of the board of directors of the Issuer passed on 1 November 2009. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

2. **Listing of Notes**

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

Application has been made to the U.K. Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Regulated Market. The listing of the Programme in respect of Notes is expected to be granted on or before 28 October 2013. Prior to the official listing and admission to trading however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Regulated Market will normally be effected for delivery on the third working day after the day of the transaction. However, Unlisted Notes may be issued pursuant to the Programme.

3. **Legal and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware) which may have, or have had during the twelve months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

4. **Significant/Material Change**

Since 31 December 2012 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries and, since 30 June 2013, there has not been any significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries.

5. **Auditors**

The consolidated financial statements of the Issuer have been audited without qualification in accordance with International Standards on Auditing for each of the two years ended 31 December 2011 and 31 December 2012 by Ernst & Young Middle East (Abu Dhabi branch) of 11th Floor, Al Ghaith Tower, Hamdan Street, Abu Dhabi, United Arab Emirates as stated in their reports, incorporated by reference herein. Ernst & Young Middle East (Abu Dhabi branch) are public accountants registered to practise as auditors with the Ministry of Economy in Abu Dhabi. The unaudited interim condensed consolidated financial statements of the Issuer as at 30 June 2013 have been reviewed by Ernst & Young Middle East (Abu Dhabi branch), as stated in their review report, incorporated by reference herein.

6. **Documents on Display**

Copies of the following documents may be inspected during normal business hours at the specified offices of the Paying Agent for twelve months from the date of this Base Prospectus:

- (a) the certificate of membership and articles of association of the Issuer (together with direct and accurate English translations thereof);
- (b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2011 and 31 December 2012 in each case, together with the audit reports

prepared in connection therewith, and the unaudited interim condensed consolidated financial statements of the Issuer for the six months ended 30 June 2013 together with any review report prepared in connection therewith;

- (c) the Agency Agreement;
- (d) the Deed of Covenant; and
- (e) the Programme Manual (which contains the forms of the Notes in global and definitive form).

7. **Material Contracts**

Neither the Issuer nor any of its Subsidiaries has entered into any material contracts outside the ordinary course of business which could result in its being under an obligation or entitlement which is, or may be, material to the ability of the Issuer to meet its obligations in respect of the Notes.

8. **Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms (or, as applicable, the relevant Pricing Supplement).

9. **Conditions for Determining Price and Yield**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes will be calculated on an annual or semi-annual basis using the relevant issue price at the relevant issue date. It is not an indication of future yield.

10. **Passporting**

The Issuer may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in the United Kingdom to be issued by the FCA to the competent authority in any Member State.

11. **Dealers transacting with the Issuer and its Subsidiaries**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its Subsidiaries in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates

may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

REGISTERED OFFICE OF THE ISSUER

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30 Fenchurch Street
London EC3M 3BD
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**FIRST SUPPLEMENT DATED 31 OCTOBER 2013
TO THE BASE PROSPECTUS DATED 24 OCTOBER 2013**



FIRST GULF BANK P.J.S.C.

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

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

Euro Medium Term Note Programme

This supplement (the "**Supplement**") is supplemental to, forms part of and must be read and construed in conjunction with, the base prospectus dated 24 October 2013 (the "**Base Prospectus**") prepared by First Gulf Bank P.J.S.C. ("**FGB**" and the "**Issuer**") and is prepared in connection with the Issuer's Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$3,500,000,000 in aggregate nominal amount of notes (the "**Notes**"). Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the United Kingdom Financial Conduct Authority (the "**U.K. Listing Authority**") in its capacity as the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the "**Prospectus Directive**") and the relevant implementing measures in the United Kingdom, as a base prospectus supplement issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom.

This Supplement constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000, as amended ("**FSMA**") and, together with the Base Prospectus, comprises a base prospectus for the purposes of the Prospectus Directive.

The purpose of this Supplement is to incorporate by reference into the Base Prospectus the unaudited interim condensed consolidated financial statements of FGB for the nine months ended 30 September 2013 and the auditors' review report thereon.

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Information which is updated by reference to one section of the Base Prospectus may be repeated or referred to in other sections of that document. Accordingly, to the extent that there is any inconsistency between: (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement; and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new fact, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

There has been no significant change in the financial or trading position of the Issuer, or the Issuer and its subsidiaries, since 30 September 2013, and there has been no material adverse change in the financial position or prospects of the Issuer, or the Issuer and its subsidiaries, since 31 December 2012.

Copies of this Supplement, the Base Prospectus and the documents incorporated by reference in either can be: (i) viewed on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html; (ii) obtained on written request and without charge from the registered office of the Issuer and from the specified office of the Fiscal Agent; and (iii) obtained from the website of the Issuer (www.fgb.ae).

An investor which has agreed, prior to the date of publication of this Supplement, to purchase or subscribe for Notes may withdraw its acceptance before the end of the period of two working days beginning with the first working day after the date on which this Supplement is published in accordance with the Prospectus Directive and Section 87Q(4) of FSMA.

This Supplement does not constitute an offer of, or an invitation by or on behalf of the Issuer or any Dealers to subscribe for, or purchase, any Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and, subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act).

UPDATES TO THE BASE PROSPECTUS

With effect from the date of this Supplement the information appearing in, or incorporated by reference into, the Base Prospectus shall be supplemented by the information set out as follows:

Publication of the Issuer's Q3 2013 Financial Statements

On 28 October 2013, the Issuer published its unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2013, together with the auditors' review report thereon (the "**Q3 2013 Financial Statements**").

A copy of the Q3 2013 Financial Statements has been filed with the U.K. Listing Authority and the Q3 2013 Financial Statements are incorporated by reference in, and form part of, this Supplement in their entirety and, by virtue of this Supplement, form part of the Base Prospectus.

A copy of the Q3 2013 Financial Statements can be viewed on the website of the Issuer at http://www.fgb.ae/en/pdf/investor-relations/financial-updates/2013/2013_Q3.pdf.

For the avoidance of doubt, any documents incorporated by reference in the Q3 2013 Financial Statements shall not form part of this Supplement or the Base Prospectus.

The paragraph under the heading "Significant/Material Change" on page 151 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"Since 31 December 2012 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries and, since 30 September 2013, there has not been any significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries."