IMPORTANT NOTICE

THE ATTACHED BASE PROSPECTUS IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER: (1) QIBs (AS DEFINED BELOW); OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S (AS DEFINED BELOW)) OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the attached base prospectus (the "**Base Prospectus**") and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer, the Guarantor, the Arranger and the Dealers (each as defined in the Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NEITHER THE SECURITIES NOR THE GUARANTEE DESCRIBED IN THE BASE PROSPECTUS HAVE BEEN, NOR WILL BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTIONS, NOR MAY THEY BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE BASE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THE BASE PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**ORDER**") OR HIGH NET WORTH ENTITIES AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER (EACH SUCH PERSON BEING REFERRED TO AS A "**RELEVANT PERSON**"). THIS COMMUNICATION IS BEING DIRECTED ONLY AT RELEVANT PERSONS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. NO PERSON OTHER THAN A RELEVANT PERSON SHOULD RELY ON IT.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED, AND WILL NOT BE ABLE, TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the Base Prospectus or make an investment decision with respect to the Notes and/or the Guarantee (each as defined in the Base Prospectus), an investor must be: (i) a person that is outside the United States and is not a U.S. person (within the meaning of Regulation S); or (ii) a person that is a "qualified institutional buyer" ("**QIBs**") (within the meaning of Rule 144A under the Securities Act ("**Rule 144A**")). The Base Prospectus is being sent at your request and by accepting the e-mail and accessing the Base Prospectus, you shall be deemed to have represented to us that: (a) you and any customers you represent are either: (1) non-U.S. persons (within the meaning of Regulation S) outside the United States; or (2) QIBs; (b) you are a person who is permitted under applicable law and regulation to receive the Base Prospectus; and (c) you consent to delivery of the Base Prospectus and any amendments or supplements thereto by electronic transmission.

By accessing the Base Prospectus you further confirm to us that: (i) you understand and agree to the terms set out herein; (ii) you will not transmit the Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; and (iii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Notes.

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

The Base Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Arranger and Dealers or any affiliate of the Arranger or Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Arranger or Dealer or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities described herein in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the Base Prospectus who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus as completed by the applicable Final Terms and/or supplement(s) to the Base Prospectus (if any). The Base Prospectus may only be communicated to persons in the United Kingdom in circumstances where Section 21(1) of the Financial Services and Markets Act 2000, as amended does not apply.

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes are required by the Issuer, the Guarantor, the Arranger and the Dealers to inform themselves about, and to observe, any such restrictions.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Guarantor, the Arranger and Dealers nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Guarantor, the Arranger and the Dealers. Please ensure that your copy is complete. If you received the Base Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Base Prospectus dated 12 March 2018

ADCB FINANCE (CAYMAN) LIMITED

(*incorporated with limited liability in the Cayman Islands*)

U.S.$9,000,000,000
Global Medium Term Note Programme

unconditionally and irrevocably guaranteed by

ABU DHABI COMMERCIAL BANK PJSC

(*incorporated with limited liability in Abu Dhabi, United Arab Emirates*)

Under this U.S.$9,000,000,000 Global Medium Term Note Programme (the "**Programme**"), ADCB Finance (Cayman) Limited ("**ADCB Finance Cayman**" or the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The obligations of ADCB Finance Cayman will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Abu Dhabi Commercial Bank PJSC ("**ADCB**", the "**Bank**" or the "**Guarantor**").

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$9,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to any increase as described herein.

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

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

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (as amended) (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Main Securities Market**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") and/or which are to be offered to the public in any member state of the European Economic Area (the "**EEA**").

References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on the Main Securities Market or have been admitted to trading on such further stock exchanges or markets as may be specified in the applicable Final Terms (as defined below). The Main Securities Market is a regulated market for the purposes of MiFID II.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes and the issue price of Notes will be set out in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on the Irish Stock Exchange, will be delivered to the Central Bank of Ireland and the Irish Stock Exchange.

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

Neither the Notes nor the Guarantee have been nor will be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or any U.S. state securities laws and the Notes may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons unless an exemption from the registration requirements of the Securities Act is available and the offer or sale is made in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Notes are being offered and sold outside the United States to persons that are not U.S. persons in reliance on Regulation S ("**Regulation S**") under the Securities Act and within the United States only to persons who are "qualified institutional buyers" ("**QIBs**") in reliance on Rule 144A ("**Rule 144A**") under the Securities Act. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

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

The rating of certain Series of Notes to be issued under the Programme and the credit rating agency issuing such rating may be specified in the applicable Final Terms.

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

Moody's Investors Service Singapore Pte. Ltd. is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch, Moody's and Standard & Poor's is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch, Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Arranger

BofA Merrill Lynch

Dealers

Abu Dhabi Commercial Bank
BNP PARIBAS
Citigroup
ING
Morgan Stanley

Barclays
BofA Merrill Lynch
Deutsche Bank
J.P. Morgan
Standard Chartered Bank

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Guarantor and the Notes which, according to the particular nature of the Issuer, the Guarantor 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 and the Guarantor.

The Issuer and the Guarantor accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

None of the Arranger or the Dealers has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger or the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by any of the Issuer or the Guarantor in connection with the Programme, the Notes or their distribution. None of the Arranger or the Dealers accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme, the Notes or their distribution.

The only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the relevant subscription agreement as the relevant Dealer or the Managers, as the case may be.

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

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

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

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

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

None of the Issuer, the Guarantor, the Arranger or any Dealer has authorised, nor does it authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Guarantor or any Dealer to publish or supplement a prospectus for such offer.

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

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

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

- **have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;**

- **have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;**

- **have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;**

- **understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and**

- **be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

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

U.S. INFORMATION

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

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

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

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "**restricted securities**" within the meaning of Rule 144(a)(3) of the Securities Act, each of the Issuer and the Guarantor has undertaken in a deed poll dated 12 March 2018 (the "**Deed Poll**") to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "**restricted securities**" within the meaning of Rule 144(a)(3) of the Securities Act and each of the Issuer and the Guarantor is neither a reporting company under Section 13 or 15(d) of the United States Securities Exchange Act of

1934, as amended, (the "**Exchange Act**") nor exempt from reporting requirements pursuant to and in compliance with Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a corporation organised under the Companies Law (as amended) in the Cayman Islands and the Guarantor is a corporation organised under the laws of the UAE. All of the officers and directors of the Issuer and the Guarantor named herein reside outside the United States and all or a substantial portion of the assets of each of the Issuer and the Guarantor and its officers and directors are located outside the United States. As a result:

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

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

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

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

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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 accountholders 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 the equivalent amount in any 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 pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and any 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 (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or any related offering documents and it has not in any way considered the merits of the Notes 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 Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. 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 KINGDOM OF SAUDI ARABIA

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

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

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Notes and this Base Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Notes.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Notes will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority in accordance with their regulations or any other regulations in the State of Qatar. The Notes are not and will not be traded on the Qatar Exchange.

IMPORTANT – EEA RETAIL INVESTORS

If the applicable Final Terms in respect of any Series of Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID PRODUCT GOVERNANCE RULES

The applicable Final Terms in respect of any Series of Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of any Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made at the time of issue about whether, for the purpose of the MiFID Product Governance Rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) in the relevant subscription agreement (the "Stabilisation Manager") (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes during the stabilisation period at a level higher than that which might otherwise prevail. However, stabilisation may not occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease 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 Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of financial information

ADCB prepared its audited consolidated financial statements as at and for the years ended 31 December 2017 (with comparative data as at and for the year ended 31 December 2016) (the "**2017 Financial Statements**") and 31 December 2016 (with comparative data as at and for the year ended 31 December 2015) (the "**2016 Financial Statements**" and, together with the 2017 Financial Statements, the "**Financial Statements**"), which are incorporated by reference in this document, in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The Financial Statements have been audited by Deloitte & Touche (M.E.). The financial information included in this Base Prospectus corresponding to the year ended 31 December 2015 has been extracted from the 2016 Financial Statements (where such 2015 financial information is presented for comparative purposes). The financial information included in this Base Prospectus corresponding to the year ended 31 December 2016 has been extracted from the 2017 Financial Statements (where such 2016 financial information is presented for comparative purposes).

During 2016, loans and advances to banks were reclassified as "Deposits and balances due from banks, net" from the "loans and advances to customers, net" line item. This reclassification was effected to better reflect the underlying nature of the business of the relevant borrowers. Accordingly, certain reclassifications have been made in the 2016 Financial Statements to the financial information for the year ended 31 December 2015 included, for comparative purposes, in the 2016 Financial Statements.

Please see Note 6 (*Deposits and balances due from banks, net*) and Note 11 (*Loans and advances to customers, net*) to the 2016 Financial Statements for further details.

The Group's financial year ends on 31 December and references in this Base Prospectus to 2017, 2016 and 2015 are to the 12 month period ending on 31 December in each year.

The Financial Statements incorporated by reference in this Base Prospectus should be read in conjunction with the respective notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. generally accepted accounting principles ("**U.S. GAAP**") or any other systems of generally accepted accounting principles in the jurisdictions of such prospective investors and how those differences might affect the financial information included or incorporated by reference in this Base Prospectus; and (ii) the impact that future additions to, or amendments of, IFRS may have on the Group's results of operations or financial condition, as well as on the comparability of the prior periods.

In addition, this Base Prospectus includes certain non-IFRS financial measures and ratios. See "*—Non-IFRS financial measures*" below.

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

Certain numerical figures set out in this Base Prospectus, including financial and operating data have been rounded and some of these and other figures are also presented in AED millions or billions rather

than in AED thousands (as presented in the Financial Statements). Therefore, the sums of amounts given in some columns or rows in the tables and other lists presented in this Base Prospectus may slightly differ from the totals specified for such columns or rows. Similarly, some percentage values presented in the tables in this Base Prospectus have been rounded and the totals specified in such tables may not add up to 100 per cent. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the relevant Financial Statements and not using the numerical data in the narrative description thereof.

The financial information included in this Base Prospectus is not intended to comply with the applicable accounting requirements of the Securities Act and the related rules and regulations which would apply if the Notes were being registered with the U.S. Securities and Exchange Commission (the "**SEC**").

Average balances and interest rates

This Base Prospectus includes information relating to average balances of interest and profit--earning assets and interest expense and profit-sharing liabilities of the Group; the amounts of interest income on interest and profit-earning assets and interest expense on interest-bearing and profit-sharing liabilities of the Group; and the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities by the Group for the years ended 31 December 2017, 2016 and 2015. This information is presented and further described in the section "*Selected Statistical Data*".

Unless otherwise specified herein, average balances of assets and liabilities for the Group for the years ended 31 December 2017, 2016 and 2015 were calculated as the sum of daily closing balances of assets or liabilities for each reporting period divided by the numbers of days in the reporting period. The daily balances were extracted from unaudited management information of the Group. The average interest rate for any line item is calculated by dividing interest income or interest expense, as applicable, by the average balance for such line item for the relevant period.

This Base Prospectus also includes information on changes in interest income or interest expense of the Group, which are attributed to either: (i) changes in average balances (volume change) of interest and profit-earning assets or interest and profit-sharing liabilities; or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities. Such information appears in the section "*Selected Statistical Data*". Changes in the Group's interest income and expense have been allocated between changes in average volume and changes in the average rates for the years ended 31 December 2017, 2016 and 2015. The volume and rate variances are calculated based on the movements of average balances over the period and changes in average interest rates on interest and profit-earning assets and interest and profit-sharing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances.

The information with respect to the Group presented in "*Selected Statistical Data*" has not been prepared in accordance with, and is not intended to comply with, the applicable accounting requirements of the Securities Act and the related rules and regulations of the SEC which would apply if the Notes were being registered with the SEC.

Non-IFRS financial measures

This Base Prospectus contains references to certain non-IFRS financial measures, including capital adequacy, leverage and certain other ratios. See " – *Alternative Performance Measures*" and "*Selected Consolidated Financial Information – Selected Ratios*".

The non-IFRS financial measures contained in this Base Prospectus should not be considered in isolation and are not measures of financial performance or liquidity under IFRS. These non-IFRS financial measures should not be considered as an alternative to revenues, profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of liquidity derived in accordance with IFRS. Non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of actual results of operations. In addition, the non-IFRS financial measures included in this Base Prospectus may not be comparable to other similarly titled

financial measures used by other companies. The Group believes that net interest margin and other non-IFRS financial measures presented in this Base Prospectus are useful indicators of financial performance that are widely used by investors to monitor the results of banks generally. Because of the discretion that the Group and other companies have in defining these measures and calculating the reported amounts, care should be taken in comparing these various measures with similar measures used by other companies.

The non-IFRS financial measures contained in this Base Prospectus have not been prepared in accordance with IFRS, U.S. GAAP, SEC requirements or the accounting standards of any other jurisdiction and may not be comparable to similar measures of other companies.

Certain defined terms

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

"**Abu Dhabi**" means the Emirate of Abu Dhabi;

"**Central Bank**" means the Central Bank of the UAE;

"**Emirate**" means one or more of the seven emirates of the UAE;

"**Group**" means ADCB and its subsidiaries taken as a whole;

"**Government**" means the Government of Abu Dhabi; and

"**Member State**" means a Member State of the EEA.

Certain conventions

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

All references in this Base Prospectus to "**U.S. dollars**", "**U.S.$**" and "**$**" refer to United States dollars being the legal currency for the time being of the United States of America; all references to "**dirham**" and "**AED**" refer to UAE dirham being the legal currency for the time being of the UAE; all references to "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; all references to "**CNH**", "**Renminbi**" and "**RMB**" are to the lawful currency of 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 "**AUD**" and "**A$**" refer to Australian dollars, the lawful currency of the Commonwealth of Australia; all references to "**JPY**" refer to Japanese yen, the lawful currency of Japan; all references to "**GBP**" refer to the British Pound, the lawful currency of the United Kingdom; all references to "**CHF**" refer to Swiss Francs, the lawful currency of Switzerland; all references to "**INR**" refer to Indian Rupee, the lawful currency of the Republic of India; and all references to "**RM**" refer to Malaysian Ringgit, the lawful currency of Malaysia.

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

ALTERNATIVE PERFORMANCE MEASURES

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

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

APM	Definition / Method of Calculation	Reconciliations with Financial Statements / accounting records
Total non-equity funding	This figure demonstrates ADCB's reliance on the composite elements for its funding requirements as at each financial reporting period. The figure represents the aggregate of total customer deposits, total due to banks, euro commercial paper and borrowings as at each financial reporting period.	**Total customer deposits, total due to banks, euro commercial paper and borrowings** Refers to the same concept/figure as "**Deposits from customers**", "**Due to banks**", "**Euro commercial paper**" and "**Borrowings**", respectively, each as set out in the Consolidated Statement of Financial Position in the Financial Statements.
Ten largest loans and advances to customers as a percentage of gross loans and advances to customers	This figure is calculated to determine whether ADCB has any material concentration risk as at each financial reporting period. The figure is calculated by taking ADCB's ten largest loans and advances to customers as the numerator and total gross loans and advances to customers as the denominator, in each case, as at the relevant reporting date.	**Ten largest loans and advances to customers** This figure has been derived from ADCB's internal accounting records. **Loans and advances to customers, gross** Refers to the same concept/figure as "**Loans and advances to customers, gross**" as set out in the Consolidated Statement of Financial Position in the Financial Statements.
Market capitalisation	This figure measures the market value of ADCB as a listed entity as at the end of the relevant financial reporting period. It is calculated by multiplying the number of ADCB's shares listed on the Abu Dhabi Securities Exchange (the "**ADX**") by the closing price of each share sourced from the ADX on the specified day (or if not a trading day, the last trading day before the specified date).	**Number of listed shares and closing price** These figures have been derived from ADCB's internal accounting records and the records of the ADX, respectively.
Return on average assets	Financial measure expressing the profit for the year attributable to equity holders of ADCB after deducting minority interests and coupon on Tier 1 capital notes divided by average total assets, with average total assets calculated as the sum of the opening and closing balances of total assets in a given	**Net adjusted profit for the year attributable to equity holders of the Bank** Refers to the same concept/figure as "**Net adjusted profit for the year attributable to equity holders of the Bank**" as set out in Note 34 to the Financial Statements.

APM	Definition / Method of Calculation	Reconciliations with Financial Statements / accounting records
	reporting period divided by two.	**Total assets** Refers to the same concept/figure as "**Total assets**" as set out in the Consolidated Statement of Financial Position in the Financial Statements.
Return on average equity	Financial measure expressing the profit for the year attributable to equity holders of ADCB after deducting minority interests and the coupon on Tier 1 capital notes divided by average shareholders' equity after deducting Tier 1 capital notes, with average shareholders' equity calculated as the sum of the opening and closing balances of shareholders' equity in a given reporting period divided by two.	**Net adjusted profit for the year attributable to equity holders of the Bank** See above. **Shareholders' Equity** Refers to the same concept/figure as "**Total equity after deducting Tier 1 capital notes**" as set out in the Consolidated Statement of Financial Position in the Financial Statements.
Cost to income ratio	Financial measure to express operating efficiency and is computed as operating expenses divided by operating income.	**Operating expenses** As set out in the Consolidated Income Statement in the Financial Statements. **Operating income** As set out in the Consolidated Income Statement in the Financial Statements.
Net interest margin	Financial measure to express the margin between lending and borrowing. This is expressed as net interest and Islamic financing income as a percentage of total average interest and profit-earning assets, with average interest and profit earning assets calculated as average daily balances in a year/period.	**Net interest and Islamic financing income** As set out in the Consolidated Income Statement in the Financial Statements. **Interest and profit earning assets** Daily average balances of deposits and balances due from banks, reverse-repo placements, investment securities, loans and advances to customers, net as set out in the Consolidated Statement of Financial Position in the Financial Statements plus certificates of deposits with the Central Bank and reverse repo with the Central Bank as set out in Note 5 to the 2017 Financial Statements and the 2016 Financial Statements.
Yield	Financial measure to express interest income and income from Islamic financing divided by average interest and profit-earning assets for a given	**Interest income** As set out in the Consolidated Income Statement in the Financial

APM	Definition / Method of Calculation	Reconciliations with Financial Statements / accounting records
	period, with average interest and profit earning assets calculated as average daily balances in a year/period.	Statements. **Income from Islamic financing** As set out in the Consolidated Income Statement in the Financial Statements. **Interest and profit earning assets** Daily average deposits and balances due from banks, reverse-repo placements, investment securities, loans and advances to customers, net as set out in the Consolidated Statement of Financial Position in the Financial Statements plus certificates of deposits with the Central Bank and reverse repo with the Central Bank as set out in Note 5 to the 2017 Financial Statements and the 2016 Financial Statements.
Cost of funds	Financial measure stating the interest expense and Islamic profit distribution divided by the average interest-bearing and profit sharing liabilities, with average interest-bearing and profit-sharing liabilities calculated as average daily balances in a year/period.	**Interest expense** As set out in the Consolidated Income Statement in the Financial Statements. **Islamic profit distribution** As set out in the Consolidated Income Statement in the Financial Statements. **Interest-bearing and profit-sharing liabilities** Daily average balance of due to banks, deposits from customers, euro commercial paper and borrowings as set out in the Consolidated Statement of Financial Position in the Financial Statements.
Cost of risk	Financial measure to express total impairment allowances on loans and advances to customers, banks and investment securities as a percentage of average outstanding net loans and advances to customers, banks and investment securities.	**Impairment allowances** Refers to the same concept/figure as "**Impairment allowances on loans and advances, net and recoveries on available-for-sale-investments**" as set out in Note 33 to the 2017 Financial Statements and the 2016 Financial Statements. **Loans and advances to customers and banks, net** Refers to the same concept/figure as "**Loans and advances to**

APM	Definition / Method of Calculation	Reconciliations with Financial Statements / accounting records
		customers, net" as set out in the Consolidated Statement of Financial Position in the Financial Statements. **Loans and advances to banks, net** Refers to the same concept/figure as "**Loans and advances to banks, less allowance for impairment**" as set out in Note 6 to the 2017 Financial Statements and the 2016 Financial Statements. **Investments securities** As set out in the Consolidated Statement of Financial Position in the Financial Statements.
Non-performing loan ratio	Financial measure to express loan asset quality. This is expressed as non-performing loans as a percentage of gross loans and advances to customers and banks (including non-performing loans, before the deduction of allowance for impairment for non-performing loans).	**Non-performing loans** Refers to the same concept/figure as "**Past due and impaired loans and advances to customers**" as set out in Note 43.5 to the 2017 Financial Statements and the 2016 Financial Statements. **Loans and advances to customers, gross** Refers to the same concept/figure as "**Gross loans and advances to customers**" as set out in Note 11 to the 2017 Financial Statements and the 2016 Financial Statements. **Loans and advances to banks, gross** Refers to the same concept/figure as "**Loans and advances to banks**" as set out in Note 6 to the 2017 Financial Statements and the 2016 Financial Statements.
Loan to deposits ratio	The loan to deposits ratio is a simple liquidity measure and is expressed as net loans and advances to customers divided by customer deposits.	**Loans and advances to customers, net** Refers to the same concept/figure as "**Loans and advances to customers, net**" as set out in the Consolidated Statement of Financial Position in the Financial Statements. **Deposits from customers** Refers to the same concept/figure as "**Deposits from customers**" as set

APM	Definition / Method of Calculation	Reconciliations with Financial Statements / accounting records
		out in the Consolidated Statement of Financial Position in the Financial Statements.
Provision coverage ratio	Financial measure which provides an indication of ADCB's level of provisioning of its non-performing loans. It is expressed as impairment allowances (excluding Dubai World) as a percentage of non-performing loans.	**Provisions** Refers to the same concept/figure as "**Allowance for impairment**" as set out in Note 43.6 to the 2017 Financial Statements and the 2016 Financial Statements. **Non-performing loans** Refers to the same concept/figure as "**Past due and impaired loans and advances to customers**" as set out in Note 43.5 to the 2017 Financial Statements and the 2016 Financial Statements.
Liquidity ratio	Financial ratio which quantifies the Bank's liquidity. This is expressed as total liquid assets (being assets held by the Bank that can be converted into cash at relatively short notice) divided by total assets.	**Liquid assets** Liquid assets include cash and balances with Central Banks, deposits and balances due from banks, reverse repo placements, trading securities and quoted investment securities (excluding unquoted investment securities and loans to banks). **Total assets** Refers to the same concept/figure as "**Total assets**" as set out in the Consolidated Statement of Financial Position in the Financial Statements.
Core Tier 1 ratio	Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank as stipulated in Circular No 27/2009 dated 17 November 2009. Core Tier 1 ratio is defined as total Tier 1 capital (excluding capital notes) divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.	As set out in Note 52 to the 2017 Financial Statements and the 2016 Financial Statements.

APM	Definition / Method of Calculation	Reconciliations with Financial Statements / accounting records
Tier 1 ratio (Basel II)	Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank as stipulated in Circular No 27/2009 dated 17 November 2009. Tier 1 ratio is defined as total Tier 1 capital resources divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.	As set out in Note 52 to the 2017 Financial Statements and the 2016 Financial Statements.
Total capital adequacy ratio (Basel II)	Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank as stipulated in Circular No 27/2009 dated 17 November 2009. Total capital adequacy ratio is defined as total regulatory capital divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.	As set out in Note 52 to the 2017 Financial Statements and the 2016 Financial Statements.
CET 1 ratio (Basel III)	Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank as stipulated in Circular No. 52/2017 dated 23 February 2017 and Circular No. 60/2017 dated 2 March 2017. CET 1 ratio is defined as CET 1 capital divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.	As set out in Note 52 to the 2017 Financial Statements.
Tier 1 ratio (Basel III)	Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank as stipulated in Circular No. 52/2017	As set out in Note 52 to the 2017 Financial Statements.

APM	Definition / Method of Calculation	Reconciliations with Financial Statements / accounting records
	dated 23 February 2017 and Circular No. 60/2017 dated 2 March 2017. Tier 1 ratio is defined as Tier 1 capital resources divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.	
Total capital adequacy ratio (Basel III)	Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank as stipulated in Circular No. 52/2017 dated 23 February 2017 and Circular No. 60/2017 dated 2 March 2017. Total capital adequacy ratio is defined as total regulatory capital divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.	As set out in Note 52 to the 2017 Financial Statements.
Liquidity coverage ratio (Basel III)	Liquidity coverage ratio is designed to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. It is calculated as the ratio of high quality liquid assets ("**HQLAs**") and dividing this by a bank's projected total net cash outflows over the immediately following 30-day stressed period. It is determined by the Basel III standards and has been implemented in the UAE through Central Bank Circular No. 33/2015. Approved banks are required to comply with the requirements from 1 January 2016 in a phased manner.	This ratio has been derived from ADCB's internal accounting records and is calculated in accordance with Basel III regulations and Central Bank guidelines.

FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning ADCB's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*" and

"*Description of ADCB*" and other sections of this Base Prospectus. ADCB has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although ADCB believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as at the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those which ADCB has identified in this Base Prospectus, or if any of ADCB's underlying assumptions prove to be incomplete or inaccurate, ADCB's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions generally and, in particular, the current depressed macro-economic environment, driven by ongoing volatility in international oil prices and challenging conditions in the international debt and equity capital markets, which have materially adversely affected and may continue to materially adversely affect ADCB's business, results of operations and financial condition;

- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, ADCB's ability to successfully re-price and restructure loans, the impact of provisions and impairments and concentration of ADCB's loan portfolio;

- liquidity risks, including the inability of ADCB to meet its contractual and contingent cash flow obligations or the inability to fund its operations;

- changes in interest rates and other market conditions, including changes in and/or discontinuation of LIBOR, EIBOR, spreads and net interest margins;

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

- the interests of ADCB's controlling shareholder, and its ability to appoint a majority of the board of directors of ADCB, may conflict with the commercial interests of ADCB, which may also conflict with the interests of the Noteholders; and

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

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

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

PRESENTATION OF STATISTICAL INFORMATION AND OTHER DATA

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

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

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

- the International Monetary Fund (the "**IMF**"), the Organisation of the Petroleum Exporting Countries ("**OPEC**"), the Central Bank and the Abu Dhabi Statistics Centre, in the case of "*Risk Factors*";
- the UAE, Abu Dhabi and Dubai governments and the Central Bank, in the case of "*Description of ADCB*";
- the IMF, the World Bank, OPEC, the Abu Dhabi Statistics Centre, Abu Dhabi National Oil Company ("**ADNOC**"), the UAE Federal Competitiveness and Statistics Authority ("**FCSA**") and the UAE and Abu Dhabi governments, in the case of "*Overview of the UAE and Abu Dhabi*";
- the Central Bank and the United Nations Department of Economic and Social Affairs, Statistics Division in the case of "*The United Arab Emirates Banking Sector and Regulations*"; and
- the clearing systems referred to therein, in the case of "*Book-entry Clearance Systems*".

Use of Benchmarks

Amounts payable under the Notes may be calculated by reference to:

- the London Interbank Offered Rate ("**LIBOR**"), which is provided by the ICE Benchmark Administration;
- the Euro Interbank Offered Rate ("**EURIBOR**"), which is provided by the European Money Markets Institute;
- the Kuwait Interbank Offered Rate ("**KIBOR**"), which is provided by the Central Bank of Kuwait;
- the Shanghai Interbank Offered Rate ("**SHIBOR**"), which is provided by National Interbank Funding;
- the Hong Kong Interbank Offered Rate ("**HIBOR**"), which is provided by the Hong Kong Association of Banks;
- the Kuala Lumpur Interbank Offered Rate ("**KLIBOR**"), which is provided by Bank Negara Malaysia;
- the Turkish Lira Interbank Offered Rate ("**TRLIBOR**" or "**TRYLIBOR**"), which is provided by the Banks Association of Turkey;
- the Singapore Interbank Offered Rate ("**SIBOR**"), which is provided by the Associate of Banks in Singapore;
- the Emirates Interbank Offered Rate ("**EIBOR**"), which is provided by the Central Bank;
- the Tokyo Interbank Offered Rate ("**TIBOR**"), which is provided by the Japanese Bankers Association;
- the Australia Bank Bill Swap ("**BBSW**"), which is provided by the Australian Stock Exchange;
- the Saudi Arabia Interbank Offered Rate ("**SAIBOR**"), which is provided by Thomson Reuters;
- the Canadian Dollar Offered Rate ("**CDOR**"), which is provided by Thomson Reuters;
- the Stockholm Interbank Offered Rate ("**STIBOR**"), which is provided by the Swedish Bankers' Association;

- the Bahrain Dinar Interbank Offered Rate ("**BHIBOR**"), which is provided by the Bahrain Association of Banks;
- the Copenhagen Interbank Offered Rate ("**CIBOR**"), which is provided by Nasdaq;
- the New Zealand Dollar Bank Bill ("**BKBM**"), which is provided by the New Zealand Financial Markets Association;
- the Norwegian Interbank Offered Rate ("**NIOR**"), which is provided by the Oslo Stock Exchange;
- the Taipei Interbank Offered Rate ("**TAIBOR**"), which is provided by the Taipei Interbank Money Center;
- the Johannesburg Interbank Average Rate ("**JIBAR**"), which is provided by the Johannesburg Stock Exchange; and
- the CNH Hong Kong Interbank Offered Rate ("**CNH HIBOR**"), which is provided by the Hong Kong Association of Banks,

each such provider (or, as the case may be, any successor provider) are together referred to as the "**Administrators**".

As at the date of this Base Prospectus, the Administrators do not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**"). As far as the Issuer and the Guarantor are aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that the Administrators are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

CONTENTS

Page

RISK FACTORS 1
DESCRIPTION OF THE PROGRAMME 37
DOCUMENTS INCORPORATED BY REFERENCE 43
FORM OF THE NOTES 45
APPLICABLE FINAL TERMS 48
TERMS AND CONDITIONS OF THE NOTES 56
USE OF PROCEEDS 99
SELECTED CONSOLIDATED FINANCIAL DATA 100
SELECTED STATISTICAL DATA 104
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 116
DESCRIPTION OF ADCB FINANCE CAYMAN 141
DESCRIPTION OF ADCB 142
MANAGEMENT 163
RISK MANAGEMENT 176
OVERVIEW OF THE UAE AND ABU DHABI 192
THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS 198
BOOK-ENTRY CLEARANCE SYSTEMS 210
TAXATION 214
CERTAIN ERISA CONSIDERATIONS 224
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS 226
GENERAL INFORMATION 239

RISK FACTORS

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

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

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

FACTORS THAT MAY AFFECT ADCB'S ABILITY TO FULFIL ITS OBLIGATIONS IN RESPECT OF NOTES ISSUED UNDER THE PROGRAMME AND/OR THE GUARANTEE

Risks relating to ADCB's business

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

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

Between July 2014 and January 2016, international crude oil prices declined dramatically (falling by approximately 75 per cent. from a high monthly average OPEC Reference Basket price per barrel of U.S.$107.89 in July 2014, to a monthly average price of U.S.$26.50 in January 2016).

Notwithstanding the partial correction in global crude oil prices through 2016 and 2017 (according to the OPEC website, the average price of the OPEC Reference Basket was approximately U.S.$51.67 per barrel for the year ended 31 December 2016 and approximately U.S.$62.06 per barrel for the year ended 31 December 2017), the economies of the oil-revenue dependent GCC states have continued to be adversely affected with greater budget deficits, a decrease in fiscal revenues and consequent lower public spending seen in 2016 and 2017. Government fiscal deficits have resulted in weakened net asset positions, larger external financing needs and/or continued lower government spending. This has resulted in the downgrading, or placing on "creditwatch", of a number of GCC sovereigns including, particularly, the Sultanate of Oman and the Kingdom of Bahrain.

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

These measures have become an integral part of a broader federal government strategy aimed at rationalising fiscal expenditure generally and reducing fiscal dependency on hydrocarbon related

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

The measures taken by the federal government in the UAE to counter the impact of the oil price volatility since 2015 have created significant stress in UAE retail markets (which represents one of ADCB's core businesses, respresenting 25.0 per cent. of ADCB's net profit for the financial year ended 31 December 2017). In the event that macro-economic conditions do not improve in the UAE and the challenges faced by the retail sector were to spread to ADCB's corporate customers (which business represents 34.2 per cent. of ADCB's net profit for the financial year ended 31 December 2017), the impact on ADCB's business, results of operations and financial condition could be significant.

Further, and as discussed elsewhere in this Base Prospectus (see "*– ADCB may experience a higher level of customer and counterparty defaults arising from adverse changes in credit and recoverability that are inherent in ADCB's business*"), the impact of political events (such as the United Kingdom's "Brexit" vote and the result of the Presidential election in the United States) has caused volatility in international financial markets and investor sentiment generally across the EU and the United States including, for example, periodic under and over performance of debt and equity markets.

As a result of market conditions prevailing as at the date of this Base Prospectus, companies to which ADCB directly extends credit have historically experienced, and may continue to experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs and some of these companies have been unable to meet their debt service obligations or other expenses as they become due, including amounts payable to ADCB. ADCB's gross impairment charge for loans and advances to customers totalled AED 1.93 billion, AED 1.69 billion and AED 753 million for the years ended 31 December 2017, 2016 and 2015, respectively. If current market conditions continue to deteriorate, ADCB may incur further impairment charges and experience increases in defaults by its debtors which would have a material adverse effect on ADCB's business, results of operations and financial condition.

These extremely volatile market conditions have resulted in reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets. The adverse market conditions have impacted investment markets both globally and in the UAE, with increased volatility in interest rates and exchange rates. The decision of the U.S. federal reserve to raise interest rates in December 2015 for the first time since 2006, and again in December 2016, March 2017, June 2017 and December 2017 (with further rate rises expected during 2018) will likely further exacerbate the reduced liquidity environment and, if the pace of U.S. interest rate movements develops as expected, will adversely impact ADCB's net interest margins and borrowing costs, if ADCB is unable to pass these increased costs on to its customers.

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

ADCB's business, results of operations and financial condition have historically been adversely affected by credit risks and may again be affected by credit risks if economic conditions do not improve

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation on maturity or in a timely manner, causing the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentrations of credit risk may also arise as a result of large exposures to individuals or a group of related counterparties. Concentrations of credit risk indicate the relative sensitivity of ADCB's performance to developments affecting a particular industry or geographic location.

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

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

As a result of adverse economic and political developments in recent years, adverse changes in consumer confidence levels, consumer spending, liquidity levels, bankruptcy rates and commercial and residential real estate prices, among other factors, have historically impacted ADCB's customers and counterparties and, in certain cases, adversely affected their ability to repay their loans or other obligations to ADCB. This, in turn, along with increased market volatility and decreased pricing transparency has, historically, adversely affected ADCB's credit risk profile.

As at the date of this Base Prospectus, the global macroeconomic climate remains volatile (see "– *Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect ADCB's business, results of operations and financial condition*"). While international prices for hydrocarbon related products have begun to recover from the record-low prices seen in January 2016, investor confidence in international debt and equity markets (and, in turn, the performance of those markets) remains volatile. In particular, the United Kingdom's "leave" vote in the June 2016 referendum on its membership of the EU and the election of Donald J. Trump as President of the United States has resulted in periods of significant under and (as applicable) over performance in financial markets including, for example, the strong performance of U.S. equities in the period since the Trump administration came into office. Additionally, the impact of "Brexit" on the general political and macro-economic conditions in the United Kingdom and across the EU is expected to continue to be significant until the precise terms of the United Kingdom's exit from the EU become clearer.

Additionally, movements in global interest rates have continued to be unpredictable. The U.S. federal reserve's decision to further increase interest rates three times during 2017 (having also raised rates in December 2016 (and in December 2015 for the first time since 2006)) has contributed to the prevailing mood of economic uncertainty (see "– *Changes in interest rate levels may affect ADCB's net interest margins and borrowing costs, and the value of assets sensitive to interest rates and spread changes may be adversely affected*").

At a regional level, and notwithstanding the partial correction in global crude oil prices through 2016 and 2017, the oil-producing economies of the Gulf Co-operation Council ("**GCC**") states, including the UAE, have continued to be affected with greater budget deficits, a decrease in fiscal revenues and consequent lower public spending seen in 2016 and 2017. In the UAE, the prevailing low oil price environment has stimulated a federal government led policy of rationalisation of fiscal spending which, in turn, has led to an ongoing transformation within the UAE economy.

As at 31 December 2017, ADCB's loans and advances to customers (net of provisions), amounted to AED 163.3 billion, as compared to AED 158.5 billion as at 31 December 2016 and AED 146.3 billion as at 31 December 2015. ADCB's gross impairment charge for loans and advances to customers totalled AED 1.93 billion, AED 1.69 billion and AED 753 million for the years ended 31 December 2017, 2016 and 2015, respectively.

As at 31 December 2017, the borrowers in respect of 93.9 per cent. of ADCB's total net loans and advances to customers were located in the UAE (31 December 2016: 94.4 per cent. and 31 December 2015: 95.1 per cent.). This level of geographic concentration causes ADCB's credit risk profile to be particularly susceptible to adverse economic conditions at a regional level. In particular, factors such as house prices, levels of employment, interest rates and the amount of consumers' disposable income in the UAE can each have a material impact on its business. See "– *ADCB's loan and investment portfolios and deposit base are concentrated by geography, sector and client*" below.

This challenging economic environment, together with the anticipated reduction in Governmental spending and the likely impact on the level of economic activity in Abu Dhabi and the UAE is expected to continue to have an adverse effect on ADCB's credit risk profile. Although ADCB regularly reviews its credit exposures and has re-priced a major portion of its loan portfolio and restructured some of its loans under stress, customer defaults may continue to occur. The occurrence of these events and any failure by ADCB to maintain the quality of its assets through effective risk management policies to mitigate against credit risk could materially adversely affect, ADCB's business, results of operations and financial condition.

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

ADCB's loan portfolio is concentrated, geographically, in the UAE. The current challenging macro-economic environment, together with the ongoing process of rationalisation of federal government expenditure in the UAE economy, has had a material adverse effect on certain areas of this geographically concentrated portfolio and continues to impact ADCB. See " – *ADCB may experience a higher level of customer and counterparty defaults arising from adverse changes in credit and recoverability that are inherent in ADCB's business*" and "– *Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect ADCB's business, results of operations and financial condition* ". ADCB's investment portfolio has exposure to the United States, Europe and the GCC. See "– *Description of ADCB – Treasury and Investments Group*".

As at 31 December 2017, the borrowers in respect of 93.9 per cent. of ADCB's total net loans and advances to customers were located in the UAE (31 December 2016: 94.4 per cent. and 31 December 2015: 95.1 per cent.) and the borrowers in respect of the remaining 6.1 per cent. were located outside of the UAE (31 December 2016: 5.6 per cent. and 31 December 2015: 4.9 per cent.). Of ADCB's gross loans and advances to customers as at 31 December 2017, real estate investment and hospitality accounted for 36.3 per cent. (of which 2.2 per cent. was concentrated in the construction and contracting sectors), personal loans accounted for 23.6 per cent., government and public sector entities accounted for 20.5 per cent. and financial institutions (including investment companies) accounted for 8.3 per cent.

As discussed elsewhere in this Base Prospectus (see "– *Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect ADCB's business, results of operations and financial condition*"), challenging macro-economic conditions have contributed to (amongst other things) decreased demand for housing in Abu Dhabi and a depressed residential real estate market. For example, according to the Central Bank, Abu Dhabi residential real estate sale prices declined by 3.3 per cent. and rental prices declined by 2.5 per cent. during 2016, in each case as compared to 2015. Given the concentration of ADCB's gross loans and advances to customers as at 31 December 2017 within the real estate investment and hospitality sector, any further deterioration in the Abu Dhabi real estate market could have a material adverse effect on ADCB.

The quality of ADCB's loan portfolio exposure to these sectors depends on, among other things, customer creditworthiness. This, in turn, is significantly affected by macroeconomic business conditions. Various factors may contribute to a deterioration in the quality of ADCB's loan portfolio, and in particular events or circumstances which are beyond ADCB's control, such as deteriorating macroeconomic conditions or the declaration of bankruptcy of a customer or a group of customers to which ADCB's exposures are significant.

ADCB's ten largest loans and advances to customers constituted 27.0 per cent. of ADCB's total gross loan portfolio as at 31 December 2017 (31 December 2016: 27.8 per cent. and 31 December 2015: 28.8 per cent.).

In addition, as at 31 December 2017, the 10 and 20 largest depositors accounted for 24.4 per cent. and 34.7 per cent., respectively, of ADCB's total customer deposits (23.6 per cent. and 34.6 per cent. as at 31 December 2016 and 26.2 per cent. and 37.5 per cent. as at 31 December 2015).

ADCB's investment securities portfolio has significant exposure to GCC based issuers, with the investments primarily in sovereign and quasi-sovereign senior unsecured fixed income securities issued by UAE and GCC issuers. As at 31 December 2017, 65.6 per cent. of the investment securities portfolio comprised exposure to UAE and GCC based issuers (75.8 per cent. as at 31 December 2016 and 52.2 per cent. as at 31 December 2015). The majority of ADCB's local liquidity is invested in government bonds and other government-related public sector entities in the UAE and systemically important financial institutions in the UAE and the GCC. ADCB's treasury has significantly reduced its exposure in Qatar following the decision of a number of countries in the Middle East and North Africa ("**MENA**") region, including the UAE, to sever diplomatic relations with the Qatar in June 2017. See "*– ADCB is subject to political and economic conditions in Abu Dhabi, the UAE and the Middle East*". ADCB's investment securities portfolio outside the UAE and GCC was 34.3 per cent. of its total investment securities portfolio as at 31 December 2017 (31 December 2016: 24.2 per cent. and 31 December 2015: 47.8 per cent.).

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

Further, the majority of the population in the UAE is comprised of non-nationals who require a renewable work permit sponsored by their employer to work and reside in the UAE (see "*Overview of the UAE and Abu Dhabi*"). Therefore most of ADCB's customer base and retail loan portfolio, in addition to certain of its small to medium-sized enterprises ("**SMEs**") and mid-corporate (being entities with annual revenue of between AED 150 million and AED 500 million) loan portfolios, is comprised of individuals who are (or, as the case may be, entities which are owned by) UAE-based expatriates. ADCB is exposed to a "skip risk" that such customers may leave the UAE without making repayments on their loans. Although ADCB takes overseas enforcement action against "skip" borrowers in certain countries and regularly reviews its credit exposures and has in place systems for assessing the financial condition and creditworthiness of its debtors, its failure to do so accurately or effectively may result in an increase in the rate of default for ADCB's loan portfolio, which could have a material adverse effect on its business, results of operations and financial condition. See "*– ADCB's risk management and internal controls may leave it exposed to unidentified or unanticipated risks, which could result in material losses*".

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

As at 31 December 2017, ADCB had AED 3.7 billion of impaired loans and advances to customers and, in the year ended 31 December 2017, carried impairment allowances of AED 5.9 billion to cover potential loan losses (31 December 2016: AED 4.6 billion of impaired loans and advances to customers and impairment allowances of AED 5.9 billion and 31 December 2015: AED 4.8 billion of impaired loans and advances to customers and impairment allowances of AED 6.2 billion). In accordance with IFRS, ADCB is required to reflect the impairment calculated (which is established based on its best estimates of recoveries and judgments leading to calculation of probable losses) as an upfront charge to the income statement. This will be written back to the income statement as and when interest or principal (as applicable) on the debt is received. However, there is no guarantee that impairment allowances recognised by ADCB will be sufficient to cover its actual credit portfolio losses. As at 31 December 2017, provisions (excluding Dubai World) covered 162.9 per cent. of ADCB's impaired assets (31 December 2016: 129.9 per cent. and 31 December 2015: 128.5 per cent.).

The estimated fair value of collateral and other security enhancements held against net loans and advances to customers for the year ended 31 December 2017 was AED 183,993.8 million (31 December 2016: AED 164,856.3 million and 31 December 2015: AED 135,122.2 million).Where the estimated fair value of collateral held exceeds the outstanding loan, any excess is paid back to the customers and is not available for offset against other loans. See "*– Security interests or loan guarantees provided in favour of ADCB may not be sufficient to cover any losses and may not be legally enforceable*".

ADCB regularly reviews and monitors compliance with lending limits to individual financial institutions and country limits (see "*Risk Management – Credit risk*"). Further, ADCB's risk group is responsible for the formulation of credit policies and processes in line with growth, risk management and strategic objectives as promulgated by the Board and the Board risk and credit committee (see "*Management*").

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

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

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

As at the date of this Base Prospectus, IFRS 9 has been introduced for financial reporting periods commencing on 1 January 2018, replacing IAS 39 and introducing an 'expected credit loss' model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. With effect from 1 January 2018, the initial impact of IFRS 9 will be assessed against ADCB's consolidated statement of changes in equity, following which the impact will be recorded to ADCB's consolidated income statement.

As at the date of this Base Prospectus, ADCB's preliminary assessment (based upon an analysis of ADCB's financial assets and liabilities as at 31 October 2017, undertaken in the context of the preparation of the 2017 Financial Statements) is that the most significant impact of the implementation of IFRS 9 on ADCB's consolidated financial statements is expected to result from the new requirements for the measurement of the impairment of financial assets. Management anticipates that impairment losses will increase and become more volatile for financial instruments within the scope of the IFRS 9 impairment model. Additionally, management has estimated on a preliminary basis (based on ADCB's assets and liabilities as at 31 October 2017) a likely reduction of between 0.40 per cent. and 0.59 per cent. in ADCB's common equity tier 1 capital and total capital adequacy ratio as a result of the implementation of IFRS 9.

However, any change to such impairment calculation models under IFRS 9 may adversely impact impairment allowances established by ADCB which would have an adverse effect on its business, results of operations and financial condition.

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

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

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

In addition, even if such security interests are enforceable in UAE courts, the time and costs associated with enforcing security interests in the UAE may make it uneconomical for ADCB to pursue such enforcement proceedings, adversely affecting ADCB's ability to recover its loan losses. As at 31 December 2017, ADCB had a loans and advances to customers portfolio (net of provisions) totalling AED 163.3 billion (31 December 2016: AED 158.5 billion and 31 December 2015: AED 146.3 billion). For the year ended 31 December 2017, the estimated fair value of collateral and other security enhancements ADCB held against net loans and advances to customers was AED 183,993.8 million, which represented coverage of 112.7 per cent. of ADCB's net loans and advances to customers.

However, on 15 March 2017, UAE Federal Law No. 20 of 2016 on mortgaging of moveable assets (the "**Moveable Assets Law**") became effective, which is anticipated to have a significant impact on local law security packages and enforcement of a security holder's rights thereunder. The Moveable Assets Law creates a new class of non-possessory pledge or mortgage specifically intended to be used in respect of movable assets (including accounts payable and deposits at licensed banks and financial institutions, including current and deposit accounts). The Moveable Assets Law also provides for the eventual establishment of a publicly searchable register of such security. As at the date of this Base Prospectus, the register is yet to be established. However, the executive regulations which will establish the register have been signed and the register is expected to become operational during 2018. It is anticipated that following the introduction of the register (and the system for registration of security interests), the process for initial registration and the establishment of prior interests may present challenges. Additionally, in January 2016, Law No. 3 of 2015 Concerning the Regulation of the Real Estate Sector in the Emirate of Abu Dhabi (the "**New Real Estate Law**") became effective. Prior to the New Real Estate Law, there was no specific mortgage law in Abu Dhabi. Whilst there was federal law in relation to similar security concepts such as pledges, this did not provide a specific framework for registration of mortgages. The New Real Estate Law has provided increased certainty for lenders and borrowers alike in relation to registration and enforcement of real estate security interests in Abu Dhabi.

ADCB typically requires additional collateral in the form of cash and/or other assets in situations where ADCB may not be able to exercise rights over pledged shares or where it enters into guarantees or other third party credit support arrangements for loans made to individuals and corporations. Any decline in the value or liquidity of such collateral (as a result of, for example, the market value of real estate assets which have been pledged as collateral) may prevent ADCB from foreclosing on such collateral for its full value or at all in the event that a borrower becomes insolvent and enters bankruptcy, and could thereby adversely affect ADCB's ability to recover the full amounts advanced to the borrower.

Further, Presidential Resolution No. 3/4/7135 Concerning Cheques dated 23 October 2012 has granted immunity to UAE nationals in respect of Article 401 of Federal Law No. 3 of 1987 (the "**Penal Code**"). As a result, UAE nationals are not subject to criminal prosecution under the Penal Code for issuing bounced cheques. While similar provisions in respect of non-UAE nationals have not been enacted as at the date of this Base Prospectus, the UAE Insolvency Law (Federal Law No. 9 of 2016) (the "**Insolvency Law**") has introduced provisions enabling a UAE court to grant a stay in respect of criminal proceedings relating to bounced cheques of a debtor, where such debtor enters into a bankruptcy procedure under the auspices of the Insolvency Law and irrespective of that debtor's nationality. Additionally, pursuant to Dubai Law No. 1 of 2017 concerning the Penal Order, the Dubai public prosecutor has the ability to issue 'penal orders' which downgrade certain offences to misdemeanours. The Dubai public prosecutor has issued such a 'penal order', downgrading to a misdemeanour the offence of issuance of a bounced cheque for amounts up to AED 200,000. As a result of these provisions, and in the event that similar immunity from criminal prosecution under the Penal Code is granted to non-UAE nationals, ADCB may face difficulties in enforcing loan repayments for loans guaranteed by way of post-dated cheques.

It is anticipated that the introduction of the Insolvency Law, the New Real Estate Law and the Moveable Assets Law will, collectively, improve ADCB's ability to recover the full amounts advanced to a borrower. However, as at the date of this Base Prospectus, while these legislative advances have begun to have a positive effect for lenders and borrowers alike, it remains unclear how certain of the detailed provisions and operational aspects of the new laws will be applied in practice.

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

ADCB could be adversely affected by the soundness or the perceived soundness of other financial institutions and counterparties

Against the backdrop of constraints on liquidity and the high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions that became most evident following the bankruptcy of Lehman Brothers in 2008, ADCB is subject to the risk of deterioration in the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, the default of any one institution could lead to significant losses, and potentially defaults, by other institutions. As was experienced in 2008 and 2009, concerns about, or a default by, one institution could also lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a particular counterparty may lead to market-wide liquidity problems and losses or defaults by ADCB or other institutions. This risk, often referred to as "systemic risk", may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom ADCB interacts on a daily basis. Systemic risk, should it materialise, could have a material adverse effect on ADCB's ability to raise new funding and on its business, financial condition and results of operations.

ADCB has a large portfolio of restructured loans and there is no guarantee that future restructurings will not be required

As a consequence of adverse market conditions, ADCB has historically focused on restructuring its loans with debtors in financial distress. Restructured loans represent loans whose terms have been restructured resulting in certain loan repayment concessions (such as re-scheduling principal payments until later periods and/or to set interest payments at a relatively low level for a certain time frame followed by larger interest payments in later periods). These loans are not delinquent, however, an impairment is recognised, where necessary, in accordance with IFRS 9 and is written back to the income statement as and when interest or principal (as appropriate) on the debt is received.

However, there is no guarantee that such restructurings will be successful in mitigating ADCB's credit risk. Additionally, due to the lack of publicly available information and financial data regarding debtors' credit and payment histories in the GCC (primarily due to borrowers' limited credit histories and inability (and, in certain cases, unwillingness) to provide the quality and quantity of information sought by lenders and the fact that credit bureaus in the UAE are in their infancy) (see "*– Credit bureaus in the UAE in general are under-developed and any incomplete, unreliable or inaccurate information about ADCB's debtors' and account holders' financial standing, credit history and ability to repay could impair ADCB's ability to assess credit quality*" and "*– Some of ADCB's debtors are unable or unwilling to provide the quality and quantity of financial data sought by ADCB*" below), ADCB is required to make certain assumptions when assessing the financial condition and creditworthiness of its debtors.

If ADCB fails to appropriately restructure loans or any assumptions made in order to effect such restructurings fail to materialise or a debtor counterparty defaults on the terms of the restructuring, such restructured loans may need to be restructured again or they may become impaired loans as a result of which ADCB may need to make further impairment charges and its business, results of operations and financial condition could be materially adversely affected.

The UAE's federal level credit bureau is under-developed and any incomplete, unreliable or inaccurate information about ADCB's debtors' and account holders' financial standing, credit history and ability to repay could impair ADCB's ability to assess credit quality

Substantially all of ADCB's debtors are located in the UAE. Typically, there is little public information or financial data available regarding debtors' credit and payment histories in this region, primarily due to borrowers' limited credit histories and the fact that the federal level credit bureau, Al Etihad Credit Bureau, only became operational during 2014 and remains under-developed as at the date of this Base Prospectus. Furthermore, statistical and other data on ADCB's debtors may also be less complete than those available in jurisdictions with more mature financial markets.

The establishment of Al Etihad Credit Bureau in 2014 has improved the quality of credit information available to UAE banks, including ADCB. However, as at the date of this Base Prospectus, the Al Etihad Credit Bureau remains in its nascent stage. Data available from Al Etihad Credit Bureau is only used as a decision making aid and has not fully remedied the challenges of obtaining fulsome debtor credit histories. Accordingly, ADCB is unable to rely solely on credit scores provided by the Al Etihad Credit

Bureau when making a credit assessment and is required to make certain assumptions when assessing the financial condition and creditworthiness of its debtors. In the absence of meaningful statistical data on its existing and potential debtors, there can be no assurance as to ADCB's ability to accurately assess the credit quality of its loan portfolios.

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

Some of ADCB's debtors are unable or unwilling to provide the quality and quantity of financial data sought by ADCB

Although ADCB requires regular disclosure of its debtors' financial information, some debtors, especially high net worth individuals ("**HNWIs**") (including the controlled/affiliated entities of these individuals) and SMEs, do not, or are unable to, provide the quality and quantity of information sought by ADCB. Furthermore, such financial data may not always present a complete and comparable picture of each such debtor's financial condition. For example, the financial statements of ADCB's debtors (including HNWIs) are not (unless publicly listed) required to be presented in accordance with IFRS or audited in accordance with International Standards on Auditing.

Unavailability of adequate quantity or quality of financial data in respect of its debtors may result in ADCB's failure to accurately assess the financial condition and creditworthiness of its debtors, leading to an increase in the rate of default for ADCB's loan portfolio. This could have a material adverse effect on ADCB's business, results of operations and financial condition.

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

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

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

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

ADCB's Assets and Liabilities Committee (the "**ALCO**") sets and monitors liquidity ratios, regularly revises and updates ADCB's liquidity management policies and seeks to ensure that ADCB is in a position to meet its obligations as they fall due (see further "*Risk Management – Funding and liquidity risk*"). Further, ADCB conducts analysis of maturities of assets and liabilities on a periodic basis to determine its on-going funding needs and to ensure adequate liquidity is maintained across the defined time horizon. ADCB's Board Risk and Credit Committee ("**BRCC**") receives regular updates on ADCB's liquidity under both normal and stressed market conditions, as well as developing strategies to ensure liquidity is available for defined time horizons under stress scenarios. As at 31 December 2017, ADCB had cash and cash equivalents of AED 15.8 billion (31 December 2016: AED 34.7 billion and 31 December 2015: AED 30.8 billion). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Funding*" and "*Selected Statistical Data – Maturity profile*" for further detail on ADCB's funding profile as at 31 December 2017, 2016 and 2015.

As at the date of this Base Prospectus, the Central Bank has adopted a policy of a gradual, phased introduction of the capital and liquidity standards for credit institutions, approved by the Basel Committee on Banking Supervision (the "**Basel Committee**") in response to the 2008 global financial crisis (the

"**Basel III Reforms**"). As part of this gradual introduction of Basel III in the UAE, the Central Bank has informed certain banks in the UAE, including ADCB, that they are subject to the Basel III liquidity coverage ratio ("**LCR**") and the NSFR (as defined herein), which they are obliged to report to the Central Bank. The LCR is a metric introduced by the Basel Committee on Banking Supervision as part of the Basel III Reforms to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. The ratio is calculated by taking a financial institution's stock of HQLAs – which include low-risk, highly marketable asset classes, designed to provide significant sources of liquidity in such a stress scenario – and dividing it by its projected net cash outflows over the immediately following 30-day period. The LCR requires that banks have sufficient HQLAs in their liquidity buffer to cover the difference between expected cash outflows and expected capped cash inflows over a 30-day stressed period. The Basel III Reforms require that the minimum value of the ratio is 100 per cent. (i.e., an institution's stock of HQLAs should at least equal total net cash outflows) while the Central Bank has introduced LCR for the relevant UAE banks in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. by 1 January 2019. As at 31 December 2017, ADCB held a portfolio of HQLAs valued at AED 42.5 billion and had an LCR ratio of 134.6 per cent. (31 December 2016: HQLAs valued at AED 31.9 billion and LCR ratio of 128.6 per cent.).

Accordingly, and in line with Central Bank direction, ADCB monitors its liquidity position through LCR compliance and reporting. The associated requirement to maintain a significant buffer of HQLAs may adversely affect ADCB's core businesses of consumer and wholesale banking, particularly given the inherent cost of maintaining a HQLA portfolio of sufficient size and quality to cover regulatory outflow assumptions embedded in the LCR. If ADCB were to choose to mitigate against these additional costs by introducing selective deposit fees or minimum lending rates, this may result in a loss of customer deposits, a key source of ADCB's funding, net new money outflows and / or a declining market share in its domestic loan portfolio. By virtue of the inherent costs associated with LCR compliance and maintaining a sufficient portfolio of HQLAs, ADCB may be at a competitive disadvantage to its peer UAE based financial institutions who do not monitor liquidity through LCR, which may have a material adverse effect on its business, results of operations and financial condition. Additionally, if ADCB defaults on any contractual or contingent payment obligation, such default would have a material adverse effect on its business, results of operations and financial condition.

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

In common with other banks in the UAE, many of ADCB's liabilities are short-term demand and time deposits, whereas its assets are generally medium to long-term (such as loans and mortgages). Mismatches between the maturities of assets and liabilities could arise if ADCB is incapable of obtaining new deposits or alternative sources of finance of the existing or future loan portfolio or the cost of obtaining them differs from market prices.

Although ADCB has accessed wholesale funding markets (through bilateral or syndicated loans and international bond markets) since 2005 in order to diversify and increase the maturity of its funding sources, such borrowings have not eliminated asset-liability maturity gaps. As at 31 December 2017, 71.9 per cent. of ADCB's funding (which comprises total liabilities and equity) had remaining maturities of one year or less or were payable on demand (31 December 2016: 73.6 per cent. and 31 December 2015: 73.1 per cent.). See "*Selected Statistical Data – Maturity profile*".

If a substantial portion of ADCB's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, or ADCB fails to refinance some of its large short- to medium-term borrowings, ADCB may need to access more expensive sources to meet its funding requirements. No assurance can be given that ADCB will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. ADCB's inability to refinance or replace such deposits with alternative funding could materially adversely affect ADCB's liquidity, business, results of operations and financial condition.

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

As part of its normal banking business, ADCB issues revocable and irrevocable commitments to extend credit, guarantees, letters of credit and other financial facilities and makes commitments to invest in securities before such commitments have been fully funded. All of these are accounted for off-balance

sheet until such time as they are actually funded or cancelled. Although these commitments are contingent and therefore off-balance sheet, they nonetheless subject ADCB to related credit, liquidity and market risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as loans and advances to customers, and commitments to extend credit are contingent on customers maintaining required credit standards. Although ADCB anticipates that not all of its obligations in respect of these commitments will be triggered, it may have to make payments in respect of a substantial portion of such commitments, which could have a material adverse effect on its financial position, and in particular its liquidity position. As at 31 December 2017, ADCB had AED 53.4 billion in such contingent liabilities and commitments (31 December 2016: AED 58.8 billion and 31 December 2015: AED 52.1 billion).

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

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

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

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

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

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

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

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

Any shortage of liquidity in markets that are sources of funding for ADCB could contribute to an increase in ADCB's marginal borrowing costs. Similarly, any increase in interbank reference rates could also affect the value of certain assets that are subject to changes in applicable interest rates. As at 31 December 2017, ADCB's borrowings were largely set at floating rates based on interbank reference rates, such as 3-month LIBOR and 3-month EIBOR, plus a specified margin. ADCB's interest rate sensitivity position as at 31 December 2017, 2016 and 2015 was based on maturity dates and contractual re-pricing arrangements.

Interest rates are sensitive to many factors beyond ADCB's control, including the policies of central banks, such as the Central Bank and the U.S. Federal Reserve, political factors and domestic and international economic conditions. For example, the U.S. Federal Reserve raised interest rates in December 2015 for the first time since 2006. In December 2016, a further 0.25 per cent. rate hike was

announced by the U.S. Federal Reserve with further 0.25 per cent. increases announced in March 2017, June 2017 and December 2017. Further interest rate rises are expected to be announced by the U.S. Federal Reserve during 2018. If the pace of U.S. interest rate movements develops as expected, it will adversely impact ADCB's borrowing costs.

As at 31 December 2017, 89.1 per cent. of ADCB's total wholesale borrowings were denominated in U.S. dollars (31 December 2016: 85.4 per cent. and 31 December 2015: 87.9 per cent.). If interbank reference rates rise, the interest payable on ADCB's floating rate borrowings increases. Additionally, in a rising interest rate environment, ADCB's interest expense can increase significantly as a result of the higher interest rates payable on ADCB's existing time deposits and a propensity amongst customers to convert their lower interest bearing current and savings account deposits to time deposits. ADCB's marginal cost of funding may increase as a result of a variety of factors, including further deterioration of conditions in the financial markets or loss of confidence by and between financial institutions. If ADCB fails to pass on such increase in funding cost to its customers in a timely manner or at all due to market, competitive or other conditions, it could have a material adverse effect on its business, results of operations and financial condition.

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

ADCB holds investment securities and a decrease in the realised and unrealised fair value investment gains, together with fair value losses on such investment securities has had a material adverse impact as a result of global macro-economic volatility. Instability in the international debt and equity capital markets could have a material adverse impact on ADCB's investment portfolios and its financial condition and results of operations. As at each reporting period, ADCB records: (i) realised gains or losses on the sale of any investment securities; (ii) unrealised fair value gains or losses in respect of any investment securities as at the end of the period on a mark to market basis; and (iii) impairment where there is a sustained decrease in fair value of any investment securities.

The amounts of such gains and losses may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of the securities, which in turn may vary considerably, and ADCB's investment policies. ADCB's net gain on investment securities (comprising trading and available for sale securities) totalled AED 38.9 million, AED 58.6 million and AED 12.8 million for the years ended 31 December 2017, 31 December 2016 and 31 December 2015, respectively. ADCB cannot predict the amount of realised or unrealised gain or loss for any future period, and variations from period to period are not indicative of future performance. Gains on ADCB's investment portfolio may not continue to contribute to net income at levels consistent with those from recent periods or at all.

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

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks could adversely affect ADCB's business, results of operations and financial condition. Some of the operational risks currently facing ADCB are described in more detail below.

If ADCB is unable to anticipate and develop or provide new digital services for its customers and/or keep pace with the digitisation of the banking market, ADCB's business, results of operations and financial condition could be materially adversely affected

The banking markets in which ADCB operates have been characterised in recent times by rapid technological change, evolving industry standards, changing customer service preferences and dynamics and new product and service innovations. Areas of significant change include the development of systems and processes to cater for customer mobility, including the offering of mobile banking platforms and other digitised distribution channels. The fields of cloud-based computing, artificial intelligence, process digitisation and data analytics are continuing to alter the cost and competitive landscape for financial institutions. ADCB's future success will depend in part on its ability to anticipate these advances and to develop or provide new product and service offerings to meet dynamic customer requirements in the digital age. ADCB may fail to anticipate or respond to these advances on a timely basis, or, if it does respond, the services or technologies that it develops may not be successful in the marketplace as compared to its principal competitors.

The digitisation of many of ADCB's core business processes is a key strategic focus for ADCB. In line with this organistaion-wide strategic focus on digitisation, ADCB has dedicated significant resources to the development of its digital offering and will continue to make such investment as it strives to remain competitive (see "*Description of ADCB – Strategy*" and "*Description of ADCB – Digitisation*" for further details on ADCB's digitisation initiatives). However, such investment and resource commitment may not provide ADCB with the competitive advantage, cost savings or anticipated performance improvements ADCB expects. Additionally, cyber-security risks for financial institutions have significantly increased because of the proliferation of new technologies and the use of the Internet and telecommunications technologies to conduct financial transactions (see – "*ADCB's business is dependent on its information and technology systems which are subject to potential cyber-attack*").

Failure by ADCB to anticipate and effectively respond to changes in the markets in which ADCB operates and develop new or enhanced technologies or processes that are competitive in the market could materially adversely affect ADCB's business, results of operations and financial condition.

ADCB relies on third party service and system providers in the operation of its business

ADCB relies on the services and expertise of third party service and system providers in the operation of its business. For example, in 2017, ADCB entered into a services agreement with Accenture to provide banking operational and processing support services (including lending, account and wealth, transaction and customer contact services) from Accenture's premises in India. The purpose of the arrangement with Accenture is to supplement the existing services being provided to ADCB (see "*Description of ADCB – Group Business Services*") while achieving cost and efficiency benefits from the outsourcing arrangements.

As a result of outsourcing arrangements such as described above, ADCB faces the risk that such third party service and system providers become insolvent, enter into default or fail to perform their contractual obligations in a timely manner or at all or fail to perform at an adequate and acceptable level. Any such failure could lead to interruptions in ADCB's operations or result in vulnerability of its information technology systems, exposing ADCB to operational failures, additional costs, reputational damage or cyber-attacks (see also "– "*ADCB's business is dependent on its information and technology systems which are subject to potential cyber-attack*").

In addition, no assurance can be given that the third party service and system providers selected by ADCB will be able to provide the services for which they have been contracted, for example, as a result of failing to have the relevant capabilities or services or due to changed regulatory requirements. Any failure of third party service and system providers to deliver the contracted services in a timely manner or at all or to deliver contracted services in compliance with applicable laws and regulations and at an adequate and acceptable level could result in reputational damage, claims, losses and damages and have a material adverse effect on ADCB's business, results of operations and financial condition.

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

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

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

There is a lack of publicly available information and financial data regarding debtors' credit and payment histories in the GCC (primarily due to borrowers' limited credit histories and inability (and, in certain cases, unwillingness) to provide the quality and quantity of information sought by lenders and the fact that credit bureaus in the UAE are in their infancy) (see "*– Credit bureaus in the UAE in general are under-developed and any incomplete, unreliable or inaccurate information about ADCB's debtors' and account holders' financial standing, credit history and ability to repay could impair ADCB's ability to assess credit quality*" and "*– Some of ADCB's debtors are unable or unwilling to provide the quality and quantity of financial data sought by ADCB*" below). Accordingly, ADCB, in common with other UAE banks, is frequently required to make risk management assessments in the absence of the quality and quantity of information available to lenders in other, more developed markets.

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

There can be no assurance that ADCB's risk management and internal control policies and procedures will adequately control, or protect ADCB against, all credit, liquidity, market, operational and other risks. In addition, certain risks could be greater than ADCB's empirical data would otherwise indicate. ADCB also cannot give assurance that all of its staff have adhered, or will adhere to, its risk policies and procedures.

ADCB is susceptible to, amongst other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders. See "*– ADCB's business may be adversely affected if there is any disturbance to its operational systems or a loss of business continuity*". ADCB's risk management and internal control capabilities are also limited by the information tools and technologies available to it. Any material deficiency in ADCB's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on ADCB's business, results of operations and financial condition.

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

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

For the years ended 31 December 2017, 2016, and 2015, ADCB experienced employee attrition rates of approximately 9.0 per cent., 7.5 per cent and 11 per cent., respectively. Additionally, if ADCB continues to grow, it will need to continue to increase its number of employees.

ADCB is guided in its human resources decisions by the UAE federal government's minimum threshold for Emirati employees, as set out in the UAE federal policy on Emiratisation, promulgated by UAE Cabinet Decree number 3/10/267 of 2015, dated 25 October 2015 (the "**Emiratisation Circular**"). See "*Description of ADCB – Emiratisation*". If ADCB is not able to meet or exceed the minimum threshold for Emirati employees set out in the Emiratisation Circular, it may be subject to legal penalties, calculated in accordance with the Emiratisation Circular. Due to UAE federal labour laws, ADCB may face difficulties that could delay or prevent dismissal of a UAE national employee if it finds such an employee's performance to be unsatisfactory.

ADCB depends on the efforts, skill, reputation and experience of its executive management, as well as the synergies generated by their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent ADCB from implementing its strategies.

While ADCB believes that it has effective staff recruitment, training and incentive programmes in place, its failure to recruit, train and/or retain necessary personnel, its inability to dismiss certain employees or

the shortage of qualified UAE nationals or other nationals prepared to relocate to the UAE, could have a material adverse effect on its business, results of operations and financial condition.

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

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

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

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

Further, ADCB relies on third-party service providers for certain aspects of its business, including but not limited to Oracle, SAP, Reuters, Bloomberg, SWIFT, FERMAT, Microsoft and MUREX. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of ADCB's operations and could impact its reputation.

If any of the foregoing were to occur, it could materially adversely affect ADCB's businesses, results of operations and financial condition.

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

In common with other financial institutions based in the GCC and elsewhere in the world, the threat to the security of ADCB's information and customer data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and cyber criminals are among those targeting computer systems around the world. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could disrupt its business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage ADCB's reputation and/or brands, which could have a material adverse effect on ADCB's business, results of operations and financial condition.

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

Accounting policies and methods are fundamental to how ADCB records and reports its financial condition and results of operations. Pursuant to IFRS rules and interpretations in effect as at the date of this Base Prospectus, ADCB is required to make certain estimates in preparing its financial statements, including accounting estimates to determine loan loss reserves and the fair value of certain assets and liabilities, among other items.

Management has identified the most significant judgments and estimates made by it in "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical accounting judgment and estimates*". These judgments and estimates include, for example, the determination of when assets may be impaired, the classification of financial assets, the determination of provisions for credit losses and fair values of assets and liabilities.

A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. ADCB has established policies and control procedures that are intended to ensure that its significant accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. However, due to the uncertainty surrounding ADCB's judgments and the estimates pertaining to these matters, ADCB cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future. Should the estimated values for such items prove substantially different to actual values, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future IFRS rules or interpretations, ADCB may experience unexpected losses.

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

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

ADCB is a highly regulated entity and changes in applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on ADCB's business, results of operations and financial condition

ADCB is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic, social and other objectives and limit their exposure to risk. See "*The United Arab Emirates Banking Sector and Regulations*". These regulations include UAE federal laws and regulations (particularly those of the UAE federal government and the Central Bank), as well as the laws and regulations of the other countries in which ADCB operates, such as India and Jersey. In particular (but without limitation), ADCB is subject to the following restrictions:

- certain credit limits in respect of real estate and construction financing, major shareholders or to a single customer (based on ADCB's customer deposits and/or capital and reserves as prescribed by the Central Bank);

- concentration limits on total credit and other risk exposures to retail customers, banks, investments and country exposure (including, but not limited to, regulations promulgated by the Central Bank in Central Bank Notice No. 32/2013 on large exposures (the "**Large Exposure Notice**"), which was published in the UAE official gazette (the "**Official Gazette**") on 30 December 2013 and entered into force on 30 January 2014);

- a minimum total capital adequacy ratio of 12.75 per cent., effective from 1 January 2018 and a minimum total capital adequacy ratio of 13.5 per cent., effective from 1 January 2019. Within this minimum capital adequacy ratio, the Central Bank, as part of its phased implementation of Basel III in the UAE, has established additional capital requirements for systemically important

banks (such as ADCB, which has been designated as a domestically systemic important bank ("**D-SIB**")), with a Common Equity Tier 1 D-SIB buffer, included within the Central Bank prescribed minimum total capital adequacy ratio, of 0.38 per cent., effective from 1 January 2018 (increasing to 0.50 per cent. with effect from 1 January 2019). Additionally, and also comprised within the minimum total capital adequacy ratio mandated by the Central Bank, UAE banks are also subject to a capital conservation buffer of 1.875 per cent. (effective from 1 January 2018), increasing to 2.5 per cent. (effective from 1 January 2019), as applicable, pursuant to the February 2017 Regulations and the Accompanying Standards (each as defined below). As at 31 December 2017, ADCB had a total capital adequacy ratio of 19.09 per cent., comfortably above the minimum Central Bank requirements (including the additional D-SIB buffer);

- as part of the Central Bank's gradual implementation of the Basel III Reforms in the UAE, the Central Bank has introduced LCR in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. by 2019. Additionally, the Central Bank has introduced the Net Stable Funding Ratio ("**NSFR**") in 2018. NSFR is calculated as a percentage of available stable funding to required stable funding and should be maintained at a minimum of 100 per cent.;

- certain limitations around the fees and interest rates which UAE banks can charge to retail customers and maximum loan to income and loan to value ratios for retail products such as residential mortgage loans (prescribed by the Central Bank circular dated 23 February 2011 the ("**Retail Circular**") on retail banking and Notice No. 31/2013 dated 28 October 2013 (which was published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013) (the "**Mortgage Regulations**");

- total loans and advances to customers and interbank placements over ADCB's stable resources (comprising deposits and borrowed funds with maturities of greater than six months and net shareholders' equity) cannot exceed 100 per cent.;

- increase employment and progression of UAE nationals within ADCB, in accordance with the Emiratisation Circular (see "*Description of ADCB – Emiratisation*");

- in accordance with Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015) (the "**Liquidity Notice**"), compliance with certain qualitative and quantitative liquidity requirements; and

- mandatory cash reserve of 14 per cent. of all current, call and savings deposits and 1 per cent. of all time deposits, respectively, based on balances calculated on the 15th of each month and notified in the second month following circulation pursuant to the Central Bank Circular of December 2000.

Subject as provided in the following paragraph, as at 31 December 2017, ADCB is in compliance with each of the regulations set out above.

As at 31 December 2017, ADCB is not in compliance with the maximum credit exposure prescribed by Article 91(3) of the Union Law No. 10 of 1980 (the "**Union Law**") in respect of exposure to the real estate and construction financing sector. The maximum credit exposure to this sector is 20 per cent. of ADCB's total customer deposits. As at 31 December 2017, ADCB's credit exposure to the real estate and construction financing sector was 29.10 per cent. (as compared to 28.18 per cent. as at 31 December 2016 and 31.10 per cent. as at 31 December 2015). These ratios are calculated as the proportion of ADCB's loans and advances to customers in the real estate and construction financing sector, to ADCB's total customer deposits and interbank deposits (excluding term borrowings and borrowings under repurchase agreements). ADCB has reported this non-compliant credit exposure to the Central Bank and, as at the date of this Base Prospectus, is continuing to manage its credit exposure to the real estate and construction financing sector in conjunction with the Central Bank.

On 23 February 2017, the Central Bank published the "Regulations re Capital Adequacy" (the "**February 2017 Regulations**") in the Official Gazette issue 612, which were effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III Reforms, whilst implementing the measures contained in the May 2016

consultation document published by the Central Bank, entitled "Capital Adequacy Regulation" (the "**Consultation Document**"). The February 2017 Regulations are supported by accompanying standards (the "**Accompanying Standards**") which were published by the Central Bank on 17 January 2018 in its Circular No. 28/2018 entitled "Standard re Capital Supply" and are expressed to be effective from 31 December 2017. The Accompanying Standards elaborate on the supervisory expectations of the Central Bank, as set out in the February 2017 Regulations, with respect to the relevant Basel III capital adequacy requirements and how they will be applied by the Central Bank to banks in the UAE.

For example, banks which are classified as D-SIBs by the Central Bank (such as ADCB) will be required to hold additional capital buffers as notified to them by the Central Bank. In addition, a bank may also be subject to additional capital add-on requirements following a Supervisory Review and Evaluation process of the Central Bank.

However, the Accompanying Standards do not provide any additional clarity on the precise requirements of additional counter-cyclical or systemically important buffers which the Central Bank may subsequently implement (though the Accompanying Standards do note that the Central Bank expects to provide such clarity to UAE banks during 2018). If the Central Bank's ultimate implementation of any such additional counter-cyclical or systemically important buffers is not in accordance with the provisions set out in the February 2017 Regulations and the Accompanying Standards, the regulatory burden on UAE financial institutions such as ADCB may further increase which could adversely impact ADCB's business.

If further counter-cyclical or systemically important buffers are implemented by the Central Bank in the form provided for in the February 2017 Regulations and the Accompanying Standards, it is possible that UAE financial institutions, including ADCB, will be required to increase the levels of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (together, "**Regulatory Capital**") that they hold on their balance sheets.

The Accompanying Standards also provide that the Central Bank will publish a "Capital Issuance Standard" which will provide further clarity on the grandfathering treatment that the Central Bank intends to apply to pre-existing Tier 1 or Tier 2 capital instruments (as so classified under Basel II principles) issued by UAE financial institutions, including ADCB.

As at 31 December 2017, ADCB's total capital adequacy ratio was 19.09 per cent. (31 December 2016: 18.92 per cent. and 31 December 2015: 19.76 per cent.) and included the AED 4.0 billion Tier 1 capital notes issued by ADCB to the Government's Department of Finance in February 2009 (the "**Tier 1 Notes**"); the U.S.$300 million Tier 2 subordinated notes and the CHF150 million Tier 2 subordinated notes, each issued in 2013 (together, the "**Tier 2 Notes**"). The terms and conditions of the Tier 2 Notes provide ADCB with an option to call the Tier 2 Notes in 2018, subject to obtaining prior Central Bank approval. ADCB continuously evaluates its debt profile and may consider opportunities that arise from time to time to refinance and/or repay existing debt (including its subordinated debt). Any redemption of ADCB's existing subordinated debt (including the exercise by ADCB of its call option in respect of the Tier 2 Notes) would have a material and adverse effect on ADCB's capital base.

Additionally, if the Tier 1 Notes are not grandfathered when the Central Bank publishes its "Capital Issuance Standard", they would cease to qualify towards ADCB's Regulatory Capital which would have a material and adverse effect on ADCB's capital base. See "*– Basel III Reforms – Future UAE legislation on loss absorbency at the point of non-viability may have adverse effects for Noteholders*".

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

For further detail on the Large Exposure Notice, the Retail Circular, the Mortgage Regulations, the Liquidity Notice, the Consultation Document, the February 2017 Regulations and other Central Bank circulars and regulations see "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking*".

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

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

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

Risks relating to the UAE and the Middle East

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

The UAE's economy, and the economy of Abu Dhabi in particular, is highly dependent upon oil revenue. While Abu Dhabi is actively promoting tourism and real estate and undertaking several large-scale development projects, the oil and gas industry dominates Abu Dhabi's economy and contributed approximately 50.9 per cent. to nominal GDP in 2014 and, reflecting the lower oil price environment from mid-2014 onwards, 35.1 per cent. in 2015 and (according to preliminary estimates published by the Abu Dhabi Statistics Centre) 27.6 per cent. in 2016.

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

According to OPEC data, as at 31 December 2016, the UAE had approximately 6.6 per cent. of proven global crude oil reserves which generated 16.8 per cent. of its nominal GDP and 17.5 per cent. of the total value of the UAE's exports (including re-exports) in 2016 (according to preliminary data produced by the FCSA and the IMF, respectively). According to the OPEC website, the price of the OPEC Reference Basket has fluctuated significantly in recent years. During the second half of 2008 and into 2009, world oil prices fell approximately 70 per cent. from their peak level of U.S.$137 per barrel of Murban crude reached in July 2008 to an average of approximately U.S.$62.7 per barrel for the year ended 31 December 2009, before returning to an average of approximately U.S.$105.87 per barrel for the year ended 31 December 2013. However, between July 2014, when the monthly average OPEC Reference Basket price per barrel was U.S.$107.89 and January 2016, crude oil prices fell sharply, by approximately 75 per cent. to a monthly average price of U.S.$26.50. Since this low point, there has been a global correction in prices and, as at 1 March 2018, the average price of the OPEC Reference Basket for the year to that date had recovered to U.S.$62.23 per barrel. Oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which ADCB has no control. Factors that may affect the price of oil include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;

- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming countries;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels; and
- global weather and environmental conditions.

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

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

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

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

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

This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with Islamic State (also known as Daesh, ISIS or ISIL)) and the overthrow of existing leadership and has given rise to increased political uncertainty across the region. Further, the UAE, along with other Arab states, is currently participating in the Saudi Arabian led intervention in Yemen which began in 2015 in response to requests for assistance from the Yemeni government against the Al Houthi militia. The UAE is also a member of another Saudi Arabian led coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. Additionally, in June 2017 a number of MENA countries including the UAE, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the Arab Republic of Egypt severed diplomatic relations with the State of Qatar, citing Qatar's alleged support for terrorism and accusing Qatar of creating instability in the region. The termination of diplomatic relations included the withdrawal of ambassadors and imposing trade and travel bans.

These situations have caused significant disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or

the impact of such occurrences, and no assurance can be given that the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur. Continued instability affecting the countries in the MENA region could adversely impact the UAE although to date there has been no significant impact on the UAE.

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

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

ADCB faces high levels of competition within the UAE for all of its products and services. ADCB competes primarily with a large number of other domestic banks in the UAE, some of which are also owned, directly or indirectly, by the governments of the relevant Emirates, government-related entities or members of the ruling families of the relevant Emirates. As at 31 December 2017, there were a total of 49 commercial banks registered in the UAE (source: the Central Bank). ADCB's main domestic competitors in terms of size of banking franchise and product and customer segments are Emirates NBD, First Abu Dhabi Bank, Standard Chartered Bank, HSBC, Mashreqbank, Dubai Islamic Bank, Union National Bank and Abu Dhabi Islamic Bank. In the UAE market, as at 31 December 2017 and according to the 2017 Financial Statements and the publically available financial statements of ADCB's main domestic competitors as at and for the year ended 31 December 2017, ADCB had the third largest market share in terms of total loans behind only Emirates NBD and First Abu Dhabi Bank and also had the third largest market share in terms of total customer deposits behind, again, Emirates NBD and First Abu Dhabi Bank. There can be no assurance that ADCB will be able to maintain its current market share in the future.

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

Further, the UAE could be viewed as an over-banked market, even by regional standards, with 49 different commercial banks (comprising 22 locally incorporated commercial banks and 27 foreign commercial banks) licensed to operate inside the UAE as at 31 December 2017 (excluding the Dubai International Financial Centre (the "**DIFC**")) (source: Central Bank), serving a population estimated to be in the region of approximately 9.4 million people at the end of 2017 (source: Statistical Yearbook 2017 edition, United Nations Department of Economic and Social Affairs, Statistics Division). There has traditionally been little impetus for consolidation. However, the merger between National Bank of Abu Dhabi and First Gulf Bank, which was consummated on 30 March 2017, is anticipated to stimulate further moves towards greater consolidation amongst UAE banks. While any such attempts at further consolidation would increase the level of concentration in the domestic banking sector, they would also likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development. (see "*The United Arab Emirates Banking Sector and Regulations – Characteristics of the Banking System – Historic lack of Consolidation*").

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

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

ADCB has been assigned a long-term credit rating of A, with stable outlook, by Standard & Poor's and a long term credit rating of A+, with a stable outlook by Fitch. These ratings, which are intended to measure ADCB's ability to meet its debt obligations as they mature, are an important factor in determining ADCB's cost of borrowing funds.

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

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

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

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

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

ADCB was incorporated in 1985 by Resolution No. 90 of the Executive Council of the Government. The Government has held, indirectly, at least 58.1 per cent. of ADCB's share capital, and has maintained significant deposits with ADCB, throughout ADCB's history. During the period between 2008 and 2009, the Government (through its purchase of ADCB's Tier 1 notes) provided a total of AED 4.0 billion in Tier 1 capital to ADCB. In 2009, the UAE federal government also provided AED 6.6 billion in Tier 2 capital to ADCB which was repaid on 2 June 2013. Despite the Government's and the UAE federal government's past investments in and deposits with ADCB and funding support, neither the Government nor the UAE federal government are under any obligation to continue to invest in, make deposits with, do business with or otherwise support ADCB. The Government and the UAE federal government may, whether directly or through government-owned entities, at any time and for any reason, dispose of its investments in, withdraw its deposits from, cease to do business with or otherwise cease to support ADCB. The reduction or elimination of government support could have a material adverse effect on ADCB's business, results of operations and financial condition.

The Notes will not be guaranteed by the Government

As discussed above, the Government, through the Abu Dhabi Investment Council (the "**Council**"), is a majority shareholder in ADCB. Like any other shareholder, the Government has no legal obligation to provide additional funding for any of ADCB's future operations. The Government is not providing a guarantee of any of ADCB's obligations in respect of Notes to be issued under the Programme, nor is the Government under any obligation to purchase any of ADCB's liabilities or guarantee any of ADCB's obligations, and the Noteholders therefore do not benefit from any legally enforceable claim against the Government.

The interests of ADCB's controlling shareholder, and its ability to appoint a majority of the board of directors of ADCB, may conflict with the commercial interests of ADCB, which may also conflict with the interests of the Noteholders

As at the date of this Base Prospectus, the Government holds 62.52 per cent. of ADCB's share capital, through the Council. As a result, the Government has the ability to block actions or resolutions proposed at ADCB's annual or extraordinary general meetings. Accordingly, the Government could cause ADCB to pursue transactions, make dividend payments or other distributions or payments to shareholders or undertake other actions to implement the policy of the Government rather than to foster the commercial interests of ADCB.

Additionally, as at the date of this Base Prospectus, ten of the 11 members of ADCB's board of directors (the "**Board**") are elected by ADCB's shareholders. The Council, as the majority shareholder, has the right to appoint a proportionate number of members of the Board to its shareholding in ADCB. As at the date of this Base Prospectus, the Chairman of the Board is one of the directors appointed by the Council and the Council has appointed five other members of the Board. The Board, in turn, appoints the Group Chief Executive Officer ("**GCEO**") and specifies his powers and authority in controlling and monitoring ADCB's business on a day-to-day basis, recommending strategy to the Board, leading senior management and implementing the Board's strategic and operational decisions. Although ADCB's corporate governance policies have been designed on the basis of international best practice and the Basel Committee's guidelines on corporate governance, including specific, core principles designed to ensure (amongst other things) accountability in the relationships between the Board and the shareholders, the Council is able to exert significant influence in the composition of the Board and, through the Board's ability to specify the powers of the GCEO, the day-to-day management of ADCB's business.

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

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

Under Abu Dhabi law, except in certain limited areas, only UAE nationals can own real estate. Because ADCB is not wholly-owned by UAE nationals, it is not able to be registered as an owner of real estate situated in Abu Dhabi, outside such limited areas. This does not apply to ADCB's current headquarters and certain other plots, which were historically registered in ADCB's name. ADCB has, on occasion, resolved this issue by arranging for a director or executive, or companies associated with them, to hold property located in Abu Dhabi on behalf of ADCB. While this arrangement has proven an effective means of complying with Abu Dhabi law, it exposes ADCB or its related funds to certain risks with respect to certain real estate properties, including the risk of such property passing to the custodian's heirs under *Shari'a* law if the custodian were to die intestate. As at 31 December 2017, Jasem Al Darmaki, ADCB's former head of government banking, held properties located in the UAE as custodian for ADCB, including ADCB's office building, situated at Al Nahyan Camp in Abu Dhabi City. If ADCB loses its ownership interest in, or loses any proceeds from, any of these real estate properties as a result of the foregoing, it could materially adversely affect ADCB's business, results of operations and financial condition.

Tax changes in the UAE may have an adverse effect on ADCB

As at the date of this Base Prospectus, ADCB is not currently subject to corporation tax on its earnings within the UAE. However, investors should be aware that with effect from 1 January 2018, certain of the GCC states (including the UAE) have implemented a VAT regime at a rate of 5 per cent, with the remaining GCC states expected to implement VAT in 2019.

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

As at the date of this Base Prospectus, it is not possible to accurately and fully predict the impact of the new VAT regime on ADCB's business, results of operations and financial condition. However, it is possible that, as a result of the introduction of VAT in the UAE, ADCB's costs will increase and its future profitability could be negatively affected.

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

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

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

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

Given the levels of exposure amongst regional financial institutions to other pegged currencies, it is also likely that such currency de-valuation(s) would adversely impact the banking systems in the UAE and across the wider GCC. As at 31 December 2017, ADCB's U.S. dollar, and other currencies pegged to the U.S. dollar, net short funding spot delta was approximately U.S.$5.5 billion which is within the board of directors' approved limit of U.S.$7.5 billion. Any de-peg of these currencies will have an impact on ADCB's financial condition. As at 31 December 2017, a +/- 5 per cent. sensitivity to these funding pegged currencies is estimated to have an impact of U.S.$275 million loss or gain on ADCB's income statement. In addition, as at 31 December 2017, ADCB's net U.S. dollar, pegged and non-pegged, trading spot delta was approximately short U.S.$154 million which is within the board of directors' approved limit of U.S.$2.0 billion.

While the Central Bank has, as recently as June 2016, re-iterated its intention to retain the UAE dirham peg against the U.S. dollar, there can be no assurance that the UAE dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects ADCB's result of operations and financial condition. Additionally, any such de-pegging either in the UAE or across the wider region, particularly if such de-pegging is accompanied by the anticipated currency de-valuations against the U.S. dollar (as described above), could have an adverse effect on ADCB's business, results of operations and financial condition, and thereby affect the Issuer's and/or ADCB's ability to perform its obligations in respect of any Notes and/or the Guarantee.

Investing in securities involving emerging markets countries, such as the UAE, generally involves a higher degree of risk than investments in securities of issuers from more developed countries

Investing in securities involving emerging markets countries, such as the UAE, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. In the case of the UAE, these higher risks include those discussed herein as well as higher volatility and limited liquidity in its markets, a heightened risk of sudden changes in the legal, economic and political environment, instability in neighbouring countries, a heightened risk of business dealings in jurisdictions with operating risks relating to fraud, bribery and corruption and lack of adequate infrastructure necessary to accelerate economic growth.

In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the Notes, will not be affected negatively by events elsewhere, especially in emerging markets. International investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment consequently becomes out of favour with such investors. If such a "contagion" effect were to occur, the trading price of the Notes could be adversely affected by negative economic or financial developments in other emerging market countries, particularly in the MENA region, over which ADCB has no control.

Additionally, emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit, or the increased cost of debt, which could result in their experiencing financial difficulty. No assurance can be given that this will not be the case in the future for the UAE.

As a consequence, an investment in the Notes carries risks that are not typically associated with investing in notes issued by issuers in more mature markets. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved.

Risks relating to enforcement

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

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

Under current UAE law, the UAE courts are unlikely to enforce an English court judgment without first re-examining the merits of the claim, to which they may simply apply UAE law; thus ignoring the choice by the parties of English law as the governing law of the transaction. In the unlikely event that the parties' choice was respected, it is important to note that in the UAE, foreign law is required to be established as a question of fact. Therefore, the interpretation of English law by a court in the UAE may not accord with that of an English court.

In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or which is contrary to any mandatory law of, or applicable in, the UAE.

Further, pursuant to Article 20 of Federal Law No. 11 of 1992 (as amended by Federal Law No. 30 of 2005) (the "**Law of Civil Procedure**"), the UAE courts will almost always assume jurisdiction in respect of claims against UAE nationals, UAE corporate entities and foreigners who are UAE residents, irrespective of any agreement between the parties in respect of jurisdiction and applicable laws.

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

The Senior Notes (as defined in Condition 1 (*Form, Denomination and Title*)), the Guarantee and the Agency Agreement are governed by English law and the parties to such documents and the Subordinated Notes (as defined in Condition 1 (*Form, Denomination and Title*)) 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, 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 or ADCB) the courts of England and Wales are stated to have jurisdiction to settle any disputes).

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 as a foreign award 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.

How the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems independent of the federal system, and whose rulings may have no more than persuasive force cross-border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign awards under the UAE Federal Law No. 1 of 1992 as amended, or ignoring the provisions of Article 238 of the Law of Civil Procedure. Article 238 of the Law of Civil Procedure provides that Articles 235 to 237 (which deal with enforcement of foreign judgments, orders and instruments and which contain onerous requirements which must be satisfied before enforcement will be considered by the UAE courts) apply only in the absence of multilateral or bilateral conventions such as the New York Convention. Therefore, there remains a risk that when faced with an action for enforcement of a foreign arbitration award under the New York Convention, the UAE courts might continue to ignore Article 238 of the Law of Civil Procedure and instead apply Articles 235 to 237. If Article 238 is ignored, there is a risk that a foreign arbitration award will be refused enforcement by the UAE courts.

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

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

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

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

FACTORS THAT MAY AFFECT ADCB FINANCE CAYMAN'S ABILITY TO FULFIL ITS OBLIGATIONS IN RESPECT OF NOTES ISSUED UNDER THE PROGRAMME

ADCB Finance Cayman has only a limited operating history and no material assets of its own and is not expected to have any income, except payments received from ADCB, and the Noteholders may experience difficulties in effecting service of process on ADCB Finance Cayman

ADCB Finance Cayman is a special-purpose company incorporated under the Companies Law (as amended) in the Cayman Islands as an exempted company with limited liability and has only a limited operating history. ADCB Finance Cayman is not likely to engage in any business activity other than the issuance of Notes under this Programme, the issuance of notes under its A$2,000,000,000 Debt Issuance Programme (the "**AUD Programme**"), the issuance of shares of its capital and other activities incidental or related to the foregoing, including lending proceeds to ADCB. ADCB Finance Cayman is not expected to have any income except payments received from ADCB in respect of loans, which will be the only material source of funds available to meet the claims of the Noteholders against ADCB Finance Cayman. As ADCB Finance Cayman is a Cayman Islands company, it may not be possible for Noteholders to effect service of process outside the Cayman Islands upon ADCB Finance Cayman or its officers and directors.

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

Risks related to the structure of a particular issue of Notes

The Notes may be subject to optional redemption by the Issuer

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

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

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

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

In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security with a similar rate of return, which may have an adverse effect on the position of such investor. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the Early Redemption Amount. Potential investors should consider re-investment risk in light of other investments available at that time.

The Subordinated Notes may be redeemed prior to their final maturity date due to the occurrence of a Regulatory Redemption Event

Upon the occurrence and continuation of a Regulatory Redemption Event, the Subordinated Notes may be redeemed, together with any accrued but unpaid interest, in accordance with the Conditions but without the consent of the Noteholders (as more particularly described in Condition 8.2(b) (*Redemption and Purchase – Redemption for regulatory reasons* (*Regulatory Call*)). In such circumstances, an investor

may not be able to reinvest the redemption proceeds in a comparable security with a similar rate of return, which may have an adverse effect on the position of such investor. During any period when the Issuer may elect to redeem the Subordinated Notes, the market value of the Subordinated Notes generally will not rise substantially above the Regulatory Redemption Amount. Potential investors should consider re-investment risk in light of other investments available at that time.

Partly-paid Notes are subject to additional risks

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

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", (including LIBOR and EURIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". The Benchmark Regulation was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmark Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things: (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmark Regulation could have a material impact on any Notes linked to or referencing benchmarks, including LIBOR or EURIBOR, in particular, if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements of the Benchmark Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks" (including LIBOR or EURIBOR): (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark"; or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing the relevant benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms in making any investment decision with respect to any Notes linked to or referencing the relevant benchmark.

Future discontinuance of LIBOR may adversely affect the value of floating rate notes which reference LIBOR

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on floating rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be

determined under the Conditions, this may: (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time; or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any floating rate Notes which reference LIBOR.

Inverse Floating Rate Notes are subject to increased volatility

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

Fixed/Floating Rate Notes are subject to additional risk

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

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

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

Risks relating to Notes denominated in Renminbi

Notes denominated in Renminbi ("**RMB Notes**") may be issued under the Programme. A description of risks which may be relevant to an investor in RMB Notes is set out below:

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

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being developed.

Although, from 1 October 2016, Renminbi has been be added to the Special Drawing Rights basket created by the IMF, 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 schemes for Renminbi cross-border utilisation 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 out of the PRC. Despite the Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer or the Guarantor 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 the RMB Notes and the ability of the Issuer and the Guarantor to source Renminbi outside the PRC to service RMB Notes

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

While the People's Bank of China ("**PBoC**") has: (i) entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong; (ii) established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement; and (iii) is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC remains 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 PBoC although PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from 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 cases where the participating banks cannot source sufficient Renminbi through the above channels, they 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 Arrangements will not be terminated or amended in the future which will 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 or the Guarantor is required to source Renminbi in the offshore market to service the RMB Notes, there is no assurance that the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

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. Recently, the PBoC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to the RMB Notes 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 the investment made by a holder of the RMB Notes in that foreign currency will decline.

Investment in the RMB Notes is subject to currency risk

If the Issuer or the Guarantor is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the RMB Notes as a result of a RMB Currency Event (as defined in the Conditions), the Issuer or the Guarantor shall be entitled, on giving notice as soon as practicable to the investors in

accordance with the Conditions stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed in relation thereto, to settle any such payment in the Relevant Currency (as specified in the applicable Final Terms) converted using the Spot Rate for the relevant Rate Calculation Date (as defined in the Conditions) of any such interest or principal, as the case may be.

Payments with respect to the RMB Notes may be made only in the manner designated in the RMB Notes

All payments to investors in respect of the RMB Notes will be made solely: (i) for so long as the RMB Notes are represented by global certificates held with the common depositary, for Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or in the RMB Settlement Centre(s), if so specified in the applicable Final Terms; (ii) for so long as the RMB Notes are represented by global certificates, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures; or (iii) for so long as the RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or in the RMB Settlement Centre(s), if so specified in the applicable Final Terms, in accordance with prevailing rules and regulations. The Issuer or the Guarantor 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).

Gains on the transfer of the 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 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 regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual holder from the transfer of RMB Notes but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Holder from the transfer of RMB Notes.

However, uncertainty remains as to whether the gain realised from the transfer of RMB Notes by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and become 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 EIT or IIT on capital gains derived from a sale or exchange of the 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, 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

Basel III Reforms – Future UAE legislation on loss absorbency at the point of non-viability may have adverse effects for Noteholders

The Basel III Reforms provide that instruments, such as the Subordinated Notes, which do not contain any contractual terms providing for, at the option of the relevant authority, the writing off of the principal amount of such instruments or the conversion of such instruments into ordinary shares upon the occurrence of a Non-Viability Event (as defined below), will, subject to implementation of the Basel III Reforms and to applicable transitional provisions, cease to be eligible to count in full as regulatory capital from 1 January 2013 unless, among other things, the jurisdiction of the relevant bank has in place laws that: (i) require such instruments to be written down upon the occurrence of a Non-Viability Event; or (ii) otherwise require such instruments fully to absorb losses before tax payers are exposed to loss.

On 23 February 2017, the Central Bank published the February 2017 Regulations which are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III Reforms, whilst implementing the measures contained in the Central Bank's May 2016 published Consultation Document. The February 2017 Regulations are supported by the Accompanying Standards which were published by the Central Bank on 17 January 2018 and which elaborate on the supervisory expectations of the Central Bank with respect to the relevant Basel III capital adequacy requirements. The Accompanying Standards also provide that the Central Bank will publish a "Capital Issuance Standard" which will provide further clarity on the grandfathering treatment that the Central Bank intends to apply to pre-existing Tier 1 or Tier 2 capital instruments (as so classified under Basel II principles) issued by UAE financial institutions, including ADCB. See " – *ADCB's business, results of operations and financial condition could be adversely affected by regulatory risks – ADCB is a highly regulated entity and changes in applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on ADCB's business, results of operations and financial condition*".

As at the date of this Base Prospectus, the UAE has not implemented a law that would require loss absorbency for bank capital instruments on the occurrence of a Non-Viability Event. While the February 2017 Regulations and the Accompanying Standards confirm that any capital instruments issued by UAE banks must contain a loss absorption feature on the occurrence of a Non-Viability Event in order to achieve Regulatory Capital classification from the Central Bank, this loss absorption feature must be provided for contractually in the absence of a statutory loss absorption framework in the UAE as at the date of this Base Prospectus. To the extent that the UAE introduces a statutory resolution regime to implement loss absorbency upon the occurrence of a Non-Viability Event, either through the writing off of the principal amount of the instruments or the conversion of such instruments into ordinary shares, it is unclear how such a regime will apply to banks in the UAE or how it may be interpreted within the UAE and whether and to what extent it will affect any Subordinated Notes issued from time to time under the Programme.

If the implementation by the UAE of any such statutory loss absorption regime or any other relevant laws, rules or guidelines gives rise to a Regulatory Redemption Event (as defined and more particularly described in Condition 8.2(b) (*Redemption and Purchase – Redemption for regulatory reasons (Regulatory Call)*), in respect of the Subordinated Notes, the Subordinated Notes may be redeemed pursuant to Condition 8.2(b) (*Redemption and Purchase – Redemption for regulatory reasons (Regulatory Call)*) without the consent of the Noteholders at any time after the applicable notice period to the Noteholders. See "– *The Subordinated Notes may be redeemed prior to their final maturity date due to the occurrence of a Regulatory Redemption Event*".

As used herein, "**Non-Viability Event**" means the earlier of: (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary; and (b) the decision to make a public sector injection of capital, or equivalent support, without which the relevant bank would become non-viable, in each case as determined by the relevant authority. This definition is for illustrative purposes only and may not necessarily reflect the meaning ascribed to the term "**Non-Viability Event**" (or any term equivalent thereto) pursuant to any law or regulation implementing the loss absorbency requirement in the UAE as part of the Basel III Reforms.

The Subordinated Notes and the Guarantee in respect of the Subordinated Notes are expressed to rank junior to unsubordinated creditors of, respectively, the Issuer and the Guarantor

The Subordinated Notes and the Guarantee in respect of the Subordinated Notes shall constitute subordinated obligations of, respectively, the Issuer and the Guarantor, as more particularly described in Condition 3 (*Status*). Accordingly, in the event of a winding-up or administration of the Issuer or the Guarantor, as the case may be, or an analogous process under the laws of the Cayman Islands, the UAE or any Emirate therein, the rights and claims of the Noteholders will be contractually subordinated to, respectively, Senior Creditors of the Issuer (as defined in Condition 3.3 (*Status of the Subordinated Notes*)) or Senior Creditors of the Guarantor (as defined in Condition 3.4 (*Status of the Guarantee in respect of the Subordinated Notes*)), as the case may be, and the relevant liquidator, applying the contractual terms, would first apply assets of, respectively, the Issuer or the Guarantor, as the case may be, to satisfy claims of, respectively, all Senior Creditors of the Issuer or all Senior Creditors of the Guarantor, as the case may be. The Subordinated Notes will share equally in payment with the subordinated obligations of the Issuer or, as the case may be, the Guarantor if, respectively, the Issuer or,

as the case may be, the Guarantor, does not have sufficient funds to make full payment on all of them. In such a situation, Subordinated Noteholders could lose all or some of their investment.

The subordination provisions of the Subordinated Notes and the Guarantee in respect of the Subordinated Notes may not be effective under the laws of the UAE

Notwithstanding that the Subordinated Notes and the Guarantee in respect of the Subordinated Notes are expressed to constitute subordinated obligations of, respectively, the Issuer and the Guarantor, as more particularly described in Condition 3 (*Status*), the effectiveness of subordination of payment obligations has not been considered by a UAE court. Therefore, a liquidator or other such official may require *pari passu* treatment of all creditor claims (whether expressed to be subordinated, including any creditor claims expressed to be subordinated to claims under the Guarantee in respect of the Subordinated Notes or otherwise) made in connection with any winding up, liquidation or analogous proceeding of an entity subject to UAE law, such as ADCB. In such circumstances, if the Issuer and the Guarantor do not have sufficient funds to make full payments on all such obligations, the claims of holders of the Senior Notes and (as applicable) Subordinated Notes would be reduced accordingly and such holders could lose all or part of their investment.

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

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

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

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

A change of law may adversely affect the Notes

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

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

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

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

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

Notes issued under the Programme will be represented on issue by one or more Global Notes or Global Note Certificates that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for the Depository Trust Company ("**DTC**"). Except in the circumstances described in each Global Note or Global Note Certificate, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global

Note or Global Note Certificate held through it. While the Notes are represented by a Global Note or Global Note Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants and the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note or Global Note Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Notes. The Issuer shall have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note or Global Note Certificate.

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

Legal investment considerations may restrict certain investments

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

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

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

A secondary market may not develop for any Notes

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

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

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

Notes may be subject to exchange rate risks and exchange controls

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

The Issuer or, as the case may be, ADCB will pay principal and any interest due on any Notes in the currency specified in the applicable Final Terms (the "**Specified Currency**"). If an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency, it may therefore bear certain exchange rate risks. These include: (i) the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency); and (ii) the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. Any appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes.

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

Credit ratings may not reflect all risks

As at the date of this Base Prospectus, ADCB's long term credit rating is A+ with a "stable outlook" by Fitch and A with a "stable outlook" by Standard & Poor's. Each of Standard & Poor's and Fitch is established in the European Union and is registered under the CRA Regulation.

One or more independent credit rating agencies may also assign credit ratings to ADCB or any Notes. Any ratings of either ADCB or the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of any Notes. There is no assurance that the ratings will remain in effect for any given period of time or that the ratings will not be lowered or withdrawn entirely if circumstances in the future so warrant.

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). 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-registered 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 ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Implied Government support may not be reflected in applicable credit ratings

The Government, through the Council, is ADCB's majority shareholder, holding a 62.52 per cent. stake as at the date of this Base Prospectus. The methodology applied by one or more credit rating agencies in assigning credit ratings to ADCB and/or any Notes from time to time may take into account support which might be expected to be provided to ADCB as a result of such ownership. However, there can be no assurance that any future credit ratings assigned to ADCB and/or any Notes will in fact reflect such

implied support nor that any credit ratings which do reflect such support will continue to do so after they are first assigned. In addition, in applying their respective ratings methodologies to Notes issued under the Programme, applicable credit rating agencies may form a different view as to the likelihood of support being provided by the Government in respect of Senior Notes as compared to Subordinated Notes, and the corresponding credit ratings may be affected accordingly. Furthermore, even if applicable credit ratings do reflect such support, there can be no assurance that any such support will be provided. See "– *The Notes will not be guaranteed by the Government*".

DESCRIPTION OF THE PROGRAMME

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

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

Issuer	ADCB Finance (Cayman) Limited
Guarantor	Abu Dhabi Commercial Bank PJSC
Abu Dhabi Commercial Bank PJSC	ADCB is a public joint stock company incorporated in Abu Dhabi, UAE. Since its incorporation on 2 May 1985, the Government has always held, indirectly, a controlling interest of at least 58.1 per cent. of the share capital in ADCB. As at the date of this Base Prospectus, the Government holds, through the Council, 62.52 per cent. of ADCB's share capital with the remaining share capital divided between UAE national and corporate holders (22.62 per cent. as at 31 December 2017) and non-UAE national and corporate holders (14.86 per cent. as at 31 December 2017). ADCB has a network of 47 branches, three pay offices and 358 ATMs in the UAE, two branches in India, one offshore branch in Jersey and representative offices in London and in Singapore, and had 5,100 employees as at 31 December 2017. ADCB's total assets as at 31 December 2017 were AED 265.0 billion and its net profit for the year ended on that date was AED 4,278 million. ADCB is listed on the Abu Dhabi Securities Exchange and had a market capitalisation of approximately AED 35.3 billion as at 31 December 2017.
Description	Global Medium Term Note Programme
Arranger	Merrill Lynch International
Dealers	Abu Dhabi Commercial Bank PJSC Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch ING Bank N.V. J.P. Morgan Securities plc Merrill Lynch International Morgan Stanley & Co. International plc Standard Chartered Bank ADCB may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme.

Certain restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*") including the following restrictions applicable as at the date of this Base Prospectus. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see "*Subscription and Sale and Transfer and Selling Restrictions*").
Issuing and Principal Paying Agent	Deutsche Bank AG, London Branch
Euro Registrar and Paying Agent	Deutsche Bank Luxembourg S.A.
U.S. Registrar and Paying Agent	Deutsche Bank Trust Company Americas
Programme Size	Up to U.S.$9,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. ADCB may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer, the Guarantor and the relevant Dealer.
Redenomination	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5 (*Redenomination*).
Maturities	The Notes will have such maturities as may be agreed between the Issuer, the Guarantor and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Fixed Rate Notes

Fixed interest will be payable on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

Floating Rate Notes

Floating Rate Notes will bear interest at a rate determined:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) plus or minus the applicable margin; or

(ii) on the basis of the relevant Reference Rate as adjusted for any applicable margin; or

(iii) on such other basis as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer, the Guarantor and the relevant Dealer for each Series of Floating Rate Notes.

Other provisions in relation to Floating Rate Notes

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, the Guarantor and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

Reset Notes

Reset Notes will bear interest:

(i) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and

(ii) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Principal Paying Agent on the relevant Reset Determination Date in accordance with Condition 6.3(a),

payable, in each case, in arrear on the Interest Payment Date(s) (as specified in the applicable Final Terms).

Interest Period and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series.

Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the

applicable Final Terms.

Zero Coupon Notes

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (including, where specified as being applicable in the applicable Final Terms following the occurrence of a Change of Control Event as described below) upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified in the applicable Final Terms prior to such stated maturity, and at a price or prices specified in the applicable Final Terms and on such other terms as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

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

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

Change of Control

If so specified in the applicable Final Terms, on the occurrence of a Change of Control Event the holders of Senior Notes shall have the right as described in Condition 8.4 (*Redemption and Purchase – Redemption at the option of the Noteholders* (*Investor Put and Change of Control Put*)) to require the Issuer to redeem their Senior Notes.

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

Regulatory Redemption

If so specified in the applicable Final Terms, if a Regulatory Redemption Event has occurred and is continuing, the Issuer shall have the right as described in Condition 8.2(b) (*Redemption and Purchase – Redemption for regulatory reasons* (*Regulatory Call*)) to redeem the Subordinated Notes.

A Regulatory Redemption Event will occur if, as a result of any change, after the date on which agreement is reached to issue the first Tranche of the Notes, to any applicable regulatory rules or to the application or official interpretation thereof at any relevant time which has been announced in an official publication of the Regulator (as defined in Condition 8.2(a) (*Redemption and Purchase – Redemption for tax reasons*)) or of any other relevant

	governmental, regulatory or judicial body in the UAE, the Subordinated Notes are fully excluded from the Tier 2 Capital of the ADCB Group (save where such exclusion is only as a result of any applicable limitation on the amount of such capital), **provided that** the Subordinated Notes have qualified as Tier 2 Capital at any time following the Issue Date.
Denomination of Notes	The Notes will be issued in such denominations as may be agreed between the Issuer, the Guarantor and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain restrictions*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent thereof in any other currency).
Taxation	All payments in respect of the Notes and under the Guarantee will be made without deduction for or on account of withholding taxes imposed by any Relevant Tax Jurisdiction as provided in Condition 9 (*Taxation*). In the event that any such deduction is made, the Issuer and the Guarantor will, save in certain limited circumstances provided in Condition 9 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4 (*Negative Pledge*).
Cross-Default	The terms of the Senior Notes will contain a cross-default provision as further described in Condition 11 (*Events of Default*).
Status of the Senior Notes	The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.
Status of the Guarantee in respect of the Senior Notes	The obligations of the Guarantor under the Guarantee in respect of Senior Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.
Status and Subordination of the Subordinated Notes	The Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims

	of the Noteholders against the Issuer in respect of the Subordinated Notes will be subordinated as described in Condition 3.3 (*Status – Status of the Subordinated Notes*).
Status of the Guarantee in respect of the Subordinated Notes	The Guarantee in respect of the Subordinated Notes will be direct, unsecured and subordinated obligations of the Guarantor. The rights and claims of the Noteholders against the Guarantor under the Guarantee in respect of the Subordinated Notes will be subordinated as described in Condition 3.4 (*Status – Status of the Guarantee in respect of the Subordinated Notes*).
Rating	ADCB has been rated A by Standard & Poor's and A+ by Fitch, in each case with a stable outlook. Each of Standard & Poor's and Fitch is established in the European Union and is registered under the CRA Regulation. Each Series of Notes may be unrated or rated by all or one or two only of the credit rating agencies. Where a Series of Notes is rated, such rating will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Approval, Listing and Admission to trading	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Main Securities 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, the Guarantor and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Clearing Systems	Euroclear and/or Clearstream, Luxembourg and/or DTC or, in relation to any Tranche of Notes, any other clearing system.
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including the United Kingdom), Japan, the Cayman Islands, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (excluding the Qatar Financial Centre), Singapore, Hong Kong, Malaysia, the State of Kuwait and 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) and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see "*Subscription and Sale and Transfer and Selling Restrictions*").
United States Selling Restrictions	Regulation S, Category 2. Rule 144A and TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms. ERISA restrictions.

DOCUMENTS INCORPORATED BY REFERENCE

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

- audited consolidated financial statements of ADCB as at and for the year ended 31 December 2017 (together with the notes to the consolidated financial statements and the auditors' report thereon) (an electronic copy of which is available at https://www.adcb.com/Images/4Q17_Financial_statement_English.pdf);

- audited consolidated financial statements of ADCB as at and for the year ended 31 December 2016 (together with the notes to the consolidated financial statements and the auditors' report thereon) (an electronic copy of which is available at http://www.adcb.com/Images/4Q16_Financial_statement_English.pdf);

- the Terms and Conditions of the Notes contained in the Base Prospectus dated 7 December 2011 (the "**2011 Terms and Conditions**"), pages 48 to 84 (inclusive) (an electronic copy of which is available at http://www.rns-pdf.londonstockexchange.com/rns/5354T_-2011-12-7.pdf);

- the Terms and Conditions of the Notes contained in the Base Prospectus dated 18 February 2013 (the "**2013 Terms and Conditions**"), pages 43 to 82 (inclusive) (an electronic copy of which is available at http://www.rns-pdf.londonstockexchange.com/rns/1134Y_-2013-2-18.pdf);

- the Terms and Conditions of the Notes contained in the Base Prospectus dated 18 February 2014 (the "**2014 Terms and Conditions**"), pages 47 to 89 (inclusive) (an electronic copy of which is available at http://www.ise.ie/debt_documents/Base%20Prospectus_9743464a-655d-4bf8-95bb-89a0dcc789d3.pdf?v=812015);

- the Terms and Conditions of the Notes contained in the Base Prospectus dated 24 February 2015 (the "**2015 Terms and Conditions**"), pages 48 to 90 (inclusive) (an electronic copy of which is available at http://www.ise.ie/debt_documents/Base%20Prospectus_45c8a68f-c34d-4a7e-96dd-e82eda4a8564.pdf?v=1302016);

- the Terms and Conditions of the Notes contained in the Base Prospectus dated 24 February 2016 (the "**2016 Terms and Conditions**"), pages 50 to 92 (inclusive) (an electronic copy of which is available at http://www.ise.ie/debt_documents/Base%20Prospectus_a739d446-d247-4444-b467-e410872311c9.pdf); and

- the Terms and Conditions of the Notes contained in the Base Prospectus dated 22 February 2017 (the "**2017 Terms and Conditions**"), pages 50 to 92 (inclusive) (an electronic copy of which is available at http://www.ise.ie/debt_documents/Base%20Prospectus_5bb92df2-20ea-40dc-97dc-75168978a0cf.pdf),

in each case prepared by the Issuer and the Guarantor in connection with the Programme.

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

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

If at any time the Issuer shall be required to prepare a supplement to the Base Prospectus pursuant to Part 8, Paragraph 51 of the Prospectus (Directive 2003/71/EC) Regulations 2005 of the Republic of Ireland (S.I. No. 324 of 2005) (the "**Irish Prospectus Regulations**"), the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange, shall constitute a supplemental base prospectus as required by Part 8, Paragraph 51 of the Irish Prospectus Regulations. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements

contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

FORM OF THE NOTES

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

Bearer Notes

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

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

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

Each Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) an Event of Default (as defined in Condition 11 (*Events of Default*)) has occurred and is continuing; or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

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

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE

LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED."

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

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

Registered Notes

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

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

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

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

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

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) an Event of Default has occurred and is continuing; (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act; or (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may

give notice to the Registrar requesting exchange. Any such exchange shall occur no later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

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

General

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

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (a "**Deed of Covenant**") dated 12 March 2018 and made by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

APPLICABLE FINAL TERMS

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

[**MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the]/[each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")]/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration he manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][2]

Final Terms dated [•]

ADCB FINANCE (CAYMAN) LIMITED

Issue of [•] [•]
unconditionally and irrevocably guaranteed by
ABU DHABI COMMERCIAL BANK PJSC
under the U.S.$9,000,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the base prospectus dated 12 March 2018 [and the supplemental prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended (the "**Prospectus Directive**"). [This document constitutes the applicable Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus][3]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these applicable Final Terms and the Base Prospectus. The Base Prospectus is available for viewing in accordance with Article 14 of the Prospectus Directive on the website of the Central Bank of Ireland (*http://www.centralbank.ie*) and during normal business hours at Abu Dhabi Commercial Bank PJSC, ADCB Tower, Head Office, Sheikh Zayed Street, P.O. Box 939, Abu Dhabi, United Arab Emirates, and copies may be obtained from Abu Dhabi Commercial Bank PJSC, ADCB Tower, Head Office, Sheikh Zayed Street, P.O. Box 939, Abu Dhabi, United Arab Emirates.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") contained in the Agency Agreement dated [•] and set forth in the base prospectus dated [•] [and the supplemental prospectus dated [•]] which are incorporated by reference into the base

---

[1] *Include only where "Prohibition of Sales to EEA Investors" in Part B is specified as "Applicable". Delete legend where "Prohibition of Sales to EEA Investors" in Part B is specified as "Not Applicable".*

[2] *Include where one/more of the Managers considers themselves a manufacturer for MiFID II purposes.*

[3] *Delete where the Notes are neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive.*

prospectus dated 12 March 2018. [This document constitutes the applicable Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC), as amended (the "**Prospectus Directive**") and must be read in conjunction with the base prospectus dated 12 March 2018 [and the supplemental prospectus dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive][4] (the "**Base Prospectus**"), save in respect of the Conditions. The Base Prospectus is available for viewing in accordance with Article 14 of the Prospectus Directive on the website of the Central Bank of Ireland (*http://www.centralbank.ie*) and during normal business hours at Abu Dhabi Commercial Bank PJSC, ADCB Tower, Head Office, Sheikh Zayed Street, P.O. Box 939, Abu Dhabi, United Arab Emirates, and copies may be obtained from Abu Dhabi Commercial Bank PJSC, ADCB Tower, Head Office, Sheikh Zayed Street, P.O. Box 939, Abu Dhabi, United Arab Emirates.]

1.	(a)	Issuer:	ADCB Finance (Cayman) Limited
	(b)	Guarantor:	Abu Dhabi Commercial Bank PJSC
2.	(a)	Series Number:	[•]
	[(b)]	Tranche Number:	[•]
	[(c)]	Date on which the Notes become fungible:	[Not Applicable]/[•]]
3.	Specified Currency or Currencies:		[•]
4.	Aggregate Nominal Amount of Notes admitted to trading:		[•]
	(a)	Series:	[•]
	(b)	Tranche:	[•]]
5.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6.	(a)	Specified Denominations (in the case of Registered Notes this means the minimum integral amount in which transfers can be made):	[•][and integral multiples of [•] in excess thereof]
	(b)	Calculation Amount:	[•]
7.	(a)	Issue Date:	[•]
	(b)	Interest Commencement Date:	[[•]/[Issue Date]/[Not Applicable]
8.	Maturity Date:		[•]
9.	Interest Basis:		[[•] per cent. Fixed Rate] [[•] +/– [•] per cent. Floating Rate] [Zero Coupon] [Reset Notes]
10.	Redemption/Payment Basis:		[Redemption at par] [Partly Paid] [Instalment]
11.	Change of Interest Basis or		[Applicable]/[Not Applicable]

[4] *Delete where the Notes are neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive.*

	Redemption/Payment Basis:		
12.	Put/Call Options:		[Investor Put] [Change of Control Put] [Issuer Call] [Regulatory Call]
13.	(a)	Status of the Notes:	[Senior]/[Subordinated]
	(b)	Status of the Guarantee:	[Senior]/[Subordinated]
	(c)	[Date [Board] approval for issuance of Notes and Guarantee obtained]:	[•] and [•], respectively

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions:		[Applicable]/[Not Applicable]
	(a)	Rate(s) of Interest:	[•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[[•] in arrear]
	(b)	Interest Payment Date(s):	[[•] in each year up to and including the Maturity Date]/[•]
	(c)	Fixed Coupon Amount(s):	[[•] per Calculation Amount]/[Not Applicable]
	(d)	Broken Amount(s):	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in]/[on] [•]/[Not Applicable]
	(e)	Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]/[Actual/365 (Fixed)]
	(f)	Determination Date(s):	[[•] in each year]/[Not Applicable]
	(g)	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]
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[•]
	(b)	Business Day Convention:	[Floating Rate Convention]/[Following Business Day Convention]/[Modified Following Business Day Convention]/[Preceding Business Day Convention]/[Not Applicable]
	(c)	Additional Business Centre(s):	[•]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination]/[ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[•]

(f) Screen Rate Determination:

(i)	Reference Rate:	[LIBOR]/[EURIBOR]/[KIBOR]/[SHIBOR]/ [HIBOR]/[KLIBOR]/[TRLIBOR]/[TRYLIBOR]/ [SIBOR]/[EIBOR]/[TIBOR]/[BBSW]/[SAIBOR]/[CDOR]/[STIBOR]/[BHIBOR]/[CIBOR]/[BKBM]/[NIOR]/[TAIBOR]/[JIBAR]/[CNH HIBOR]
(ii)	Interest Determination Date(s):	[•]
(iii)	Relevant Screen Page:	[•]
(iv)	Relevant Time:	[•]
(v)	Relevant Financial Centre:	[•]

(g) ISDA Determination:

(i)	Floating Rate Option:	[•]
(ii)	Designated Maturity:	[•]
(iii)	Reset Date:	[•]

(h)	Linear Interpolation:	[Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation]
(i)	Margin(s):	[+/-][•] per cent. per annum
(j)	Minimum Rate of Interest:	[•] per cent. per annum
(k)	Maximum Rate of Interest:	[•] per cent. per annum
(l)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]

16. Reset Note Provisions: [Applicable]/[Not Applicable]

(a)	Initial Rate of Interest:	[•] per cent. per annum payable in arrear on each Interest Payment Date
(b)	Interest Payment Date(s):	[•] [and [•]] in each year [up to and including the Maturity Date]
(c)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)] [Actual/365 (Fixed)]
(d)	Determination Date(s):	[[•] in each year]/[Not Applicable]

	(e)	Reset Date(s):	[•]
	(f)	Subsequent Reset Reference Rate(s) and Relevant Financial Centre:	Subsequent Reset Reference Rate: [Mid Swaps]/[Reference Bond]/[•]
	(g)	Reset Margin:	[•]
	(h)	Subsequent Reset Rate Screen Page:	[•]
	(i)	Mid Swap Maturity:	[•]
	(j)	Reset Determination Date:	[•]
	(k)	Subsequent Reset Rate Time:	[•]
17.	Zero Coupon Note Provisions:		[Applicable]/[Not Applicable]
	(a)	Accrual Yield:	[•] per cent. per annum
	(b)	Reference Price:	[•]
	(c)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 8.5(c) (*Early Redemption Amounts*) and 8.10 (*Late Payment on Zero Coupon Notes*) apply]/[•]

PROVISIONS RELATING TO REDEMPTION

18.	Issuer Call:		[Applicable]/[Not Applicable]
	(a)	Optional Redemption Date(s):	[•]
	(b)	Optional Redemption Amount:	[[•] per Calculation Amount]
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[•]
		(ii) Maximum Redemption Amount:	[•]
	(d)	Notice period (if other than as set out in the Conditions):	[•]
19.	Investor Put:		[Applicable]/[Not Applicable]
	(a)	Optional Redemption Date(s):	[•]
	(b)	Optional Redemption Amount:	[[•] per Calculation Amount]
	(c)	Notice period (if other than as set out in the Conditions):	[•]
20.	Change of Control Put:		[Applicable]/[Not Applicable]
	(a)	Change of Control Redemption Amount:	[[•] per Calculation Amount]
21.	Final Redemption Amount:		[[•] per Calculation Amount]

22.	Regulatory Call:		[Applicable]/[Not Applicable]
	(a)	Regulatory Redemption Amount:	[[•] per Calculation Amount]
	(b)	Notice period (if other than as set out in the Conditions):	[•]
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:		[[•] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for definitive Notes only upon an Exchange Event] [Temporary Bearer Global Note exchangeable for definitive Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for definitive Notes only upon an Exchange Event] [Registered Notes: [Regulations S Global Note registered in the name of a nominee for [DTC]/[a common depositary for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Note registered in the name of a nominee for [DTC]/[a common depositary for Euroclear and Clearstream, Luxembourg]] [Reg. S Compliance Category 2; [TEFRA C]/[TEFRA D]/[TEFRA not applicable]
25.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[•]/[Not Applicable]
26.	Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature):	[Yes]/[No]
27.	Partly Paid Notes:	[•]/[Not Applicable]
	(a) Instalment Amount(s):	[•]/[Not Applicable]
	(b) Instalment Date(s):	[•]/[Not Applicable]
28.	Redenomination applicable:	Redenomination [not] applicable
29.	RMB Settlement Centre(s):	[•]/[Not Applicable]
30.	RMB Currency Event:	[Applicable]/[Not Applicable]
31.	Relevant Currency for Condition 7.9 (*RMB Currency Event*):	[•]/[Not Applicable]

32.	Relevant Spot Rate Screen Pages for Condition 7.9 (*RMB Currency Event*):		
	(i)	Relevant Spot Rate Screen Page (Deliverable Basis):	[•]/[Not Applicable]
	(ii)	Relevant Spot Rate Screen Page (Non-deliverable basis):	[•]/[Not Applicable]
33.	Party responsible for calculating the Spot Rate for Condition 7.9 (*RMB Currency Event*):		[[•] (the "**Calculation Agent**")]/[Not Applicable]

Signed on behalf of the Issuer:

By: .....
Duly authorised

By: .....
Duly authorised

Signed on behalf of the Guarantor:

By: .....
Duly authorised

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING**

(a)	Listing and Admission to trading:	[Application [has been]/[is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List and to trading on the Main Securities Market with effect from [•]]/ [Not Applicable]
(b)	Estimate of total expenses related to admission to trading:	[•]/[Not Applicable]

2. **RATINGS**

Ratings:	[Fitch: [•]]
	[Standard & Poor's: [•]]

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

[Save for any fees payable to the [Managers]/[Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. 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, the Guarantor or their affiliates in the ordinary course of business for which they may receive fees.]

4. **YIELD (Fixed Rate Notes Only)**

Indication of yield:	[•]

5. **OPERATIONAL INFORMATION**

(a)	ISIN Code:	[•]
(b)	Common Code:	[•]
(c)	CUSIP:	[•]
(d)	CINS:	[•]
(e)	Any clearing system(s) other than DTC, Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[•]/[Not Applicable]
(f)	Delivery:	Delivery [against]/[free of] payment
(g)	Names and addresses of additional Paying Agent(s) (if any):	[•]/[Not Applicable]

6. **PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

[Applicable]/[Not Applicable]

7. **THIRD PARTY INFORMATION**

[[●] has been extracted from [●]. Each of the Issuer and the Guarantor 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]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, subject to completion in accordance with the provisions of Part A of the applicable Final Terms (and save for the text in italics) will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by ADCB Finance (Cayman) Limited (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

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

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency (each as specified in the applicable Final Terms);

(b) any Global Note;

(c) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form ("**Registered Notes**") issued in exchange for a Global Note in registered form.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated agency agreement (as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 12 March 2018 and made between the Issuer, Abu Dhabi Commercial Bank PJSC as guarantor (the "**Guarantor**"), Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents) and as exchange agent (the "**Exchange Agent**", which expression shall include any successor exchange agent), Deutsche Bank Luxembourg S.A. as euro registrar (the "**Euro Registrar**", which expression shall include any successor euro registrar) and as a transfer agent and Deutsche Bank Trust Company Americas as U.S. registrar (the "**U.S. Registrar**", which expression shall include any successor U.S. registrar, and, together with the Euro Registrar, the "**Registrars**") and as a transfer agent (together with Deutsche Bank Luxembourg S.A., the "**Transfer Agents**", which expression shall include any additional or successor transfer agents)).

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

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the applicable Final Terms attached to or endorsed on this Note which completes these Terms and Conditions (the "**Conditions**").

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

The payment of all amounts in respect of this Note has been guaranteed by the Guarantor pursuant to a guarantee (the "**Guarantee**") dated 12 March 2018 and executed by the Guarantor. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders, the Receiptholders and the Couponholders at its specified office.

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

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

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

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of a deed of covenant (the "**Deed of Covenant**") dated 12 March 2018 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the Guarantee, a deed poll (the "**Deed Poll**") dated 12 March 2018 and made by the Issuer and the Guarantor and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the specified office of each of the Paying Agents, the Registrar and Transfer Agents (such Agents and the Registrar being together referred to as the "**Agents**") and copies may be obtained from the registered office of the Issuer, ADCB Tower, Head Office, Sheikh Zayed Street, P.O. Box 939, Abu Dhabi, the United Arab Emirates. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

1. **Form, Denomination and Title**

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

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

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

This Note will either be unsubordinated in the manner described under Condition 3.1 below (a "**Senior Note**") or subordinated in the manner described under Condition 3.3 below (a "**Subordinated Note**") depending upon the status specified in the applicable Final Terms.

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

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as

otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

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

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

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

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

2. **Transfers of Registered Notes**

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

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

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

Subject as provided in paragraphs 2.5, 2.6 and 2.7 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer: (i) the holder or holders must: (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the

Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (B) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and (ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), deliver, or procure the delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so delivered or (at the risk of the transferor) sent to the transferor. A Registered Note may not be transferred unless the nominal amount of Registered Notes transferred and (where not all of the Registered Notes held by a transferor are being transferred) the nominal amount of the balance of Registered Notes not transferred are Specified Denominations.

2.3 **Registration of transfer upon partial redemption**

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

2.4 **Costs of registration**

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

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

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

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

In the case of (i) above, such transferee may take delivery through a Legended Note in global or definitive form. After expiry of the applicable Distribution Compliance Period: (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held

through DTC directly, by a participant in DTC, or indirectly through a participant in DTC; and (ii) such certification requirements will no longer apply to such transfers.

2.6 **Transfers of interests in Legended Notes**

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

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

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

2.7 **Exchanges and transfers of Registered Notes generally**

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

2.8 **Definitions**

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

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

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

"**QIB**" means a "qualified institutional buyer" within the meaning of Rule 144A; "**Regulation S**" means Regulation S under the Securities Act;

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

"**Rule 144A**" means Rule 144A under the Securities Act;

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

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

3. **Status**

3.1 **Status of the Senior Notes**

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

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

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

3.3 **Status of the Subordinated Notes**

The Subordinated Notes and any relative Receipts and Coupons are direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves.

In the event of:

(i) an order being made, or an effective resolution being passed, for the winding-up of the Issuer or an analogous process under the laws of the Cayman Islands (except, in any such case, a solvent winding-up or an analogous process under the laws of the Cayman Islands solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution: (x) have previously been approved by an Extraordinary Resolution; and (y) do not provide that the Subordinated Notes shall thereby become redeemable or repayable in accordance with these Conditions); or

(ii) an administrator of the Issuer (or official with an analogous position under Cayman Islands law) being appointed and such administrator (or official with an analogous position under Cayman Islands law) giving notice that it intends to declare and distribute a dividend,

the rights and claims of the Noteholders against the Issuer in respect of, or arising under, including any damages awarded for breach of any obligations under, the Subordinated Notes (whether on account of principal, interest or otherwise) will be subordinated to the claims of all Senior Creditors but will rank at least *pari passu* with the claims of holders of all other subordinated 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 will rank in priority to all claims of holders of all undated or perpetual subordinated obligations of the Issuer and to all claims of holders of all classes of share capital of the Issuer.

In this Condition 3.3, "**Senior Creditors**" shall mean creditors of the Issuer (including depositors) whose claims are admitted to proof in the winding up or administration of the Issuer (or an analogous process under the laws of the Cayman Islands) and who are unsubordinated creditors of the Issuer.

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 under the Subordinated Notes.

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

The Guarantee is a direct, unsecured and subordinated obligation of the Guarantor. In the event of:

(i) an order being made, or an effective resolution being passed, for the winding-up of the Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Guarantor of a successor in business of the Guarantor, the terms of which reorganisation, reconstruction, amalgamation or substitution: (x) have previously been approved by an Extraordinary Resolution; and (y) do not provide that the Subordinated Notes shall thereby become redeemable or repayable in accordance with these Conditions); or

(ii) an administrator of the Guarantor (or official with an analogous position under UAE law) being appointed and such administrator (or official with an analogous position under UAE law) giving notice that it intends to declare and distribute a dividend,

the rights and claims of the Noteholders against the Guarantor under the Guarantee in respect of or arising under, including any damages awarded for breach of any obligations under, the Subordinated Notes will be subordinated to the claims of all Senior Creditors but will rank at least *pari passu* with the claims of holders of all other subordinated obligations of the Guarantor which do not rank or are not expressed by their terms to rank junior to the payment obligations of the Guarantor under the Guarantee in respect of the Subordinated Notes and will rank in priority to all claims of holders of all undated or perpetual subordinated obligations of the Guarantor and to all claims of holders of all classes of share capital of the Guarantor.

In this Condition 3.4, "**Senior Creditors**" shall mean creditors of the Guarantor (including depositors) whose claims are admitted to prove in the winding up or administration of the Guarantor and who are unsubordinated creditors of the Guarantor.

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 the Guarantee in respect of the Subordinated Notes. No collateral is or will be given for the payment obligations under the Guarantee in respect of the Subordinated Notes and any collateral that may have been or may in the future be given in connection with other indebtedness of the Guarantor shall not secure the payment obligations of the Guarantor under the Guarantee in respect of the Subordinated Notes.

4. **Negative Pledge**

This Condition 4 only applies to Senior Notes.

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

In these Conditions:

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

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

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

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

"**Permitted Security Interest**" means:

(i) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;

(ii) any Security Interest arising by operation of law, **provided that** such Security Interest is discharged within 30 days of arising; and

(iii) any Security Interest granted to secure a Non-recourse Project Financing or to secure any Indebtedness or Sukuk Obligation incurred in connection with a Securitisation;

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

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

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

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

(i) whose affairs and policies the first Person controls or has power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person; and

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

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

5. **Redenomination**

5.1 **Redenomination**

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

The election will have effect as follows:

(a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, **provided that**, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer: (i) in the case of Relevant Notes in the denomination of euro 100,000 and/or such higher amounts as the Principal Paying Agent may determine and notify to the Noteholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 7; and (ii) in the case of Notes which are not Relevant Notes, in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (**provided that** such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as

shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes; and

(ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

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

(g) if the Notes are Floating Rate Notes, the applicable Final Terms will complete the provisions relating to interest.

5.2 **Definitions**

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

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

"**Established Rate**" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

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

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

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

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

6. **Interest**

6.1 **Interest on Fixed Rate Notes**

Each Fixed Rate Note (other than where the Specified Currency is Renminbi and the applicable Final Terms specifies a Business Day Convention to be applicable) bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Where the Specified Currency of a Fixed Rate Note is Renminbi and the applicable 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 applicable 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 CNH0.01, CNH0.005 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.

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

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

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

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

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

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

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

(a) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest

Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of: (A) the number of days in such Determination Period; and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of: (x) the number of days in such Determination Period; and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of: (x) the number of days in such Determination Period; and (y) the number of Determination Dates that would occur in one calendar year;

(b) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(c) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365.

In the Conditions:

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

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

6.2 **Interest on Floating Rate Notes**

(a) ***Interest Payment Dates***

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

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

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

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

In these Conditions, if a "**Business Day Convention**" is specified in the applicable Final Terms and: (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur; or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

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

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

(a) a day (other than a Saturday or Sunday) 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 each Additional Business Centre specified in the applicable Final Terms; and

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

(b) ***Rate of Interest***

The rate of interest (the "**Rate of Interest**") payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) *ISDA Determination for Floating Rate Notes*

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

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

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

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

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

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

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

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

(A) the offered quotation; or

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

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

determining the arithmetic mean (rounded as provided above) of such offered quotations.

(y) If the Relevant Screen Page is not available or, if sub-paragraph (x)(A) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(B) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the Relevant Time, subject as provided below, the Principal Paying Agent shall request the principal Relevant Financial Centre office of each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Principal Paying Agent; and

(z) if paragraph (y) above applies and the Principal Paying Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Financial Centre interbank market or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Principal Paying Agent it is quoting to leading banks in the Relevant Financial Centre interbank market **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period).

For the purposes of this Condition 6.2(b)(ii):

"**Interest Determination Date**" has the meaning specified in the applicable Final Terms;

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

"**Reference Rate**" means one of the following benchmark rates (as specified in the applicable Final Terms) in respect of the currency and period specified in the applicable Final Terms:

- LIBOR;
- EURIBOR;
- the Kuwait Interbank Offered Rate ("**KIBOR**");
- the Shanghai Interbank Offered Rate ("**SHIBOR**");
- the Hong Kong Interbank Offered Rate ("**HIBOR**");
- the Kuala Lumpur Interbank Offered Rate ("**KLIBOR**");
- the Turkish Lira Interbank Offered Rate ("**TRLIBOR**" or "**TRYLIBOR**");
- the Singapore Interbank Offered Rate ("**SIBOR**");
- the Emirates Interbank Offered Rate ("**EIBOR**");
- the Tokyo Interbank Offered Rate ("**TIBOR**");
- the Australia Bank Bill Swap ("**BBSW**");
- the Saudi Arabia Interbank Offered Rate ("**SAIBOR**");
- the Canadian Dollar Offered Rate ("**CDOR**");
- the Stockholm Interbank Offered Rate ("**STIBOR**");
- the Bahrain Dinar Interbank Offered Rate ("**BHIBOR**");
- the Copenhagen Interbank Offered Rate ("**CIBOR**");
- the New Zealand Dollar Bank Bill ("**BKBM**");
- the Norwegian Interbank Offered Rate ("**NIOR**");
- the Taipei Interbank Offered Rate ("**TAIBOR**");
- the Johannesburg Interbank Average Rate ("**JIBAR**"); or
- the CNH Hong Kong Interbank Offered Rate ("**CNH HIBOR**"),

"**Relevant Financial Centre**" means the financial centre specified as such in the applicable Final Terms;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms; and

"**Relevant Time**" means the time specified as such in the applicable Final Terms.

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

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

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

Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

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

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

The Principal Paying Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will (other than for Adjusted Renminbi Fixed Rate Notes) calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

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

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

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of: (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Interest Period falling in a non- leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

Where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

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

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Interest Period, unless: (i) that day is the last day of February; or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless: (i) that day is the last day of February but not the Maturity Date; or (ii) such number would be 31, in which case D_2 will be 30.

(e) ***Linear Interpolation***

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Period, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period **provided that**, if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means: (i) in relation to Screen Rate Determination, the period of time designated in the Reference Rate; and (ii) in relation to ISDA Determination, the Designated Maturity.

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

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

(g) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2 or Condition 7.9, whether by the Principal Paying Agent or, if applicable and in the case of Condition 7.9, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as

aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable and in the case of Condition 7.9, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 **Interest on Reset Notes**

(a) ***Rates of Interest***

Each Reset Note bears interest:

(i) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and

(ii) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Principal Paying Agent on the relevant Reset Determination Date in accordance with this Condition 6.3(a).

payable, in each case, in arrear on the Interest Payment Date(s) (as specified in the applicable Final Terms).

As used in these Conditions:

"**Initial Rate of Interest**" has the meaning specified in the applicable Final Terms.

"**Mid Swap Benchmark Rate**" means EURIBOR if the Specified Currency is euro or LIBOR if the Specified Currency is not euro.

"**Mid Swap Maturity**" has the meaning specified in the applicable Final Terms.

"**Mid Swap Rate**" means for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg, payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Principal Paying Agent), of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction: (a) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date; (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and (c) has a floating leg based on the Mid Swap Benchmark Rate for the Mid Swap Maturity as specified in the applicable Final Terms (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Principal Paying Agent).

"**Reference Bond**" means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the relevant Reset Period.

"**Reference Bond Price**" means, with respect to any Reset Determination Date: (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations; or (B) if the Principal Paying Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

"**Reference Government Bond Dealer**" means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are: (A) primary government securities dealers, and their respective successors; or (B) market makers in pricing corporate bond issues.

"**Reference Government Bond Dealer Quotations**" means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Principal Paying Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Principal Paying Agent by such Reference Government Bond Dealer.

"**Reset Date(s)**" means the date(s) specified in the applicable Final Terms.

"**Reset Determination Date**" means for each Reset Period the date as specified in the applicable Final Terms falling on or before the commencement of such Reset Period on which the rate of interest applying during such Reset Period will be determined.

"**Reset Margin**" means the margin specified in the applicable Final Terms.

"**Reset Period**" means the period from (and including) the first Reset Date to (but excluding) the Maturity Date if there is only one Reset Period or, if there is more than one Reset Period, each period from (and including) one Reset Date (or the first Reset Date) to (but excluding) the next Reset Date up to (but excluding) the Maturity Date.

"**Subsequent Reset Rate**" for any Reset Period means the sum of: (i) the applicable Subsequent Reset Reference Rate; and (ii) the applicable Reset Margin (rounded down to four decimal places, with 0.00005 being rounded down).

"**Subsequent Reset Rate Screen Page**" has the meaning specified in the applicable Final Terms;

"**Subsequent Reset Rate Time**" has the meaning specified in the applicable Final Terms.

"**Subsequent Reset Reference Rate**" means either:

(A) if "**Mid Swaps**" is specified in the applicable Final Terms, the Mid Swap Rate displayed on the Subsequent Reset Rate Screen Page at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date for such Reset Period; or

(B) if "**Reference Bond**" is specified in the applicable Final Terms, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price.

The Principal Paying Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Reset Notes for the relevant period by applying the Initial Rate of Interest or the applicable Subsequent Reset Rate (as the case may be) to:

(A) in the case of Reset Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Reset Notes represented by such Global Note; or

(B) in the case of Reset Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with

applicable market convention. Where the Specified Denomination of a Reset Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Reset Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

"**Day Count Fraction**" and related definitions have the meanings given in Condition 6.1.

(b) ***Subsequent Reset Rate Screen Page***

If the Subsequent Reset Rate Screen Page is not available, the Principal Paying Agent shall request each of the Reference Banks (as defined below) to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Subsequent Reset Reference Rate at approximately the Subsequent Reset Rate Time on the Reset Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with such offered quotations, the Subsequent Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the applicable Reset Margin (if any), all as determined by the Principal Paying Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the foregoing provisions of this paragraph, the Subsequent Reset Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Subsequent Reset Rate shall be the Initial Rate of Interest.

For the purposes of this Condition 6.3(b):

"**Reference Banks**" means the principal office in the Relevant Financial Centre of four major banks in the swap, money, securities or other market most closely connected with the Subsequent Reset Reference Rate as selected by the Issuer on the advice of an investment bank of international repute.

"**Relevant Financial Centre**" means the financial centre specified as such in the applicable Final Terms or if none is so specified: (i) the case of a determination of LIBOR, London; (ii) in the case of a determination of EURIBOR, Brussels; (iii) in the case of a determination of SIBOR, Singapore; (iv) in the case of a determination of TIBOR, Tokyo; (v) in the case of a determination of HIBOR, Hong Kong; or (vi) in the case of a determination of the Bank of England Base Rate, London.

(c) ***Notification of Subsequent Reset Rate and Interest Amounts***

The Principal Paying Agent will cause the Subsequent Reset Rate and each Interest Amount for each Reset Period to be notified to the Issuer and any stock exchange on which the relevant Reset Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount as notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment). Any such amendment will be promptly notified to any stock exchange on which the relevant Reset Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(d) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.3 by the Principal Paying Agent shall (in the absence of wilful default, bad

faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Paying Agents and all Noteholders and (in the absence of wilful default and bad faith) no liability to the Issuer or the Noteholders or any other person shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.4 **Interest on Partly Paid Notes**

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

6.5 **Accrual of interest**

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

(i) the date on which all amounts due in respect of such Note have been paid; and

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

7. **Payments**

7.1 **Method of payment**

Subject as provided below:

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

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

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

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

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

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

Payment of the final instalment will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be

presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

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

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

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

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

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

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

7.4 **Payments in respect of Registered Notes**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if: (i) a holder does not have a Designated Account; or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn

on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business (in the relevant clearing system) on the day prior (whether or not such day is a business day) to the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

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

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

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

7.5 **General provisions applicable to payments**

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

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

(a) the Issuer and the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

7.6 **Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation;

(ii) each Additional Business Centre specified in the applicable Final Terms;

(iii) either: (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively); or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(iv) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

7.7 **Interpretation of principal and interest**

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

(a) any additional amounts which may be payable with respect to principal under Condition 9;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.5); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes. Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9.

7.8 **RMB account**

All payments in respect of any Note, Receipt or Coupon in RMB will be made solely by credit to a RMB account maintained by the payee at a bank in 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 RMB in the applicable RMB Settlement Centre(s)).

7.9 **RMB Currency Event**

If "**RMB Currency Event**" is specified as being applicable in the applicable Final Terms and a RMB Currency Event, as determined by the Issuer acting in good faith, exists on a date for payment of any principal or interest in respect of any Note, Receipt or Coupon, the Issuer's obligation to make a payment in RMB under the terms of the Notes may be replaced by an obligation to pay such amount in the Relevant Currency (as specified in the applicable 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 15 stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition:

"**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);

"**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;

"**Relevant Currency**" has the meaning given in the applicable 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 Macau Special Administrative Region of the PRC and Taiwan;

"**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 applicable Final Terms, the RMB Settlement Centre shall be deemed to be Hong Kong; and

"**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 applicable 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 applicable 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.

8. Redemption and Purchase

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount, in the relevant Specified Currency on the Maturity Date, in each case, as specified in the applicable Final Terms.

8.2 Redemption for tax and regulatory reasons

(a) ***Redemption for tax reasons***

The Notes may (subject, in the case of Subordinated Notes, to the prior approval of the Central Bank of the United Arab Emirates (the "**Regulator**", which expression shall include any successor thereto as the relevant regulator of banks in the United Arab Emirates) where required) be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Relevant Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

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

Prior to the publication of any notice of redemption pursuant to this Condition 8.2(a), the Issuer shall deliver to the Principal Paying Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

(b) ***Redemption for regulatory reasons (Regulatory Call)***

If Regulatory Call is specified in the applicable Final Terms, the Subordinated Notes may (subject to the prior approval of the Regulator where required) be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Subordinated Note is not a Floating Rate Note) or on any Interest Payment Date (if this Subordinated Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if a Regulatory Redemption Event has occurred and is continuing and if the circumstance that entitles the Issuer to exercise such redemption was not reasonably foreseeable on the date on which agreement is reached to issue the first Tranche of the Subordinated Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 8.2(b), the Issuer shall deliver to the Principal Paying Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the change to applicable regulatory rules or to the application or official interpretation thereof as described in the definition of "Regulatory Redemption Event" has occurred and is continuing.

Subordinated Notes redeemed pursuant to this Condition 8.2(b) will be redeemed at their Regulatory Redemption Amount as specified in the applicable Final Terms together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In this Condition 8.2(b):

"**Regulatory Redemption Event**" shall be deemed to have occurred if, as a result of any change, after the date on which agreement is reached to issue the first Tranche of the

Subordinated Notes, to any applicable regulatory rules or to the application or official interpretation thereof at any relevant time which has been announced in an official publication of the Regulator or of any other relevant governmental, regulatory or judicial body in the United Arab Emirates, the Subordinated Notes are fully excluded from the Tier 2 Capital of the Guarantor and its subsidiaries (save where such exclusion is only as a result of any applicable limitation on the amount of such capital), **provided that** the Subordinated Notes have qualified as Tier 2 Capital at any time following the Issue Date.

"**Tier 2 Capital**" means: (a) for so long as Circular 13/93 relating to Capital Adequacy published on 14 April 1993 by the Regulator (as the same may be supplemented or amended from time to time) (the "**Circular**") is applicable in the United Arab Emirates, Tier 2 (supplementary) Capital (as defined in the Circular); and (b) if the Circular is no longer applicable in the United Arab Emirates, or if Tier 2 (supplementary) Capital is no longer the applicable regulatory categorisation, such successor regulatory capital categorisation resulting from any change to any applicable regulatory rules or to the application or official interpretation thereof which has been announced in an official publication of the Regulator or of any other relevant governmental, regulatory or judicial body in the United Arab Emirates.

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

If Issuer Call is specified in the applicable Final Terms, the Issuer may, subject, in the case of Subordinated Notes to the prior approval of the Regulator where required, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

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

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

This Condition 8.4 only applies to Senior Notes.

(a) If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem or, at the Issuer's option, purchase (or procure the purchase of), subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest

accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed or, as the case may be, purchased under this Condition in any multiple of their lowest Specified Denomination. An Investor Put can only be exercised in accordance with this Condition 8.4, as supplemented by the applicable Final Terms.

(b) If Change of Control Put is specified in the applicable Final Terms and if a Change of Control Event occurs, the Issuer will, upon the holder of any Notes giving notice within the Change of Control Put Period to the Issuer in accordance with Condition 15 (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 8.2 or 8.3), redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Change of Control Put Date at the Change of Control Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Change of Control Put Date.

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

If 75 per cent. or more in nominal amount of the Notes of a Series then outstanding have been redeemed or, as the case may be, purchased, pursuant to this Condition 8.4(b), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (such notice to be given within 30 days of the Change of Control Put Date), redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of the remaining outstanding Notes of that Series at the Change of Control Redemption Amount together (if applicable) with interest accrued to (but excluding) the date fixed for redemption or purchase, as the case may be.

For the purpose of this Condition:

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

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

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

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

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

"**Government**" means the Government of Abu Dhabi.

To exercise the right to require redemption of this Note pursuant to Condition 8.4(a) or 8.4(b) above the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of

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

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

8.5 **Early Redemption Amounts**

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

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

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

8.6 **Instalments**

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

8.7 **Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of Conditions 8.1 to 8.5 above and as supplemented by the applicable Final Terms.

8.8 **Purchases**

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

8.9 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

8.10 **Late payment on Zero Coupon Notes**

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

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

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

9. **Taxation**

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

(a) presented for payment in a Relevant Tax Jurisdiction; or

(b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Relevant Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6).

As used herein:

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

(ii) "**Relevant Tax Jurisdiction**" means, in the case of any payment by the Issuer, the Cayman Islands or, in the case of any payment by the Guarantor, the United Arab Emirates or any Emirate therein or, in either case, any political subdivision or any authority thereof or therein having power to tax.

Notwithstanding anything to the contrary in these Conditions, the Issuer and the Guarantor shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 inclusive of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, the Guarantor, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Issuer, the Guarantor, any paying agent or any other person shall be required to pay any additional amounts with respect to any such withholding or deduction imposed on or with respect to any Note.

10. Prescription

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

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

11. Events of Default

11.1 Event of Default for Senior Notes

This Condition 11.1 only applies to Senior Notes.

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

(a) ***Non Payment***

Default is made in the payment of any principal or interest due in respect of the Notes or any of them or the Guarantee and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or

(b) ***Breach of Obligations***

The Issuer or the Guarantor fails to perform or observe any of its other obligations under the Conditions or the Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer or the Guarantor of notice requiring the same to be remedied; or

(c) ***Cross Acceleration***

(i) any Relevant Indebtedness of the Issuer or the Guarantor or any of the Guarantor's Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Relevant Indebtedness becomes due and payable prior to its stated maturity by reason of default (however described); or

(iii) the Issuer or the Guarantor or any of the Guarantor's Principal Subsidiaries fails to pay when due any amount payable by it under any guarantee of any Relevant Indebtedness, **provided that** the events mentioned in this paragraph (c) shall not constitute an Event of Default unless the aggregate amount of all such Relevant Indebtedness, either alone or when aggregated with all other indebtedness in respect of which such an event shall have occurred and be continuing, shall be more than U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Unsatisfied Judgments***

One or more final non-appealable judgments or orders for the payment of any sum which amount shall not be less than U.S.$20,000,000 is rendered against the Issuer or the Guarantor or any of the Guarantor's Principal Subsidiaries and continues unsatisfied and unstayed for a period of 30 days after the service of any Noteholder on the Issuer or the Guarantor of notice requiring the same to be remedied/paid; or

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

(i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries, save in connection with a Permitted Reorganisation; or

(ii) the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries ceases or threatens to cease to carry on the whole or a Substantial Part of its business, save in connection with a Permitted Reorganisation, or the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(iii) (A) proceedings are initiated against the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer, the Guarantor or the relevant Principal Subsidiary, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries or, as the case may be, in relation to the whole or a Substantial Part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a Substantial Part of the undertaking or assets of any of them, or a

distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a Substantial Part of the undertaking or assets of any of them; and (B) in any case (other than the appointment of an administrator) is not discharged within 45 days; or

(iv) the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or, save in connection with a Permitted Reorganisation, any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

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

(f) ***Illegality***

At any time it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any or all of its obligations under or in respect of the Notes or the Guarantee or any of the material obligations of the Issuer or the Guarantor thereunder are not or cease to be legal, valid, binding or enforceable; or

(g) ***Nationalisation etc.***

By or under the authority of any government: (i) the management of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries is wholly or partially displaced or the authority of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries in the conduct of its business is wholly or partially curtailed; or (ii) all or a majority of the issued share capital of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries or the whole or any part (the book value of which is 20 per cent. or more of the book value of the whole) of its revenues or assets is seized, nationalised, expropriated or compulsorily acquired; or

(h) ***Cessation of Guarantee***

The Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect,

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

For the purposes of this Condition:

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

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

(ii) the book value of the consolidated assets and the consolidated revenues of the Guarantor and its Subsidiaries, taken as a whole, shall be determined by reference to the Guarantor's then most recently audited consolidated annual financial statements; all as more fully set out in the Agency Agreement. A report by two Directors of the Guarantor that in their opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or through any particular period a Principal Subsidiary shall (in the absence of manifest or proven error) be conclusive and binding on the parties;

"**Permitted Reorganisation**" means:

(A) any disposal by any Subsidiary of the Guarantor of the whole or a substantial part of its business, undertaking or assets to the Guarantor or any Relevant Subsidiary of the Guarantor;

(B) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other Relevant Subsidiary of the Guarantor; or

(C) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution;

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

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

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

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

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

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 30 days; and

(v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement or Islamic financing) having the commercial effect of a borrowing.

11.2 **Events of Default for Subordinated Notes**

This Condition 11.2 only applies to Subordinated Notes.

(a) ***Non Payment***

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

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

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

(i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Guarantor, save in connection with a Permitted Reorganisation; or

(ii) (A) proceedings are initiated against the Issuer or the Guarantor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer or as the case may be, the Guarantor), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or the Guarantor or an encumbrancer takes possession of the whole or a Substantial Part of the undertaking or assets of the Issuer or the Guarantor, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a Substantial Part of the undertaking or assets of the Issuer or the Guarantor; and (B) in any case (other than the appointment of an administrator) is not discharged within 45 days; or

(iii) the Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or, save in connection with a Permitted Reorganisation, any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

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

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

(c) ***Breach of Obligations***

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

(d) ***Other Remedies***

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

breach by the Issuer or the Guarantor of any other obligation, condition or provision binding on it under the Notes, the Receipts or the Coupons.

12. **Replacement of Notes, Receipts, Coupons and Talons**

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

13. **Agents**

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

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

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in London.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

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

14. **Exchange of Talons**

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

15. **Notices**

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

such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

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

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

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

16. **Meetings of Noteholders and Modification**

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

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

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons, the Guarantee,

the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Receipts, the Coupons, the Guarantee, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

17. **Further Issues**

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

18. **Contracts (Rights of Third Parties) Act 1999**

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

19. **Governing Law and Submission to Jurisdiction**

19.1 **Governing law**

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

19.2 **Arbitration**

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

(a) the seat of arbitration shall be London, England;

(b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. Without prejudice to Article 8 of the LCIA Rules, in the event that one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

(c) the language of the arbitration shall be English.

On receipt by the Issuer of a Request for Arbitration as defined in the Rules initiated by a Noteholder, Receiptholder or Couponholder (as the case may be), the Issuer shall send a copy of

the Request for Arbitration to all Noteholders, Receiptholders or Couponholders, as applicable, (the "**Notification**") within 30 days of receipt. The arbitral proceedings shall be suspended until the earlier of the completion of the Notification process or 30 days following the receipt by the Issuer of a Request for Arbitration.

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

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

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

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

19.3 **Court of law**

Notwithstanding Condition 19.2 above, any Noteholder, Receiptholder or Couponholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

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

(b) in the event no arbitration is commenced,

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

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

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

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

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

19.4 **Submission to jurisdiction**

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

(a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;

(b) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(c) this Condition 19.4 is for the benefit of the Noteholders, the Receiptholders and the Couponholders only. As a result, and notwithstanding paragraph (a) above, any Noteholder, Receiptholder or Couponholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, any Noteholder, Receiptholder or Couponholder may take concurrent Proceedings in any number of jurisdictions.

19.5 **Appointment of Process Agent**

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

19.6 **Enforcement**

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

19.7 **Waiver of immunity**

Abu Dhabi Commercial Bank PJSC hereby irrevocably and unconditionally waives with respect to the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, judgment or award made or given in connection with any Proceedings or Disputes.

19.8 **Other documents**

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

USE OF PROCEEDS

The net proceeds from each issue of Notes will be lent by ADCB Finance Cayman to ADCB and will be applied by ADCB for its general corporate purposes.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial information of ADCB as at and for the years ended 31 December 2017, 2016 and 2015 has been extracted from the Financial Statements which have been incorporated by reference in, and which form a part of, this Base Prospectus.

The selected consolidated financial information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the information contained in "Presentation of Financial and Other Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of ADCB", the Financial Statements and the related notes thereto.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December		
	2017	**2016**	**2015**
		(AED thousands)	
Interest income	8,772,562	7,907,603	7,119,968
Interest expense	(3,031,135)	(2,411,589)	(1,481,601)
Net interest income	**5,741,427**	**5,496,014**	**5,638,367**
Income from Islamic financing	1,081,671	843,678	677,144
Islamic profit distribution	(122,040)	(138,519)	(109,712)
Net income from Islamic financing	**959,631**	**705,159**	**567,432**
Total net interest and Islamic financing income	**6,701,058**	**6,201,173**	**6,205,799**
Net fees and commission income	1,507,042	1,472,303	1,437,577
Net trading income	353,977	521,853	352,012
Net (losses)/gains from investment properties	(34,173)	15,582	192
Other operating income	367,420	284,536	264,906
Operating income	**8,895,324**	**8,495,447**	**8,260,486**
Operating expenses	(2,947,581)	(2,795,862)	(2,826,938)
Operating profit before impairment allowances	**5,947,743**	**5,699,585**	**5,433,548**
Impairment allowances	(1,673,620)	(1,520,518)	(501,548)
Share in profit of associate	9,845	7,821	1,302
Profit from operations before taxation	**4,283,968**	**4,186,888**	**4,933,302**
Overseas income tax expense	(6,360)	(29,820)	(6,233)
Net profit for the year	**4,277,608**	**4,157,068**	**4,927,069**

CONSOLIDATED BALANCE SHEET

	As at 31 December		
	2017	2016	2015
		(AED thousands)	
Assets			
Cash and balances with central banks	19,997,123	19,261,902	20,180,277
Deposits and balances due from banks, net	11,451,956	24,663,615	22,381,921
Reverse-repo placements	98,578	1,524,806	4,256,277
Trading securities	485,301	418,758	62,261
Derivative financial instruments	3,820,364	3,971,789	4,001,908
Investment securities	49,191,657	33,059,466	20,863,607
Loans and advances to customers, net	163,282,230	158,457,695	146,250,462
Investment in associate	205,372	204,977	197,156
Investment properties	634,780	659,776	647,647
Other assets	14,857,038	15,120,988	8,571,640
Property and equipment, net	960,096	926,685	835,145
Intangible assets	18,800	18,800	18,800
Total assets	**265,003,295**	**258,289,257**	**228,267,101**
Liabilities			
Due to banks	5,177,129	3,842,714	1,691,793
Derivative financial instruments	4,234,481	4,792,529	4,741,180
Deposits from customers	163,078,386	155,442,207	143,526,296
Euro commercial paper	2,909,845	8,728,533	5,700,064
Borrowings	40,555,195	38,015,030	33,471,731
Other liabilities	16,603,319	17,117,359	10,403,234
Total liabilities	**232,558,355**	**227,938,372**	**199,534,298**
Equity			
Share capital	5,198,231	5,198,231	5,595,597
Share premium	2,419,999	2,419,999	3,848,286
Other reserves	7,484,927	7,437,283	5,656,564
Retained earnings	13,341,783	11,295,372	9,627,315
Capital notes	4,000,000	4,000,000	4,000,000
Non-controlling interests	-	-	5,041
Total equity	**32,444,940**	**30,350,885**	**28,732,803**
Total liabilities and equity	**265,003,295**	**258,289,257**	**228,267,101**

SELECTED CONSOLIDATED STATEMENT OF CASH FLOWS DATA

	Year ended 31 December		
	2017	2016	2015
		(AED thousands)	
Net cash from operating activities	3,155,273	11,201,493	15,184,033
Net cash (used in)/from investing activities	(14,637,056)	(11,690,511)	572,250
Net cash (used in)/from financing activities	(7,357,788)	4,366,568	(3,220)
Net (decrease)/increase in cash and cash equivalents	**(18,839,571)**	**3,877,550**	**15,753,063**
Cash and cash equivalents at the beginning of the year	34,651,119	30,773,569	15,020,506
Cash and cash equivalents at the end of the year	**15,811,548**	**34,651,119**	**30,773,569**

SELECTED RATIOS

	As at and for the year ended 31 December		
	2017	2016	2015
		(%)	
Performance measures			
Return on average assets[(1)]	1.6	1.7	2.2
Return on average equity[(2)]	15.0	15.7	20.3
Cost to income ratio[(3)]	33.1	32.9	34.2
Financial ratios			
Net interest margin[(4)]	2.9	3.0	3.3
Yield[(5)]	4.3	4.2	4.1
Cost of funds[(6)]	1.48	1.33	0.92
Cost of risk[(7)]	0.8	0.8	0.3
Asset quality ratios			
Non-performing loan ratio[(8)]	2.12	2.74	3.02
Loan to deposits ratio[(9)]	100.1	101.9	101.9
Provision coverage ratio[(10)]	162.9	129.9	128.5
Liquidity ratio[(11)]	24.5	26.0	26.1
Basel II ratios			
Core Tier 1 ratio[(12)(13)]	13.96	13.6	14.0
Tier 1 ratio[(12)(14)]	15.9	15.7	16.3
Total capital adequacy ratio[(12)(15)]	19.1	18.9	19.8
Basel III ratios			
CET 1 ratio[(16)(17)]	14.0	n/a	n/a
Tier 1 ratio[(14)(17)]	15.9	n/a	n/a
Total capital adequacy ratio[(15)(17)]	19.1	n/a	n/a
Liquidity coverage ratio[(18)]	134.6	128.6	n/a

(1) Net adjusted profit for the year attributable to equity holders of ADCB after deducting minority interests and the coupon on Tier 1 capital notes divided by total average assets, with total average assets calculated as the sum of the opening and closing balances of total assets in a given reporting period divided by two.

(2) Net adjusted profit for the year attributable to equity holders of ADCB after deducting minority interests and the coupon on Tier 1 capital notes divided by average shareholders' equity after deducting Tier 1 capital notes, with average shareholders' equity calculated as the sum of the opening and closing balances of shareholders' equity in a given reporting period divided by two.

(3) Operating expenses divided by operating income.

(4) Net interest margin is net interest and Islamic financing income as a percentage of total average interest and profit-earning assets, with average interest and profit-earning assets calculated as daily average balances in a given reporting period.

(5) Interest income and income from Islamic financing divided by average interest and profit-earning assets for a given period, with average interest and profit-earning assets calculated as average daily balances in a year/period.

(6) Interest expense and Islamic profit distribution divided by the average interest-bearing and profit-sharing liabilities, with average interest-bearing and profit-sharing liabilities calculated as average daily balances in a year/period.

(7) Total impairment allowances on loans and advances to customers, banks and investment securities as a percentage of average outstanding net loans and advances to customers, banks and investments securities.

(8) Non-performing loans as a percentage of gross loans and advances to customers and banks (including non-performing loans, before the deduction of allowance for impairment for non-performing loans).

(9) Net loans and advances to customers divided by customer deposits.

(10) Impairment allowances (excluding Dubai World) divided by non-performing loans.

(11) Total liquid assets (being assets held by the Bank that can be converted into cash at relatively short notice) divided by total assets.

(12) Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank as stipulated in Circular No 27/2009 dated 17 November 2009.

(13) Core Tier 1 ratio is defined as total Tier 1 capital excluding capital notes divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.

(14) Tier 1 ratio is defined as total Tier 1 capital resources divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.

(15) Total capital adequacy ratio is defined as total regulatory capital divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.

(16) CET 1 ratio is defined as CET 1 capital divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.

(17) Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank as stipulated in Circular No. 52/2017 dated 23 February 2017 and Circular No. 60/2017 dated 2 March 2017.

(18) Liquidity coverage ratio (LCR) is designed to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. It is calculated as the ratio of HQLAs divided by a bank's projected total net cash outflows over the immediately following 30-day stressed period. It is determined by the Basel III standards and has been

implemented in the UAE through Central Bank Circular No. 33/2015. Approved banks are required to comply with the requirements from 1 January 2016 in a phased manner.

SELECTED STATISTICAL DATA

The following selected statistical data is included for analytical purposes and has been taken or derived from ADCB's Financial Statements or unaudited management accounts based on accounting records. This section should be read in conjunction with the information in "Selected Consolidated Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements appearing elsewhere in this Base Prospectus.

Average Balance Sheet and Ratio Information

The following table sets out the average daily balances of ADCB's assets and liabilities and the related interest income or expense for the periods indicated. For the purposes of the following tables, the average balances have been calculated as the sum of the daily closing balances of assets or liabilities for each reporting period divided by the number of days in such reporting period.

	Year ended 31 December									
	2017					2016				
	Average balance		Interest income/expense		Average yield/rate	Average balance		Interest income/expense		Average yield/rate
	Amount	% of total	Amount	% of total	%	Amount	% of total	Amount	% of total	%
	(AED thousands, except percentages)									
Interest-earning assets										
Deposits and balances due from banks[1]	26,673,777	11.6	440,450	4.5	1.65	30,588,845	14.7	478,279	5.5	1.56
Loans and advances, net	161,823,948	70.2	8,186,360	83.1	5.06	153,629,764	73.6	7,634,799	87.2	4.97
Investment/trading securities	41,944,510	18.2	1,227,423	12.5	2.93	24,392,624	11.7	638,203	7.3	2.62
Total interest-earning assets	**230,442,235**	**100.0**	**9,854,233**	**100.0**	**4.28**	**208,611,233**	**100.0**	**8,751,281**	**100.0**	**4.20**
Interest-bearing liabilities										
Due to banks	4,951,203	2.3	50,033	1.6	1.01	3,386,997	1.8	23,666	0.9	0.70
Customers' deposits	162,667,443	76.4	2,121,608	67.3	1.30	147,004,494	76.5	1,744,373	68.4	1.19
Borrowings	38,668,216	18.2	876,863	27.8	2.27	33,684,603	17.5	685,045	26.8	2.03
Euro commercial paper	6,513,480	3.1	104,671	3.3	1.61	8,057,187	4.2	97,024	3.8	1.20
Total interest-bearing liabilities	**212,800,342**	**100.0**	**3,153,175**	**100.0**	**1.48**	**192,133,281**	**100.0**	**2,550,108**	**100.0**	**1.33**
Equity	-	-	-	-	-	-	-	-	-	-
Total interest-bearing liabilities and equity	**212,800,342**	**100.0**	**3,153,175**	**100.0**	**1.48**	**192,133,281**	**100.0**	**2,550,108**	**100.0**	**1.33**
Net interest spread[2]					**2.79**					**2.87**
Net interest income[3]					**6,701,058**					**6,201,173**
Net interest margin[4]					**2.91**					**2.97**

(1) Includes certificate of deposits with the Central Bank.
(2) Net interest spread is the difference between the average interest rate on interest and profit-earning assets and the average interest rate on interest-bearing and profit sharing liabilities.
(3) Net interest income is the difference between interest income and interest expense.
(4) Net interest margin is net interest income as a percentage of total average interest and profit-earning assets.

	Year ended 31 December					Year ended 31 December				
	2016					2015				
	Average balance		Interest income/expense		Average yield/rate	Average balance		Interest income/expense		Average yield/rate
	Amount	% of total	Amount	% of total	%	Amount	% of total	Amount	% of total	%
	(AED thousands, except percentages)									
Interest-earning assets										
Deposits and balances due from banks[1]	30,588,845	14.7	478,279	5.5	1.56	29,379,822	15.5	301,814	3.9	1.03
Loans and advances, net	153,629,764	73.6	7,634,799	87.2	4.97	139,038,729	73.2	7,025,599	90.1	5.05
Investment/trading securities	24,392,624	11.7	638,203	7.3	2.62	21,510,171	11.3	469,699	6.0	2.18
Total interest-earning assets	**208,611,233**	**100.0**	**8,751,281**	**100.0**	**4.20**	**189,928,722**	**100.0**	**7,797,112**	**100.0**	**4.11**
Interest-bearing liabilities										
Due to banks	3,386,997	1.8	23,666	0.9	0.70	3,209,810	1.9	7,516	0.5	0.23
Customers' deposits	147,004,494	76.5	1,744,373	68.4	1.19	131,465,251	76.0	978,671	61.5	0.74
Borrowings	33,684,603	17.5	685,045	26.8	2.03	32,098,671	18.5	569,123	35.8	1.77
Euro commercial paper	8,057,187	4.2	97,024	3.8	1.20	6,311,279	3.6	36,003	2.3	0.57
Total interest-bearing liabilities	**192,133,281**	**100.0**	**2,550,108**	**100.0**	**1.33**	**173,085,011**	**100.0**	**1,591,313**	**100.0**	**0.92**
Equity	-	-	-	-	-	-	-	-	-	-
Total interest-bearing liabilities and equity	**192,133,281**	**100.0**	**2,550,108**	**100.0**	**1.33**	**173,085,011**	**100.0**	**1,591,313**	**100.0**	**0.92**
Net interest spread[2]					**2.87**					**3.19**
Net interest income[3]					**6,201,173**					**6,205,799**
Net interest margin[4]					**2.97**					**3.27**

(1) Includes certificate of deposits with the Central Bank.
(2) Net interest spread is the difference between the average interest rate on interest and profit-earning assets and the average interest rate on interest-bearing and profit sharing liabilities.
(3) Net interest income is the difference between interest income and interest expense.
(4) Net interest margin is net interest income as a percentage of total average interest and profit-earning assets.

The following table sets out ADCB's most recent quarterly net interest margin data for the periods indicated.

	Three months ended					
	30 September 2016	31 December 2016	31 March 2017	30 June 2017	30 September 2017	31 December 2017
			(%)			
Yield on interest-earning assets	4.10	4.21	4.20	4.25	4.27	4.39
Yield on interest-bearing liabilities	1.34	1.49	1.45	1.46	1.47	1.54
Net interest margin	2.85	2.85	2.86	2.89	2.92	2.96

Net Changes in Interest Income and Expense - Volume and Rate Analysis

The following table provides a comparative analysis of net changes in interest income and interest expense by reference to changes in average volume and rates for the periods indicated. Net changes in net interest income are attributed to either changes in average balances (volume changes) or changes in average rates (rate change) for interest-earning assets and interest-bearing liabilities. Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate/volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total. Average balances represent the average of the daily balances for the respective year.

	Year ended 31 December 2017/2016						Year ended 31 December 2016/2015					
	Increase (decrease) due to changes in						Increase (decrease) due to changes in					
	Volume		Rate		Net change		Volume		Rate		Net change	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(AED thousands, except percentages)											
Interest income												
Deposits and balances due from banks	(61,215)	(7.6)	23,387	7.9	(37,828)	(3.4)	12,420	1.5	164,045	115.9	176,465	18.5
Loans and advances to customers	407,219	50.6	144,343	48.5	551,562	50.0	737,274	90.8	(128,075)	(90.5)	609,200	63.8
Investments securities	459,224	57.0	129,997	43.6	589,221	53.4	62,942	7.7	105,563	74.6	168,505	17.7
Total interest income	**805,228**	**100.0**	**297,727**	**100.0**	**1,102,955**	**100.0**	**812,636**	**100.0**	**141,533**	**100.0**	**954,169**	**100.0**
Interest expense												
Due to banks	10,930	3.9	15,437	4.8	26,367	4.4	415	0.3	15,735	2.0	16,150	1.7
Customers' deposits	185,858	66.4	191,378	59.1	377,236	62.5	115,679	75.0	650,022	80.8	765,701	79.8
Borrowings	101,352	36.3	90,466	28.0	191,818	31.8	28,119	18.2	87,803	10.9	115,922	12.1
Euro commercial paper	(18,589)	(6.6)	26,237	8.1	7,648	1.3	9,960	6.5	51,061	6.3	61,021	6.4
Total interest expense	**279,551**	**100.0**	**323,517**	**100.0**	**603,068**	**100.0**	**154,173**	**100.0**	**804,621**	**100.0**	**958,794**	**100.0**
Net change in net interest income	**525,677**		**(25,790)**		**499,887**		**658,463**		**(663,088)**		**(4,625)**	

The tables below set forth a geographical analysis of net interest income, net fee and commission income and operating income for the years indicated:

	Year ended 31 December 2017		
	UAE	International	Total
		(AED thousands)	
Total net interest and Islamic financing income	6,703,609	(2,551)	6,701,058
Net fee and commission income	1,503,498	3,544	1,507,042
Net gains on dealing in derivatives	12,102	-	12,102
Net gains from dealing in foreign currencies	340,638	9,022	349,660
Net gains on trading and investment securities	(6,920)	(865)	(7,785)
Net losses from investment properties	(34,173)	-	(34,173)
Dividend income	1,850	-	1,850
Other operating income	359,553	6,017	365,570
Total operating income	**8,880,157**	**15,167**	**8,895,324**

	Year ended 31 December 2016		
	UAE	International	Total
	(AED thousands)		
Total net interest and Islamic financing income	6,198,091	3,082	6,201,173
Net fee and commission income	1,468,325	3,978	1,472,303
Net gain on dealing in derivatives	81,961	-	81,961
Net gains from dealing in foreign currencies	420,092	14,286	434,378
Net gains on trading and investment securities	3,933	1,581	5,514
Net gains from investment properties	15,582	-	15,582
Dividend income	5,929	-	5,929
Other operating income	274,818	3,789	278,607
Total operating income	**8,468,731**	**26,716**	**8,495,447**

	Year ended 31 December 2015		
	UAE	International	Total
	(AED thousands)		
Total net interest and Islamic financing income	6,185,591	20,208	6,205,799
Net fee and commission income	1,436,090	1,487	1,437,577
Net gain on dealing in derivatives	64,145	-	64,145
Net gains from dealing in foreign currencies	281,141	10,963	292,104
Net gains on trading and investment securities	(4,331)	94	(4,237)
Net gains from investment properties	192	-	192
Dividend income	9,867	-	9,867
Other operating income	254,733	306	255,039
Total operating income	**8,227,428**	**33,058**	**8,260,486**

The following table sets out ADCB's quarterly net fees and commission income for the periods indicated.

	Three months ended					
	30 September 2016	31 December 2016	31 March 2017	30 June 2017	30 September 2017	31 December 2017
			(AED thousands)			
Investment banking fees	9,913	14,054	9,570	14,405	19,130	15,580
Other fees and expenses	348,611	365,752	363,690	367,028	355,831	361,808
Total net fees and commission income	**358,524**	**379,806**	**373,260**	**381,433**	**374,961**	**377,388**

The following table sets out ADCB's most recent quarterly other non-interest income data for the periods indicated.

	Three months ended					
	30 September 2016	31 December 2016	31 March 2017	30 June 2017	30 September 2017	31 December 2017
			(AED thousands)			
Trading income	80,746	139,569	166,050	(28,772)	131,268	85,431
Other operating income	101,946	62,653	58,759	81,627	63,189	163,845
Total	**182,692**	**202,222**	**224,809**	**52,855**	**194,457**	**249,276**

Loan Portfolio

As at 31 December 2017, ADCB's total loans and advances, net of impairment allowances, amounted to AED 163.3 billion, representing 61.6 per cent. of total assets. As at 31 December 2017, 93.9 per cent. of ADCB's loans were concentrated in the UAE.

The following table sets out ADCB's loans and advances to customers, net, by type as at the dates indicated.

	As at 31 December		
	2017	2016	2015
	(AED thousands)		
Overdrafts (retail and corporate)	4,420,471	5,689,706	4,487,083
Retail loans	30,006,710	29,661,611	28,400,112
Corporate loans	125,438,313	121,242,781	111,442,577
Credit cards	4,367,578	3,873,572	3,517,946
Other facilities	4,955,902	3,932,400	4,578,009
Less: Allowance for impairment	(5,906,744)	(5,942,375)	(6,175,265)
Total loans and advances to customers, net	**163,282,230**	**158,457,695**	**146,250,462**

The following table sets out ADCB's loans and advances to customers by industry before allowances for impairment as at the dates indicated.

	As at 31 December								
	2017			2016			2015		
	Within the UAE	Outside the UAE	Total	Within the UAE	Outside the UAE	Total	Within the UAE	Outside the UAE	Total
	(AED thousands)								
Agriculture	209,241	-	209,241	207,906	-	207,906	216,646	-	216,646
Energy	1,292,858	454,944	1,747,802	98,138	410,237	508,375	78,005	215,698	293,703
Trading	5,115,397	1,036,909	6,152,306	4,117,854	1,302,085	5,419,939	3,854,238	1,071,780	4,926,018
Real estate investment & hospitality	59,886,952	1,524,985	61,411,937	56,682,307	1,387,668	58,069,975	53,293,920	1,088,985	54,382,905
Transport	1,815,749	1,153,523	2,969,272	2,019,289	1,584,562	3,603,851	1,417,433	962,756	2,380,189
Personal	39,722,120	178,963	39,901,083	40,429,267	236,162	40,665,429	39,077,248	235,132	39,312,380
Government & public sector entities	34,362,873	255,388	34,618,261	35,138,681	990,422	36,129,103	32,822,161	258,258	33,080,419
Financial institutions	10,468,012	3,576,142	14,044,154	10,205,802	2,639,883	12,845,685	9,864,452	2,456,281	12,320,733
Manufacturing	2,310,086	2,028,034	4,338,120	2,239,667	1,645,144	3,884,811	1,774,395	1,508,795	3,283,190
Services	2,810,682	263,441	3,074,123	2,084,554	230,353	2,314,907	1,591,190	187,590	1,778,780
Other	670,918	51,757	722,675	678,063	72,026	750,089	203,714	247,050	450,764
	158,664,888	**10,524,086**	**169,188,974**	**153,901,528**	**10,498,542**	**164,400,070**	**144,193,402**	**8,232,325**	**152,425,727**
Less: Allowance for Impairment			(5,906,744)			(5,942,375)			(6,175,265)
Total			**163,282,230**			**158,457,695**			**146,250,462**

The following table sets out ADCB's loan portfolio by maturity as at the dates indicated.

	As at 31 December					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	(AED thousands, except percentages)					
Demand of less than 3 months	20,037,294	12.3	17,701,538	11.2	15,229,305	10.4
From 3 to 6 months	4,846,870	3.0	2,519,066	1.6	2,338,779	1.6
From 6 to 12 months	2,389,396	1.5	2,810,152	1.7	3,693,351	2.5
From 1 to 3 years	25,830,435	15.7	21,344,744	13.5	19,214,497	13.2
Above 3 years	110,178,235	67.5	114,082,195	72.0	105,774,530	72.3
Total[(1)]	**163,282,230**	**100.0**	**158,457,695**	**100.0**	**146,250,462**	**100.0**

(1) Net of impairment allowances.

The following table sets out ADCB's loan portfolio by location as at the dates indicated.

	As at 31 December		
	2017	2016	2015
	(AED thousands)		
UAE	158,664,888	153,901,528	144,193,402
Other	10,524,086	10,498,542	8,232,325
Total loans and advances	**169,188,974**	**164,400,070**	**152,425,727**

	As at 31 December		
	2017	**2016**	**2015**
		(AED thousands)	
Less: Allowance for impairment	(5,906,744)	(5,942,375)	(6,175,265)
Total loans and advances, net	**163,282,230**	**158,457,695**	**146,250,462**

The following table sets out the composition of ADCB's loans to customers, net of impairment allowances, by currency exposure as at the dates indicated.

	As at 31 December		
	2017	**2016**	**2015**
		(AED thousands)	
Currency			
AED	139,715,293	137,642,396	120,873,185
USD	22,771,460	19,814,901	24,553,824
Euro	68,667	43,023	12,549
Others	726,810	957,375	810,904
Total	**163,282,230**	**158,457,695**	**146,250,462**

As at 31 December 2017, the ten largest loans and advances to customers constituted 27.0 per cent. of ADCB's total gross loans to customers (31 December 2016: 27.8 per cent. and 31 December 2015: 28.8 per cent.). As at 31 December 2017, the 20 largest customer loan exposures constituted 34.9 per cent. of gross loans and advances to customers (31 December 2016: 35.4 per cent.; 31 December 2015: 37.0 per cent.). For further information regarding ADCB's credit exposure, see "*Risk Management—Credit risk*".

The following table sets forth ADCB's total loans and advances to customers, total loans to banks and NPLs as at the dates indicated.

	As at 31 December			Change from prior period	
	2017	**2016**	**2015**	**2017/2016**	**2016/2015**
		(AED thousands, except percentages)			
Neither past due nor impaired[(1)]	159,477,889	156,862,836	144,402,392	1.7%	8.6%
Past due but not impaired[(2)]	6,019,261	2,937,273	3,189,229	104.9%	(7.9)%
Past due and impaired[(3)]	3,691,824	4,599,961	4,834,106	(19.7)%	(4.8)%
Total loans and advances to customers	**169,188,974**	**164,400,070**	**152,425,727**	**2.9%**	**7.9%**
Total loans to banks	5,241,378	3,686,987	7,596,546	42.2%	(51.5)%
Total gross loans and advances to customers and banks	**174,430,352**	**168,087,057**	**160,022,273**	**3.8%**	**5.0%**
Less: allowance for impairment	(6,033,990)	(6,045,744)	(6,344,887)	(0.2)%	(4.7)%
Total	**168,396,362**	**162,041,313**	**153,677,386**	**3.9%**	**5.4%**
Allowance for loan impairment as a percentage of total loans and advances.	3.5	3.6	4.0	(3.8)%	(9.3)%
Non-performing loans as a percentage of total loans and advances	2.12	2.74	3.02	(22.7)%	(9.4)%

(1) Loans and advances to customers up to 30 days past due.
(2) Loans and advances to customers between 31 and 90 days past due are not considered impaired, unless evidence is available to indicate the contrary.
(3) Loans and advances to customers over 91 days past due. Impairment is identified by individual assessment of each loan.

ADCB's aim is to ensure that any sign of deterioration in asset quality is promptly recognised and remedial action initiated. For corporate loans, a non-performing obligor is placed on a watchlist and, thereafter, watchlist interim reviews are carried out, which include an explicit decision either to stay in or exit from the credit facility and/or the relationship, target dates for further actions and concrete benchmarks to trigger changes (upwards or downwards) in the watchlist status and/or the remedial strategy. Every effort is made to recover the full amount of principal, interest (profit and income), fees, and related expenses, even after losses have been taken. With respect to retail loans, each business unit has established policies and procedures regarding visits either by ADCB's officers or external collectors to homes or offices of delinquent customers based on local business practice. Each business unit determines, based on account history and/or scores, the appropriate point in delinquency when it makes sense to commence collection activity on an account from a cost-benefit standpoint.

The following table sets out loans and advances to customers past due but not impaired by business segment as at the dates indicated. ADCB does not consider impaired allowances for doubtful loans and advances to customers which are less than 30 days past due unless other information is available to indicate the contrary.

	As at 31 December											
	2017				2016				2015			
	Retail	Corporate	Overdrafts (retail and corporate)	Total	Retail	Corporate	Overdrafts (retail and corporate)	Total	Retail	Corporate	Overdrafts (retail and corporate)	Total
	(AED thousands)											
Past due 31-90 days but not impaired loans....	491,879	5,302,253	225,129	6,019,261	463,864	2,328,446	144,963	2,937,273	352,664	2,658,167	178,398	3,189,229

The following table compares the total amount of loans and advances to customers past due but not impaired as at the dates indicated.

	As at 31 December		
	2017	2016	2015
		(AED thousands)	
Past due 31-60 days	4,182,482	2,168,307	2,514,110
Past due 61-90 days	1,836,779	768,966	675,119
Total past due but not impaired	**6,019,261**	**2,937,273**	**3,189,229**

The following table sets out impaired loans and advances to customers by type of loan or advance as at the dates indicated.

	As at 31 December		
	2017	2016	2015
		(AED thousands)	
Overdrafts (retail and corporate)	413,810	1,633,812	1,645,551
Retail loans	332,822	317,512	244,565
Corporate loans	2,375,945	2,386,181	2,738,644
Credit cards	95,919	94,570	71,690
Islamic financing	328,755	166,669	129,291
Other facilities	144,573	1,217	4,365
Total	**3,691,824**	**4,599,961**	**4,834,106**

The following table sets out loan recoveries by type of loan or advance as at the dates indicated.

	As at 31 December		
	2017	2016	2015
		(AED thousands)	
Overdrafts (retail and corporate)	7,235	1,984	2,227
Retail loans	132,602	83,650	157,605
Corporate loans	111,997	46,176	84,973
Credit cards	4,624	5,500	7,761
Islamic financing	2,448	287	-
Other facilities	-	-	-
Total	**258,906**	**137,597**	**252,566**

Deposits

Deposits placed with ADCB are principally time deposits and placed by corporate, government and retail customers. The following table sets out the types of deposits placed with ADCB as at the dates indicated.

	As at 31 December		
	2017	2016	2015
		(AED thousands)	
Current account deposits	55,741,567	51,596,345	51,713,778
Savings deposits	13,758,208	12,644,918	10,932,983
Time deposits	80,765,754	84,044,103	62,189,594
Murabaha deposits	11,190,454	6,011,966	17,628,523
Long-term government deposits	397,282	411,313	418,907
Margin deposits	1,225,121	733,562	642,511
Total	**163,078,386**	**155,442,207**	**143,526,296**

The following table sets out the sectors represented by ADCB's deposit customers as at the dates indicated.

	As at 31 December		
	2017	2016	2015
		(AED thousands)	
Retail	45,746,701	44,726,501	36,749,835
Corporate	70,433,095	65,513,040	64,152,157
Government	46,898,590	45,202,666	42,624,304
Total	**163,078,386**	**155,442,207**	**143,526,296**

The following table sets out customer deposits placed with ADCB by location as at the dates indicated.

	As at 31 December		
	2017	2016	2015
		(AED thousands)	
Domestic	159,362,765	152,094,897	140,917,773
International[(1)]	3,715,621	3,347,310	2,608,523
Total	**163,078,386**	**155,442,207**	**143,526,296**

(1) Represents operations in Jersey and India.

As at 31 December 2017, the ten and 20 largest depositors accounted for 24.4 per cent. and 34.7 per cent., respectively, of ADCB's total customer deposits (23.6 per cent. and 34.6 per cent. as at 31 December 2016 and 26.2 per cent. and 37.5 per cent. as at 31 December 2015).

Maturity Profile

The following tables set out the maturity profile of ADCB's major assets and liabilities as at the dates indicated. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period as at the balance sheet date to the contractual maturity date. They do not take account of the effective maturities as indicated by ADCB's deposit retention history and the availability of liquid funds. Management monitors the maturity profile with a goal of ensuring that adequate liquidity is maintained.

	As at 31 December 2017					
	Less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than year 3 years	Over 3 years	Total
			(AED thousands)			
Assets						
Cash and balances with Central Banks	19,997,123	-	-	-	-	19,997,123
Deposits and balances due from banks, net	7,230,538	1,839,367	825,418	1,395,361	161,272	11,451,956
Reverse-repo placements	98,578	-	-	-	-	98,578
Trading securities	485,301	-	-	-	-	485,301
Derivative financial instruments	3,451,483	43,027	40,442	111,484	173,928	3,820,364
Investment securities	7,747,979	1,563,484	1,962,811	19,584,504	18,332,879	49,191,657
Loans and advances to customers,	20,037,294	4,846,870	2,389,396	25,830,435	110,178,235	163,282,230

	As at 31 December 2017					
	Less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than year 3 years	Over 3 years	Total
	(AED thousands)					
net						
Investment in associate	-	-	-	-	205,372	205,372
Investment properties	-	-	-	634,780	-	634,780
Other assets	7,567,394	3,376,744	3,816,335	78,129	18,436	14,857,038
Property and equipment, net	-	-	-	-	960,096	960,096
Intangible assets	-	-	-	-	18,800	18,800
Total assets	**66,615,690**	**11,669,492**	**9,034,402**	**47,634,693**	**130,049,018**	**265,003,295**
Liabilities and equity						
Due to banks	4,497,161	457,433	222,535	-	-	5,177,129
Derivative financial instruments	3,405,796	79,678	4,996	289,805	454,206	4,234,481
Deposits from customers	117,733,564	15,628,841	22,221,379	6,962,243	532,359	163,078,386
Euro commercial paper	1,027,214	815,129	1,067,502	-	-	2,909,845
Borrowings	5,012,959	818,677	1,468,738	17,664,314	15,590,507	40,555,195
Other liabilities	9,339,985	3,010,650	3,798,818	-	453,866	16,603,319
Equity	-	-	-	-	32,444,940	32,444,940
Total liabilities and equity	**141,016,679**	**20,810,408**	**28,783,968**	**24,916,362**	**49,475,878**	**265,003,295**
Liquidity gap[1]	**(74,400,989)**	**(9,140,916)**	**(19,749,566)**	**22,718,331**	**80,573,140**	-
Cumulative liquidity gap	**(74,400,989)**	**(83,541,905)**	**(103,291,471)**	**(80,573,140)**	-	-

(1) This figure represents the maturity gap between total assets and total liabilities and equity.

	As at 31 December 2016					
	Less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than 3 years	Over 3 years	Total
	(AED thousands)					
Assets						
Cash and balances with Central Banks	19,261,902	-	-	-	-	19,261,902
Deposits and balances due from banks, net	21,694,052	494,560	1,179,112	1,117,394	178,497	24,663,615
Reverse-repo placements	1,524,806	-	-	-	-	1,524,806
Trading securities	418,758	-	-	-	-	418,758
Derivative financial instruments	3,577,372	6,711	23,842	107,728	256,136	3,971,789
Investment securities	2,559,515	1,115,803	1,919,397	8,594,384	18,870,367	33,059,466
Loans and advances to customers, net	17,701,538	2,519,066	2,810,152	21,344,744	114,082,195	158,457,695
Investment properties	-	-	-	659,776	-	659,776
Investment in associate	-	-	-	-	204,977	204,977
Other assets	8,586,173	6,220,217	201,466	113,132	-	15,120,988
Property and equipment, net	-	-	-	-	926,685	926,685
Intangible assets	-	-	-	-	18,800	18,800
Total assets	**75,324,116**	**10,356,357**	**6,133,969**	**31,937,158**	**134,537,657**	**258,289,257**
Liabilities and equity						
Due to banks	3,192,091	280,000	370,623	-	-	3,842,714
Derivative financial instruments	3,375,505	273,986	306,268	286,344	550,426	4,792,529
Deposits from customers	114,534,445	18,250,019	12,412,350	4,010,122	6,235,271	155,442,207
Euro commercial paper	4,194,486	2,583,440	1,950,607	-	-	8,728,533
Borrowings	3,310,229	3,938,361	4,437,595	15,333,496	10,995,349	38,015,030
Other liabilities	10,453,470	5,944,548	184,933	113,132	421,276	17,117,359
Equity	-	-	-	-	30,350,885	30,350,885
Total liabilities and equity	**139,060,226**	**31,270,354**	**19,662,376**	**19,743,094**	**48,553,207**	**258,289,257**
Liquidity gap[1]	**(63,736,110)**	**(20,913,997)**	**(13,528,407)**	**12,194,064**	**85,984,450**	-
Cumulative liquidity gap	**(63,736,110)**	**(84,650,107)**	**(98,178,514)**	**(85,984,450)**	-	-

(1) This figure represents the maturity gap between total assets and total liabilities and equity.

	As at 31 December 2015					
	Less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than 3 years	Over 3 years	Total
	(AED thousands)					
Assets						

	As at 31 December 2015					
	Less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than 3 years	Over 3 years	Total
			(AED thousands)			
Cash and balances with Central Banks	17,411,077	1,300,000	1,469,200	-	-	20,180,277
Deposits and balances due from banks, net	17,166,344	1,022,458	891,978	3,301,141	-	22,381,921
Reverse-repo placements	4,146,087	110,190	-	-	-	4,256,277
Trading securities	62,261	-	-	-	-	62,261
Derivative financial instruments	3,597,190	130,461	21,935	51,813	200,509	4,001,908
Investment securities	2,847,570	2,095,029	1,810,265	6,174,564	7,936,179	20,863,607
Loans and advances to customers, net	15,229,305	2,338,779	3,693,351	19,214,497	105,774,530	146,250,462
Investment in associate	-	-	-	-	197,156	197,156
Investment properties	-	-	-	647,647	-	647,647
Other assets	3,371,109	1,375,895	3,824,636	-	-	8,571,640
Property and equipment, net	-	-	-	-	835,145	835,145
Intangible assets	-	-	-	-	18,800	18,800
Total assets	**63,830,943**	**8,372,812**	**11,711,365**	**29,389,662**	**114,962,319**	**228,267,101**
Liabilities and equity						
Due to banks	1,445,236	173,097	73,460	-	-	1,691,793
Derivative financial instruments	3,625,613	131,051	34,794	369,255	580,467	4,741,180
Deposits from customers	108,249,792	13,793,142	16,836,605	4,079,116	567,641	143,526,296
Euro commercial paper	3,199,655	1,408,901	1,091,508	-	-	5,700,064
Borrowings	3,834,208	292,738	2,600,606	11,781,258	14,962,921	33,471,731
Other liabilities	4,878,097	1,316,571	3,823,889	-	384,677	10,403,234
Equity	-	-	-	-	28,732,803	28,732,803
Total liabilities and equity	**125,232,601**	**17,115,500**	**24,460,862**	**16,229,629**	**45,228,509**	**228,267,101**
Liquidity gap[(1)]	**(61,401,658)**	**(8,742,688)**	**(12,749,497)**	**13,160,033**	**69,733,810**	-
Cumulative liquidity gap	**(61,401,658)**	**(70,144,346)**	**(82,893,843)**	**(69,733,810)**	-	-

(1) This figure represents the maturity gap between total assets and total liabilities and equity.

The following table sets out deposits and balances due from banks, net as at the dates indicated.

	As at 31 December		
	2017	2016	2015
		(AED thousands)	
Nostro balances	1,700,600	724,047	398,773
Margin deposits	18,989	40,660	524,324
Time deposits	3,808,135	19,955,290	13,843,958
Wakala placements	810,100	360,000	187,942
Loans and advances to banks	5,241,378	3,686,987	7,596,546
Gross deposits and balances due from banks	**11,579,202**	**24,766,984**	**22,551,543**
Less: Allowance for impairment	(127,246)	(103,369)	(169,622)
Total deposits and balances due from banks, net	**11,451,956**	**24,663,615**	**22,381,921**

The following tables set out ADCB's interest rate and profit sensitivity position as at 31 December in each of 2017, 2016 and 2015 by reference to the re-pricing period of ADCB's assets, liabilities and off balance sheet exposures as at the dates indicated. Derivative financial instruments (other than those designated in a hedge relationship) and trading book assets and liabilities (excluding non-interest bearing) are included in the 'less than 3 months' column at their fair value. Derivative financial instruments designated in a hedge relationship are included according to their contractual next re-pricing tenor bucket at fair value.

	As at 31 December 2017						
	Less than 3 months	3 months to less than 6	6 months to less than 1 year	1 year to less than 3 years	Over 3 years	Non-interest / profit sensitive	Total
				(AED thousands)			
Assets							
Cash and balances with central banks	3,673,000	-	-	-	-	16,324,123	19,997,123
Deposits and balances due from banks, net	7,744,376	1,784,126	350,100	-	-	1,573,354	11,451,956
Reverse-repo placements	98,578	-	-	-	-	-	98,578
Trading securities	485,301	-	-	-	-	-	485,301
Derivative financial instruments	2,961,434	1,473	2,953	-	-	854,504	3,820,364
Investment securities	20,035,832	837,256	1,651,808	8,368,946	17,800,845	496,970	49,191,657
Loans and advances to customers, net	101,861,079	26,373,213	1,092,483	11,503,929	29,134,733	(6,683,207)	163,282,230
Investment in associate	-	-	-	-	-	205,372	205,372

Investment properties	-	-	-	-	-	634,780	634,780
Other assets	7,236	-	-	-	-	14,849,802	14,857,038
Property and equipment, net	-	-	-	-	-	960,096	960,096
Intangible assets	-	-	-	-	-	18,800	18,800
Total assets	**136,866,836**	**28,996,068**	**3,097,344**	**19,872,875**	**46,935,578**	**29,234,594**	**265,003,295**
Liabilities and equity							
Due to banks	3,675,040	457,433	222,535	-	-	822,121	5,177,129
Derivative financial instruments	3,496,786	83,875	145	-	-	653,675	4,234,481
Deposits from customers	76,036,337	15,624,421	22,213,152	6,962,243	135,077	42,107,156	163,078,386
Euro commercial paper	1,027,214	815,129	1,067,502	-	-	-	2,909,845
Borrowings	16,282,111	286,410	28,575	9,146,431	14,811,668	-	40,555,195
Other liabilities	77,823	-	-	-	-	16,525,496	16,603,319
Equity	-	-	-	-	-	32,444,940	32,444,940
Total liabilities and equity	**100,595,311**	**17,267,268**	**23,531,909**	**16,108,674**	**14,946,745**	**92,553,388**	**265,003,295**
On-balance sheet gap	36,271,525	11,728,800	(20,434,565)	3,764,201	31,988,833	(63,318,794)	-
Off-balance sheet gap	(16,530,741)	1,824,346	(572,813)	7,257,444	8,021,764	-	-
Total interest rate sensitivity gap	**19,740,784**	**13,553,146**	**(21,007,378)**	**11,021,645**	**40,010,597**	**(63,318,794)**	**-**
Cumulative interest rate sensitivity gap	**19,740,784**	**33,293,930**	**12,286,552**	**23,308,197**	**63,318,794**	**-**	

As at 31 December 2016

	Less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than 3 years	Over 3 years	Non-interest / profit sensitive	Total
				(AED thousands)			
Assets							
Cash and balances with central banks	5,106,613	—	—	—	—	14,155,289	19,261,902
Deposits and balances due from banks, net	23,456,909	582,296	1,059	—	—	623,351	24,663,615
Reverse-repo placements	1,524,806	—	—	—	—	—	1,524,806
Trading securities	418,758	—	—	—	—	—	418,758
Derivative financial instruments	3,035,420	27,556	1,291	—	—	907,522	3,971,789
Investment securities	11,136,292	1,115,803	1,877,216	5,570,319	12,863,976	495,860	33,059,466
Loans and advances to customers, net	102,808,107	21,978,078	983,007	10,263,812	29,265,091	(6,840,400)	158,457,695
Investment in associate	—	—	—	—	—	204,977	204,977
Investment properties	—	—	—	—	—	659,776	659,776
Other assets	80,218	—	—	—	—	15,040,770	15,120,988
Property and equipment, net	—	—	—	—	—	926,685	926,685
Intangible assets	—	—	—	—	—	18,800	18,800
Total assets	**147,567,123**	**23,703,733**	**2,862,573**	**15,834,131**	**42,129,067**	**26,192,630**	**258,289,257**
Liabilities and equity							
Due to banks	2,924,638	280,000	370,623	—	—	267,453	3,842,714
Derivative financial instruments	3,797,437	1,781	—	—	—	993,311	4,792,529
Deposits from customers	72,031,911	18,245,571	12,408,630	4,010,122	5,823,325	42,922,648	155,442,207
Euro commercial paper	4,194,486	2,583,440	1,950,607	—	—	—	8,728,533
Borrowings	14,624,830	2,408,763	1,807,246	8,757,859	10,416,332	—	38,015,030
Other liabilities	31,677	—	—	—	—	17,085,682	17,117,359
Equity	—	—	—	—	—	30,350,885	30,350,885
Total liabilities and equity	**97,604,979**	**23,519,555**	**16,537,106**	**12,767,981**	**16,239,657**	**91,619,979**	**258,289,257**
On-balance sheet gap	49,962,144	184,178	(13,674,533)	3,066,150	25,889,410	(65,427,349)	—
Off-balance sheet gap	(4,800,276)	(5,202,216)	(317,368)	6,154,031	4,165,829	—	—
Total interest rate sensitivity gap	**45,161,868**	**(5,018,038)**	**(13,991,901)**	**9,220,181**	**30,055,239**	**(65,427,349)**	**—**
Cumulative interest rate sensitivity gap	**45,161,868**	**40,143,830**	**26,151,929**	**35,372,110**	**65,427,349**	—	

As at 31 December 2015

	Less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than 3 years	Over 3 years	Non-interest / profit sensitive	Total
				(AED thousands)			
Assets							
Cash and balances with central banks	3,877,603	1,300,000	1,469,200	—	—	13,533,474	20,180,277
Deposits and balances due from banks, net	20,365,863	1,437,654	349,253	—	—	229,151	22,381,921
Reverse-repo placements	4,146,087	110,190	—	—	—	—	4,256,277
Trading securities	62,261	—	—	—	—	—	62,261
Derivative financial instruments	2,930,189	59,257	13,035	14,779	348	984,300	4,001,908
Investment securities	2,710,931	2,095,029	1,799,232	5,764,041	7,936,179	558,195	20,863,607
Loans and advances to customers, net	102,371,373	14,114,374	2,232,211	8,870,446	25,961,856	(7,299,798)	146,250,462
Investment in associate	—	—	—	—	—	197,156	197,156
Investment properties	—	—	—	—	—	647,647	647,647
Other assets	76,656	—	—	—	—	8,494,984	8,571,640
Property and equipment, net	—	—	—	—	—	835,145	835,145
Intangible assets	—	—	—	—	—	18,800	18,800
Total assets	**136,540,963**	**19,116,504**	**5,862,931**	**14,649,266**	**33,898,383**	**18,199,054**	**228,267,101**
Liabilities and equity							
Due to banks	1,162,570	173,097	73,460	—	—	282,666	1,691,793
Derivative financial instruments	3,638,300	20,274	—	85	14,141	1,068,380	4,741,180

	As at 31 December 2015						
	Less than 3 months	3 months to less than 6 months	6 months to less than 1 year	1 year to less than 3 years	Over 3 years	Non-interest / profit sensitive	Total
				(AED thousands)			
Deposits from customers	68,647,987	13,793,142	16,836,605	4,079,116	148,735	40,020,711	143,526,296
Euro commercial paper	3,199,655	1,408,901	1,091,508	—	—	—	5,700,064
Borrowings	12,665,540	292,738	1,917,582	4,011,062	14,584,809	—	33,471,731
Other liabilities	25,700	—	—	—	—	10,377,534	10,403,234
Equity	—	—	—	—	—	28,732,803	28,732,803
Total liabilities and equity	**89,339,752**	**15,688,152**	**19,919,155**	**8,090,263**	**14,747,685**	**80,482,094**	**228,267,101**
On-balance sheet gap	47,201,211	3,428,352	(14,056,224)	6,559,003	19,150,698	(62,283,040)	—
Off-balance sheet gap	(144,450)	1,896,915	(7,411,791)	5,727	5,653,599	—	—
Total interest rate sensitivity gap	**47,056,761**	**5,325,267**	**(21,468,015)**	**6,564,730**	**24,804,297**	**(62,283,040)**	**—**
Cumulative interest rate sensitivity gap	**47,056,761**	**52,382,028**	**30,914,013**	**37,478,743**	**62,283,040**	**—**	**—**

Investment Portfolio

The following table sets out ADCB's trading securities as at the dates indicated. The fair value of trading securities is based on quoted market prices.

	As at 31 December					
	2017		2016		2015	
	Within the UAE	Outside the UAE	Within the UAE	Outside the UAE	Within the UAE	Outside the UAE
	(AED in thousands)					
Bonds[1]	177,175	308,126	141,138	277,620	48,416	13,845

(1) Bonds represent investments mainly in banks and the public sector.

For information regarding the fair value of ADCB's available-for-sale investments, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition as at 31 December 2017, 2016 and 2015 – Investment securities".*

Return on Equity and Assets

The following table sets out ADCB's return on total capital, return on equity, dividend payout ratio and equity to assets ratio for the years indicated.

	For the years ended 31 December		
	2017	2016	2015
Return on average assets[1]	1.58%	1.65%	2.22%
Return on average equity[2]	15.0%	15.7%	20.3%
Dividend payout ratio[3]	51.0%	50.0%	47.5%
Equity to asset ratio[4]	10.47%	10.50%	10.91%

(1) Profit for the period divided by average total assets.
(2) Profit for the period divided by average equity excluding capital notes and mandatory convertible securities.
(3) Dividends declared per share divided by profit for the period per share.
(4) Average equity excluding capital notes and mandatory convertible securities divided by average total assets.

Wholesale Borrowings

The following table sets out information regarding ADCB's wholesale borrowings as at the dates indicated.

	As at 31 December															
	2017								2016							
	Year end balance	% of total	Average balance for the year	% of total	Maximum average monthly balance for the year	% of total	Yearly average interest rate	Monthly average interest rate	Year end balance	% of total	Average balance for the Year	% of total	Maximum average monthly balance for the year	% of total	Yearly average interest rate	Monthly average interest rate
	(AED thousands, except percentages)															
Global medium term notes	24,028,597	55.3	21,978,114	48.6	24,261,555	46.4	2.15	2.94	20,521,304	43.9	19,169,560	45.9	20,940,485	39.8	2.01	2.49
Bilateral and syndicated loans	7,697,842	17.7	6,537,756	14.5	7,456,355	14.2	2.07	2.28	6,958,420	14.9	5,075,249	12.2	6,957,704	13.2	1.37	1.68
Subordinated notes	4,165,462	9.6	4,137,105	9.2	4,192,199	8.0	3.33	3.21	4,067,495	8.7	4,165,039	10.0	4,215,859	8.0	2.86	2.75
Borrowings																

	As at 31 December															
	2017								2016							
	Year end balance	% of total	Average balance for the year	% of total	Maximum average monthly balance for the year	% of total	Yearly average interest rate	Monthly average interest rate	Year end balance	% of total	Average balance for the Year	% of total	Maximum average monthly balance for the year	% of total	Yearly average interest rate	Monthly average interest rate
	(AED thousands, except percentages)															
through repurchase agreements	593,705	1.3	1,444,041	3.2	2,406,814	4.6	1.77	1.79	1,529,216	3.2	2,478,157	5.9	3,564,305	6.8	1.53	1.96
Certificates of deposits issued	4,069,589	9.4	4,571,424	10.1	5,331,344	10.2	2.33	2.55	4,938,595	10.6	1,154,413	2.8	4,645,524	8.8	1.62	1.81
Euro commercial paper	2,909,845	6.7	6,513,480	14.4	8,685,462	16.6	1.61	1.84	8,728,533	18.7	8,057,187	19.3	10,461,379	19.9	1.20	1.42
Islamic sukuk notes	-	-	-	-	-	-	-	-	-	-	1,642,185	3.9	1,849,912	3.5	2.96	-
Total	**43,465,040**	**100.0**	**45,181,920**	**100.0**	**52,333,728**	**100.0**	**2.17**	**2.63**	**46,743,563**	**100.0**	**41,741,790**	**100.0**	**52,635,168**	**100.0**	**1.86**	**2.06**

	As at 31 December															
	2016								2015							
	Year end balance	% of total	Average balance for the year	% of total	Maximum average monthly balance for the year	% of total	Yearly average interest rate	Monthly average interest rate	Year end balance	% of total	Average balance for the Year	% of total	Maximum average monthly balance for the year	% of total	Yearly average interest rate	Monthly average interest rate
	(AED thousands, except percentages)															
Global medium term notes	20,521,304	43.9	19,169,560	45.9	20,940,485	39.8	2.01	2.49	17,396,800	44.4	17,432,495	45.4	18,358,720	41.9	1.92	2.15
Bilateral and syndicated loans	6,958,420	14.9	5,075,249	12.2	6,957,704	13.2	1.37	1.68	4,767,446	12.2	4,006,917	10.4	4,771,024	10.9	0.98	1.05
Subordinated notes	4,067,495	8.7	4,165,039	10.0	4,215,859	8.0	2.86	2.75	4,033,799	10.3	4,332,157	11.3	4,250,770	9.7	2.71	3.35
Borrowings through repurchase agreements	1,529,216	3.2	2,478,157	5.9	3,564,305	6.8	1.53	1.96	4,559,217	11.6	4,335,672	11.3	5,912,079	13.5	0.61	0.99
Certificates of deposits issued	4,938,595	10.6	1,154,413	2.8	4,645,524	8.8	1.62	1.81	873,063	2.2	158,143	0.4	856,446	2.0	1.04	1.81
Euro commercial paper	8,728,533	18.7	8,057,187	19.3	10,461,379	19.9	1.20	1.42	5,700,064	14.6	6,311,279	16.4	7,777,369	17.8	0.57	0.73
Islamic sukuk notes	-	-	1,642,185	3.9	1,849,912	3.5	2.96	-	1,841,406	4.7	1,833,286	4.7	1,849,245	4.2	2.77	1.42
Total	**46,743,563**	**100.0**	**41,741,790**	**100.0**	**52,635,168**	**100.0**	**1.86**	**2.06**	**39,171,795**	**100.0**	**38,409,950**	**100.0**	**43,775,653**	**100.0**	**1.58**	**1.77**

Borrowings, as reported on ADCB's balance sheet, comprise global medium term notes, bilateral and syndicated loans, certificates of deposits issued, subordinated notes, borrowings through repurchase agreements and Islamic sukuk notes. The following table sets out ADCB's borrowings by currency as at the dates indicated.

	As at 31 December		
	2017	2016	2015
		(AED thousands)	
Currency			
USD	37,310,992	38,442,096	31,715,212
Euro	1,596,393	1,783,500	2,389,707
CHF	680,745	1,037,924	1,213,282
GBP	470,836	2,344,748	1,179,991
AED	-	500,358	504,164
Other[(1)]	3,406,074	2,634,937	2,169,439
Total	**43,465,040**	**46,743,563**	**39,171,795**

(1) Includes Australian dollar, Chinese renminbi, Malaysian ringgit, Japanese yen, Hong Kong dollar and Indian rupee.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of ADCB's financial condition and results of operations should be read in conjunction with the information in "Selected Consolidated Financial Data", "Selected Statistical Data" and the Financial Statements which appear elsewhere in this Base Prospectus. See "Presentation of Financial and Other Information".

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. ADCB's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "Risk Factors" and "Forward-Looking Statements".

Overview

ADCB is one of the leading commercial banks in the UAE, offering a wide range of retail, commercial, investment and Islamic banking, brokerage and asset management products and services. According to the 2017 Financial Statements and the publicly available financial statements of ADCB's main domestic competitors for the financial year ended 31 December 2017, ADCB was the third largest bank in the UAE market in terms of net loans and advances to customers (AED 163.3 billion), the second largest bank in Abu Dhabi in terms of total assets (AED 265.0 billion) and the second largest bank in the Abu Dhabi market in terms of net loans and advances to customers (AED 163.3 billion).

As at 31 December 2017, ADCB had customer deposits of AED 163.1 billion. As at 31 December 2017, ADCB's total assets were AED 265.0 billion, representing an estimated 9.8 per cent. of the UAE market in terms of total assets according to Central Bank statistical records for December 2017. As at 31 December 2017, ADCB served more than 794,000 retail customers and more than 26,800 wholesale customers, primarily in its domestic UAE market.

Significant Factors Affecting Results of Operations

The following is a discussion of the principal factors that have affected, or are expected to affect, ADCB's results of operations.

General economic and market conditions

ADCB is a regional bank focused on lending to, and accepting deposits from, institutions, companies and residents in the UAE. ADCB, in common with other financial institutions, is susceptible to changes in the macro-economic environment and the performance of financial markets generally. As a result, ADCB's results of operations are significantly affected by general economic and market conditions in the UAE and globally.

GCC states substantially deepened their fiscal austerity programmes in 2016, resulting in a marked deceleration in economic activity. Governments sharply pulled back spending (current and capital), reduced subsidies and increased government fees and saw cuts to public sector benefits and wages. Consolidation was seen in the public and government-related entity sectors resulting in job losses. GCC governments increased domestic borrowing and reduced deposits to help fund the widening fiscal deficits. EIBOR started to increase in early 2015 as the impact of the oil price slump started to impact banks' liquidity, in addition to renewed commitment by the Federal Reserve for further rate hikes, which materialised in December 2015 and again in December 2016, March 2017, June 2017 and December 2017, which, along with an increase in the average 3-month LIBOR, resulted in banks needing to adjust to higher funding costs. See "– *Changes in Interest Rates*" below.

The Central Bank reported that the UAE's system-wide loan to deposit (gross) ratio moved to 97.1 per cent. at 31 December 2017 from 99.4 per cent. at 31 December 2016, mainly due to stronger growth in deposits compared to loans, with governments contributing to the decline in the loan to deposits ratio by deleveraging and increasing deposits in parallel. Oman, Saudi Arabia, and Qatar experienced the greatest tightening pressure in the GCC, resulting in increased competition for deposits in the UAE. Based on IMF data (extracted from the World Economic Outlook (October 2017)), real GDP growth in the UAE increased by 5.8 per cent. in 2013, 3.3 per cent. in 2014, 3.8 per cent. in 2015 and 3.0 per cent. in 2016. Non-oil economic activity slowed in the UAE with the strong USD and GCC fiscal austerity programmes. Corporates adjusted to the weaker regional and global economic backdrops by looking to reduce costs and

price discounting to support demand (retail, airlines and hospitality). This included job losses in the private sector as corporate looked to maintain margins. The job losses (government-related entities and private sector) further added to the weakening domestic demand environment. The strong US dollar also impacted a number of key sectors such as tourism and real estate. Hotels lowered average daily room rates to support occupancy levels. Demand for housing fell in Abu Dhabi with increased job losses and weaker growth in 2016. Abu Dhabi residential sales prices declined by 3.3 per cent. and rental prices declined by 2.5 per cent. during 2016, in each case, compared to the prior year, according to the Central Bank. Brexit and India demonetisation were also contributing factors.

In light of above, the operating environment has remained challenging, consumer confidence has been weak and private sector growth has lagged. Despite the challenging and highly competitive environment, operating income for ADCB increased by 4.7 per cent. to AED 8.9 billion in 2017 and by 2.8 per cent. to AED 8.5 billion in 2016 and operating profit before impairment allowances increased by 4.4 per cent. to AED 5.9 billion in 2017 and by 4.9 per cent. to AED 5.7 billion in 2016. Customer deposits increased by 4.9 per cent. to AED 163.1 billion in 2017, while net loans and advances to customers increased by 3.0 per cent. to AED 163.3 billion as at 31 December 2017. ADCB's balance sheet has also continued to strengthen with further improvements in capital liquidity as further discussed under "*—Funding mix*" below.

ADCB's management believes that general economic and market conditions in the UAE and the GCC region will continue to affect ADCB's results of operations. In particular, ADCB's ability to generate revenues and expand its core business in the future largely depends on the economic and market prospects for retail and wholesale banking customers in the UAE and the GCC region as well as the quality of its asset base. For more information relating to macro-economic risks to ADCB, see "*Risk Factors – Factors that may affect ADCB's ability to fulfil its obligations in respect of Notes issued under the Programme and/or the Guarantee – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect ADCB's business, results of operations and financial condition* ".

Changes in interest rates

Changes in interest rates directly affect ADCB's net interest income. Net interest income (the difference between interest income and interest expense) earned by ADCB is affected by a number of factors. It is primarily determined by the volume of interest-earning assets relative to interest-bearing liabilities, as well as the differential between rates earned on interest-earning assets and paid on interest-bearing liabilities and the relative margins of ADCB's finance portfolio and its own funding. Interest-earning assets are composed primarily of loans and advances to customers, net and deposits and balances due from banks, net and investment securities. Net interest and Islamic financing income remains the largest component of ADCB's operating income, accounting for 75.3 per cent., 73.0 per cent. and 75.1 per cent. of total operating income in the years ended 31 December 2017, 2016 and 2015, respectively.

ADCB has historically generated a substantial majority of its interest income and Islamic financing income from loans and advances to customers. These accounted for 83.1 per cent., 87.2 per cent. and 90.1 per cent. of total interest income in the years ended 31 December 2017, 2016 and 2015, respectively. The remainder of ADCB's interest income over this period was derived from its investments in debt securities and loans and advances to banks.

In terms of ADCB's interest expense, ADCB's cost of funds on total interest-bearing liabilities increased by 15 basis points to 1.48 per cent. in 2017 compared to 1.33 in 2016 and 0.92 in 2015, mainly due to a change in liability mix to higher cost and longer term deposits. Further, the introduction of the LCR and the decline in ADCB's loan to deposits ratio drove cost of funds to increase. The majority of ADCB's loans are linked to 3-month average EIBOR and LIBOR. In 2017, average 3-month LIBOR was 1.26 per cent., as compared to 0.74 per cent. in 2016 and 0.31 per cent. in 2015, while average 3-month EIBOR in 2017 was 1.51 per cent., as compared to 1.16 per cent in 2016 and 0.77 per cent in 2015. Interest expense on customer deposits accounted for 66.1 per cent., 68.6 per cent. and 62.1 per cent., respectively, of its total interest expense for the years ended 31 December 2017, 2016 and 2015, respectively. The remainder of ADCB's interest expense was paid on ADCB's global medium term notes, deposits from banks and euro commercial paper.

Net interest margin ("**NIM**") is an important indicator of a bank's profit margin considering the characteristics of commercial banking operations in the region. GCC banks tend to fund medium- to long-

term assets with relatively short-term liabilities such as customer deposits. This reflects prevailing market supply for short-term deposits, although these deposits tend to be "rolled-over" well beyond their original tenor, which based on Management's experience has been customary in the region. During a period of high funding costs, ability to maintain a significant NIM depends on the extent to which ADCB is able to re-price its assets, the magnitude of the effect of high funding costs depending on the remaining interest fixing period of ADCB's fixed-rate assets, liabilities and derivatives and the extent to which ADCB is able to match the interest rates on floating rate deposits and lending. For the reasons discussed above, ADCB's NIM decreased from 3.27 per cent. in 2015 to 2.97 per cent. in 2016 and 2.91 per cent. in 2017.

Increase in impairment allowances

ADCB recognised impairment allowances net of recoveries of AED 1,670 million, AED 1,552 million and AED 500 million for the years ended 31 December 2017, 2016 and 2015, respectively, to account for individual and collective impairments on loans and advances resulting from less favourable business environments and financial conditions facing ADCB's retail and corporate banking customers. ADCB has taken a higher level of impairments on its lending due to the higher level of defaults in the retail and SME sectors due to fiscal consolidation and a rise in unemployment as well as such loans being written off after 180 days. Loan impairment allowances in 2017 included a collective impairment reversal of AED 22.8 million to account for an increase in the loan book, reflecting a prudent risk management approach, while cost of risk remained stable at 0.8 per cent. in 2017 and 2016, an increase from 0.3 per cent. in 2015. In 2017, ADCB's collective impairment allowance balance was AED 3,172 million, amounting to 1.79 per cent. of credit risk weighted assets, which was above the minimum of 1.5 per cent. stipulated by the Central Bank, while individual impairment balances amounted to AED 2,862 million. Despite an increase in impairments, ADCB's non-performing loan ratio significantly improved to 2.12 per cent. in 2017 compared to 2.74 per cent. in 2016, mainly due to a decline in non-performing loans in the corporate sector following the resolution of long-standing non-performing loans.

ADCB seeks to minimise the number of loans that become non-performing through disciplined credit approval processes. ADCB actively engages with borrowers in financial distress with the aim of minimising losses by rescheduling and restructuring non-performing or potentially non-performing loans. For further information, see "*Risk Factors – Factors that may affect ADCB's ability to fulfil its obligations in respect of Notes issued under the Programme and/or the Guarantee – ADCB's business, results of operations and financial condition have historically been adversely affected by credit risks and may again be affected by credit risks if economic conditions do not improve*".

Funding mix

Customer deposits are the main source of ADCB's funding. Total customer deposits increased to AED 163.1 billion as at 31 December 2017, an increase of 4.9 per cent. compared to 2016. ADCB continued to increase its longer term deposits, extending the maturity profile of liabilities in part driven by the implementation of the liquidity coverage ratio under Basel III. Due to an increase in interbank lending rates and an increase in higher cost term deposits, ADCB's cost of funds increased to 1.48 per cent. in 2017 compared to 1.33 per cent. in 2016 and 0.92 per cent. in 2015.

Through access to wholesale funding markets (including through bilateral or syndicated loans in addition to the international bond markets), ADCB has been able to diversify and increase the maturity of its funding sources. ADCB continues to maintain a comfortable liquidity position, with a liquidity coverage ratio of 135 per cent. in 2017. As at 31 December 2017, investment securities increased by 49 per cent. to AED 49 billion, mainly driven by an increase in government bonds, while maintaining a liquidity ratio of 24.5 per cent.

For further information, see "*– Liquidity, funding and capital – Funding*" below.

Implementation of IFRS 9

IFRS 9 Financial Instruments, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition and in November 2013 to include the new requirements for general hedge accounting. The final version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets; and b) limited amendments to the classification and measurement requirements by introducing a 'fair value

through other comprehensive income' measurement category for certain simple debt instruments. IFRS 9 Financial Instruments is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement. In October 2017, the IASB issued prepayment features with negative compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. ADCB has decided not to early adopt the aforementioned amendments.

As at the date of this Base Prospectus, ADCB's preliminary assessment (based upon an analysis of ADCB's financial assets as at 31 October 2017, undertaken in the context of the preparation of the 2017 Financial Statements) is that the most significant impact of the implementation of IFRS 9 on ADCB's consolidated financial statements is expected to result from the new requirements for the measurement of the impairment of financial assets. Management anticipates that impairment losses will increase and become more volatile for financial instruments within the scope of the IFRS 9 impairment model. Additionally, management has estimated on a preliminary basis (based on ADCB's portfolio of assets as at 31 October 2017) a likely reduction of between 0.40 per cent. and 0.59 per cent. in ADCB's common equity Tier 1 capital and total capital adequacy ratio as a result of the implementation of IFRS 9.

For further information, please refer to note 2 in the 2017 Financial Statements and "*Risk Factors – Factors that may affect ADCB's ability to fulfil its obligations in respect of Notes issued under the Programme and/or the Guarantee – A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances for doubtful loans and advances to customers would adversely affect ADCB's results of operations and financial condition*".

Recent Developments

ADCB's financial performance has been in line with Directors' expectations since the publication of the audited results as at and for the year ended 31 December 2017.

Descriptions of Principal Income Statement Items

Interest income

ADCB generates interest income from loans and advances to customers, from deposits and balances with banks and other financial institutions, and from investing in debt securities. Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the rate applicable. Interest accruing on loans and advances considered doubtful is excluded from income until received. Subsequently, notional interest is recognised on doubtful loans and advances and other financial assets based on the rate used to discount the net present value of future cash flows.

Interest expense

Interest expense consists of amounts accrued and paid by ADCB as interest on customer deposits, debt securities issued and subordinated liabilities, deposits from other banks and governments and euro commercial paper. Interest expense is also recognised on a time proportion basis.

Net income from Islamic financing

ADCB engages in Shari'ah compliant Islamic banking activities through various Islamic instruments such as Murabaha, Ijara, Salam, Sukuk and Wakala. ADCB earns income from Islamic financing on the Islamic financing provided by it to its customers. ADCB incurs Islamic financing costs through the distributions it makes to its Islamic depositors and costs related to its Islamic financing activities, which is recorded as Islamic profit distribution.

Net fee and commission income

Fee and commission income comprises fee income earned from services that are provided over a certain period of time, including commission income and asset management, custody and other management and advisory fees, and fee income from providing transaction services. Net fee and commission income is the difference between ADCB's fees and commission income and fee and commission expenses. Fee and commission expenses represent the fees incurred by ADCB for generating fees and commission income and includes cost incurred for the use by its customers of POS machines, ATMs operated by other banks, and fees paid to VISA and Mastercard.

Net trading income

Net trading income consists of net gains from dealing in derivatives, net gains from dealing in foreign currencies and net (losses)/gains from trading securities.

ADCB enters into derivative transactions for trading purposes such as interest rate swaps, interest rate caps and floors, options, cross currency swaps, commodity forwards and energy swaps in order to enable its customers to transfer, modify or reduce current and expected risks at competitive prices. Net gain from dealing in derivatives is the difference between aggregate trading gains from dealing in these derivatives and aggregate trading losses incurred by ADCB in dealing in these derivatives during the relevant period.

ADCB generates foreign exchange income by way of selling and buying foreign currencies with its customers and in interbank in the normal course of business and by trading in foreign currencies. ADCB uses foreign exchange forwards, swaps and foreign exchange options to generate foreign exchange income. Net gains from dealing in foreign currencies is the difference between aggregate trading gains and aggregate trading losses incurred by ADCB from dealing in these instruments and transactions during the relevant period.

ADCB's investments in securities consist of trading securities (fair value through profit or loss) and investment securities (available-for-sale). Investments are considered as held for trading if they have been acquired principally for the purpose of selling in the near term, or if they form part of an identified portfolio of financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking. Investments not classified as either "held for trading" or "held to maturity" are classified as "available-for-sale".

Net gains from investment properties

ADCB directly or indirectly owns real estate investment properties in Abu Dhabi. Any increase or decrease in the fair value of such investment properties during the financial year is recognised in ADCB's income statement. Valuations are carried out by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The valuation methodologies considered by external valuers include:

- Direct Comparable method: This method seeks to determine the value of the property from transactions of comparable properties in the vicinity applying adjustments to reflect differences to the subject property; and

- Investment method: This method is used to assess the value of the property by capitalising the net operating income of the property at an appropriate yield an investor would expect for an investment of the duration of the interest being valued.

Other operating income

Other operating income consists of property management income, rental income, dividend income, net gains from disposal of available-for-sale investments, (losses)/gains arising from retirement of hedges and other operating income.

Share in profit of associate

Associates are those entities in which ADCB has significant influence. Share in profit of associate represents share of the profit or loss and other comprehensive income of ADCB's investment in associate, after adjustments to align the accounting policies with those of ADCB, from the date that significant influence commences until the date that significant influence ceases.

Operating expenses

Operating expenses consist principally of staff expenses, depreciation and general administrative expenses.

Impairment allowances

Impairment allowances for the period under review are comprised of (a) impairment allowances on loans and advances, net of recoveries; (b) impairment allowances and recoveries on available-for-sale investments; and (c) impairment allowance on other assets. At each reporting date, ADCB assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by ADCB on terms that ADCB would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security or other observable data relating to ADCB's asset such as adverse changes in the payment status of borrowers or issuers in ADCB or economic conditions that correlate with defaults in ADCB.

ADCB considers evidence of impairment for loans and advances and investment securities measured at amortised cost at both individual and collective level.

Results of operations for the years ended 31 December 2017, 2016 and 2015

The following table sets forth the principal components of ADCB's results of operations for the years indicated.

	Year ended 31 December		
	2017	**2016**	**2015**
		(AED thousands)	
Interest income	8,772,562	7,907,603	7,119,968
Interest expense	(3,031,135)	(2,411,589)	(1,481,601)
Net interest income	**5,741,427**	**5,496,014**	**5,638,367**
Income from Islamic financing	1,081,671	843,678	677,144
Islamic profit distribution	(122,040)	(138,519)	(109,712)
Net income from Islamic financing	**959,631**	**705,159**	**567,432**
Total net interest and Islamic financing income	**6,701,058**	**6,201,173**	**6,205,799**
Net fees and commission income	1,507,042	1,472,303	1,437,577
Net trading income	353,977	521,853	352,012
Net (losses)/gains from investment properties	(34,173)	15,582	192
Other operating income	367,420	284,536	264,906
Operating income	**8,895,324**	**8,495,447**	**8,260,486**
Operating expenses	(2,947,581)	(2,795,862)	(2,826,938)
Operating profit before impairment allowances	**5,947,743**	**5,699,585**	**5,433,548**
Impairment allowances	(1,673,620)	(1,520,518)	(501,548)
Share in profit of associate	9,845	7,821	1,302
Profit from operations before taxation	**4,283,968**	**4,186,888**	**4,933,302**
Overseas income tax expense	(6,360)	(29,820)	(6,233)
Net profit for the year	**4,277,608**	**4,157,068**	**4,927,069**

Net interest income

The following table sets forth the details of ADCB's interest income from conventional banking for the years indicated.

	Year ended 31 December							
	2017		**2016**		**2015**		**2017/2016**	**2016/2015**
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**Variation**	
	(AED thousands, except percentages)						*(%)*	
Loans and advances to banks	440,271	5.0	477,720	6.0	301,740	4.2	(7.8)	58.3
Loans and advances to customers	7,104,867	81.0	6,791,680	85.9	6,348,531	89.2	4.6	7.0
Available-for-sale investments	1,214,010	13.8	632,233	8.0	459,260	6.5	92.0	37.7
Trading securities	13,414	0.2	5,970	0.1	10,437	0.1	124.7	(42.8)
Total interest income	**8,772,562**	**100.0**	**7,907,603**	**100.0**	**7,119,968**	**100.0**	**10.9**	**11.1**

Interest income for the year ended 31 December 2017 increased by AED 865.0 million, or 10.9 per cent., to AED 8,772.6 million from AED 7,907.6 million for the year ended 31 December 2016. The increase was primarily due to an increase in average interest-earning assets, mainly resulting from an increase in the average balance of loans and advances to customers and investment securities, as well as the positive impact of rising interbank interest rates (3-month EIBOR and LIBOR rates) for its loans and advances, which are predominately based on these reference rates. In 2017, average 3-month LIBOR was 1.26 per cent. per annum, as compared to 0.74 per cent. per annum in 2016, while average 3-month EIBOR was 1.51 per cent. per annum, as compared to 1.16 per cent. per annum in 2016. The increase in average interest-earning assets was in part offset by a decline in the average balance of deposits and balances due from banks, driven mainly by ADCB's decision to reduce interbank deposits during the year.

Interest income for the year ended 31 December 2016 increased by AED 787.6 million, or 11.1 per cent., to AED 7,907.6 million from AED 7,120.0 million for the year ended 31 December 2015. The increase was primarily due to an increase in average interest-earning assets, driven by an increase in average balances of loans and advances, investment securities and deposits and balances due from banks. The increase in interest income was also in part due to an increase in interbank interest rates. In 2016, average 3-month LIBOR was 0.74 per cent. per annum in 2016, as compared to 0.31 per cent. per annum in 2015, while average 3-month EIBOR was 1.16 per cent. per annum in 2016, as compared to 0.77 per cent. per annum in 2015.

The following table sets out ADCB's interest expense for the years indicated.

	Year ended 31 December							
	2017		2016		2015		2017/2016	2016/2015
	Amount	% of total	Amount	% of total	Amount	% of total	Variation	
	(AED thousands, except percentages)						*(%)*	
Deposits from banks	46,810	1.5	23,363	1.0	7,212	0.5	100.4	223.9
Deposits from customers	2,002,789	66.1	1,654,764	68.6	919,506	62.1	21.0	80.0
Euro commercial paper	104,671	3.5	97,024	4.0	36,003	2.4	7.9	169.5
Borrowings	876,865	28.9	636,438	26.4	518,880	35.0	37.8	22.7
Total interest expense	**3,031,135**	**100.0**	**2,411,589**	**100.0**	**1,481,601**	**100.0**	**25.7**	**62.8**

Interest expense increased by 25.7 per cent. in the year ended 31 December 2017 to AED 3,031.1 million from AED 2,411.6 million in the year ended 31 December 2016. The increase was principally due to a change in liability mix towards term deposits with higher maturities and increased interbank interest rates. The increase in longer tenor term deposits was mainly driven by the need to extend the maturity profile of liabilities in response to the implementation of the liquidity coverage ratio under Basel III. In 2017, the amount of ADCB's customer deposits with a maturity of more than three months but less than three years increased by AED 10.1 billion from AED 34.7 billion as at 31 December 2016 to AED 44.8 billion as at 31 December 2017.

Interest expense increased to AED 2,411.6 million in the year ended 31 December 2016 from AED 1,481.6 million in the year ended 31 December 2015. The increase principally reflected increased average interest-bearing liabilities in amounts due to banks, customers' deposits, borrowings and euro commercial paper. The increase was also attributable to an extended maturity profile of customer deposits and borrowings and higher interbank interest rates, which impacted the rates on ADCB's customer deposits.

Reflecting the above factors, ADCB's net interest income amounted to AED 5,741.4 million in 2017, and increase by AED 245.4 million, or 4.5 per cent., compared to AED 5,496.0 million in 2016, which was a decrease of AED 142.4 million, or 2.5 per cent., compared to AED 5,638.4 million in 2015.

Net income from Islamic financing

The following table sets forth the details of ADCB's income from Islamic financing for the years indicated.

	Year ended 31 December							
	2017		2016		2015		2017/2016	2016/2015
	Amount	% of total	Amount	% of total	Amount	% of total	Variation	
	(AED thousands, except percentages)						*(%)*	
Murabaha	128,322	11.9	101,525	12.0	83,625	12.3	26.4	21.4
Ijara financing	465,743	43.1	320,557	38.0	226,074	33.4	45.3	41.8
Salam	479,055	44.3	414,896	49.2	359,588	53.1	15.5	15.4
Others	8,551	0.7	6,700	0.8	7,857	1.2	27.6	(14.7)
Total income from Islamic financing	**1,081,671**	**100.0**	**843,678**	**100.0**	**677,144**	**100.0**	**28.2**	**24.6**

Income from Islamic financing increased by 28.2 per cent. in the year ended 31 December 2017 to AED 1,081.7 million from AED 843.7 million in the year ended 31 December 2016, primarily due to an increase in the average balance of profit-earning assets, mainly comprising Murabaha, Ijara financing and Salam of AED 3.7 billion and resulting in increased income in 2017 of AED 238.0 million. The increase in Islamic financing assets was mainly driven by ADCB's strategy to increase Islamic loans as well as increased demand in the market for Islamic financing.

Income from Islamic financing increased by 24.6 per cent. to AED 843.7 million in the year ended 31 December 2016 from AED 677.1 million in the year ended 31 December 2015, primarily due to an increase in the average balance of profit-earning assets, mainly comprising Murabaha, Ijara financing and Salam of AED 3.9 billion, resulting in increased income in 2016 of AED 166.5 million. The increase in Islamic financing assets was mainly driven by ADCB's strategy to increase Islamic loans as well as increased demand in the market for Islamic financing.

The following table sets forth the details of ADCB's Islamic profit distribution for the years indicated.

	Year ended 31 December							
	2017		2016		2015		2017/2016	2016/2015
	Amount	% of total	Amount	% of total	Amount	% of total	Variation	
	(AED thousands, except percentages)						*(%)*	
Mudaraba savings and term deposits	64,435	52.8	51,937	37.5	41,505	37.8	24.1	25.1
Wakala deposits	57,605	47.2	37,973	27.4	17,410	15.9	51.7	118.1
Sukuk	-	-	48,609	35.1	50,797	46.3	-	(4.3)
Total Islamic profit distribution	**122,040**	**100.0**	**138,519**	**100.0**	**109,712**	**100.0**	**(11.9)**	**26.3**

Islamic profit distribution decreased by 11.9 per cent. in the year ended 31 December 2017 to AED 122.0 million from AED 138.5 million in the year ended 31 December 2016, primarily due to the maturity of the U.S.$500 million sukuk notes due 2016 that were issued by ADCB Islamic Finance (Cayman) Limited. The sukuk carried a profit rate of 4.07 per cent. payable semi-annually and matured in November 2016.

Islamic profit distribution increased by 26.3 per cent. to AED 138.5 million in the year ended 31 December 2016 from AED 109.7 million in the year ended 31 December 2015, primarily due to an increase in average profit-sharing liabilities of AED 1.9 billion, reflecting growth in the volume of Islamic financing products provided to its customers on which it is required to make distributions. Growth in volume mainly resulted in increased Islamic profit distribution on Mudaraba savings and term deposits as well as Wakala deposits, which more than offset the decline in profit distribution on the U.S.$500 million sukuk notes due 2016 following their maturity in November 2016.

Reflecting the above factors, ADCB's net income from Islamic financing increased by AED 254.4 million, or 36.1 per cent., to AED 959.6 million in 2017, compared to AED 705.2 million in 2016 and by AED 137.8 million, or 24.3 per cent., compared to AED 567.4 million in 2015.

Total net interest and Islamic financing income

Reflecting the above factors, ADCB's total net interest income and Islamic financing income in 2017 increased by AED 499.9 million, or 8.0 per cent., to AED 6,701.1 million in 2017, compared to AED 6,201.2 million in 2016, which had remained stable compared to AED 6,205.8 million in 2015. During the period under review, NIM declined to 2.91 per cent. in 2017 from 2.97 per cent. in 2016 and 3.27 in per cent. 2015.

Net fees and commission income

The following table sets forth the principal components of ADCB's fees and commission income for the years indicated.

	Year ended 31 December		
	2017	2016	2015
	(AED thousands)		
Fees and commission income			
Card-related fees	864,153	775,016	670,404
Loan processing fees	583,274	527,277	549,053
Accounts-related fees	55,601	42,526	41,800
Trade finance commission	263,645	252,450	221,120

	Year ended 31 December		
	2017	2016	2015
	(AED thousands)		
Insurance commission	72,605	89,424	130,379
Asset management and investment services	109,600	99,014	92,416
Brokerage fees	15,796	16,831	14,018
Other fees	106,572	92,607	88,992
Total fees and commission income	**2,071,246**	**1,895,145**	**1,808,182**
Fees and commission expenses	**(564,204)**	**(422,842)**	**(370,605)**
Net fees and commission income	**1,507,042**	**1,472,303**	**1,437,577**

Net fees and commission income increased by 2.4 per cent. in the year ended 31 December 2017 to AED 1,507.0 million from AED 1,472.3 million in the year ended 31 December 2016. The increase principally reflected increased income from card-related fees, loan processing fees, accounts-related fees, trade finance commission and other fees, mainly contributable to growth in the volume of products generating such fees, in part offset by higher card-related expenses and an increase in fees and commission expenses.

Net fees and commission income increased by 2.4 per cent. to AED 1,472.3 million in the year ended 31 December 2016 from AED 1,437.6 million in the year ended 31 December 2015. The increase was primarily due to higher card-related fees, mainly resulting from higher volumes, credit card spending as well as an increase in trade finance commission, in part offset by a decline in loan processing fees and an increase in fees and commission expenses.

Net trading income

Net trading income declined by 32.2 per cent. in the year ended 31 December 2017 to AED 354.0 million from AED 521.9 million in the year ended 31 December 2016, mainly due to the sale of certain foreign currency positions and lower gains on derivatives, driven mainly by proprietary trading. In 2016, ADCB also benefitted from trading gains by taking proprietary positions in the euro and pound sterling after Brexit and trading in Saudi Riyal.

Net trading income increased by 48.2 per cent. to AED 521.9 million in the year ended 31 December 2016 from AED 352.0 million in the year ended 31 December 2015. The increase was principally due to an increase in net gains from dealing in derivatives and foreign currencies. The improvement in foreign currency income was mainly attributable to taking proprietary positions in the euro, pound sterling and Saudi Riyal as described above.

Net (losses)/gains from investment properties

Net losses from investment properties in the year ended 31 December 2017 amounted to AED 34.2 million compared to a net gain of AED 15.6 million in the year ended 31 December 2016, mainly due to challenging economic conditions driving property prices and rental rates down and negatively impacting the revaluation on investment properties during the period.

Net gains from investment properties income increased to AED 15.6 million in the year ended 31 December 2016 from AED 0.2 million in the year ended 31 December 2015. The increase was principally due to a capital appreciation in respect of ADCB's rental properties.

Other operating income

Other operating income increased by 29.1 per cent. in the year ended 31 December 2017 to AED 367.4 million from AED 284.5 million in the year ended 31 December 2016. The increase was principally due to a gain on the sale of a property amounting to AED 74 million, which ADCB subsequently leased back.

Other operating income increased by 7.4 per cent. to AED 284.5 million in the year ended 31 December 2016 from AED 264.9 million in the year ended 31 December 2015. The increase was primarily attributable to an increase in net gains from the disposal of available-for-sale investments, in part offset by a decrease in dividend income from certain funds and investments and an increase in losses arising from the retirement of hedges.

Operating income

Operating income increased by 4.7 per cent. in the year ended 31 December 2017 to AED 8,895.3 million from AED 8,495.4 million in the year ended 31 December 2016, primarily due to an increase in net interest and Islamic financing as well as an increase in net fees and commission income.

Operating income increased by 2.8 per cent. to AED 8,495.4 million in the year ended 31 December 2016 from AED 8,260.5 million in the year ended 31 December 2015, primarily due to an increase in net fees and commission and trading income.

Operating expenses

Operating expenses increased by 5.4 per cent. in the year ended 31 December 2017 to AED 2,947.6 million from AED 2,795.9 million in the year ended 31 December 2016, primarily resulting from higher outsourcing expenses for independent sales agents, professional fees and premises expenses resulting from growth in operations.

Operating expenses decreased by 1.1 per cent. to AED 2,795.9 million in the year ended 31 December 2016 from AED 2,826.9 million in the year ended 31 December 2015, primarily due to capitalised IT costs under the core banking programme.

Impairment allowances

Impairment allowances increased by 10.1 per cent. in the year ended 31 December 2017 to AED 1,673.6 million from AED 1,520.5 million in the year ended 31 December 2016 and from AED 501.5 million in the year ended 31 December 2015, mainly due to fiscal consolidation and a rise in unemployment, together with ADCB's policy of writing off retail and SME loans after 180 days.

Share in profit of associate

Share in profit of associate increased by 25.9 per cent. in the year ended 31 December 2017 to AED 9.8 million from AED 7.8 million in the year ended 31 December 2016 and from AED 1.3 million in the year ended 31 December 2015, primarily reflecting an increase in profits at ADCB's associate, Four N Property LLC, in which ADCB holds a 35 per cent. equity stake.

Overseas income tax expense

Overseas income tax expense decreased in the year ended 31 December 2017 to AED 6.4 million from AED 29.8 million in the year ended 31 December 2016. The decrease was mainly due to the settlement of a tax liability of a foreign subsidiary in 2016.

Overseas income tax expense increased to AED 29.8 million in the year ended 31 December 2016 from AED 6.2 million in the year ended 31 December 2015. The increase in 2016 principally reflected the settlement of a tax liability of a foreign subsidiary.

Net profit for the year

For the reasons discussed above, net profit for the year increased from AED 4,157.1 million in the year ended 31 December 2016 to AED 4,277.6 million in the year ended 31 December 2017, after having decreased from AED 4,927.1 million in the year ended 31 December 2015.

Financial condition as at 31 December 2017, 2016 and 2015

Total assets

The following table sets forth data regarding ADCB's total assets as at the dates indicated.

	As at 31 December					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	(AED thousands, except percentages)					
Assets						
Cash and balances with central banks	19,997,123	7.6	19,261,902	7.5	20,180,277	8.8

	As at 31 December					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	(AED thousands, except percentages)					
Deposits and balances due from banks, net	11,451,956	4.3	24,663,615	9.5	22,381,921	9.8
Reverse-repo placements	98,578	0.0	1,524,806	0.6	4,256,277	1.9
Trading securities	485,301	0.2	418,758	0.2	62,261	0.0
Derivative financial instruments	3,820,364	1.4	3,971,789	1.5	4,001,908	1.7
Investment securities	49,191,657	18.6	33,059,466	12.8	20,863,607	9.1
Loans and advances to customers, net	163,282,230	61.6	158,457,695	61.3	146,250,462	64.1
Investment in associate	205,372	0.1	204,977	0.1	197,156	0.1
Investment properties	634,780	0.2	659,776	0.3	647,647	0.3
Other assets	14,857,038	5.6	15,120,988	5.8	8,571,640	3.8
Property and equipment, net	960,096	0.4	926,685	0.4	835,145	0.4
Intangible assets	18,800	0.0	18,800	0.0	18,800	0.0
Total assets	**265,003,295**	**100.0**	**258,289,257**	**100.0**	**228,267,101**	**100.0**

Total assets increased by 2.6 per cent. to AED 265.0 billion as at 31 December 2017 from AED 258.3 billion as at 31 December 2016. The increase in total assets was principally attributable to an increase in net loans and advances to customers as well as investment securities, in part offset by a decline in deposits and balances due from banks and reverse repo placements. The decline in deposits and balances due from banks mainly reflected a decision to reduce short-term interbank assets and increase investment securities with a longer maturity.

Total assets increased by 13.2 per cent. to AED 258.3 billion as at 31 December 2016 from AED 228.3 billion as at 31 December 2015. The increase in total assets was principally attributable to an increase in net loans and advances to customers particularly in respect of corporate lending, investment securities and other assets, in part offset by a decline in reverse repo placements.

Cash, deposits and bank balances

The table below sets forth ADCB's cash, deposits and bank balances based on location as at the dates indicated.

	As at 31 December					
	2017		2016		2015	
	Within the UAE	Outside the UAE	Within the UAE	Outside the UAE	Within the UAE	Outside the UAE
	(AED in thousands)					
Assets:						
Cash and balances with central banks	19,950,521	46,602	19,106,421	155,481	20,145,189	35,008
Deposits and balances due from banks	3,285,682	8,293,520	10,098,340	14,668,644	6,206,241	16,345,302

Cash and balances with central banks

The following table sets forth details of ADCB's cash and balances with central banks as at the dates indicated.

	As at 31 December							
	2017		2016		2015		2017/2016	2016/2015
	Amount	% of total	Amount	% of total	Amount	% of total	Variation	
	(AED in thousands, except percentages)						*(percentage)*	
Cash on hand	2,729,930	13.6	1,145,235	5.9	917,855	4.5	138.4	24.8
Balances with central banks	2,779,542	13.9	3,109,498	16.1	2,869,993	14.2	(10.6)	8.3
Reserves maintained with central banks[1]	10,814,651	54.1	9,900,556	51.4	9,745,626	48.3	9.2	1.6
Certificate of deposits with UAE Central Bank	3,673,000	18.4	5,013,645	26.0	6,641,250	33.0	(26.7)	(24.5)
Reverse-repo with Central Bank	-	-	92,968	0.6	5,553	0.0	(100.0)	1574.2
Total cash and balances with central banks	**19,997,123**	**100.0**	**19,261,902**	**100.0**	**20,180,277**	**100.0**	**3.8**	**(4.6)**

[1] Reserves maintained with central banks represent deposits with central banks at stipulated percentages of its demand, savings, time and other deposits. These are only available for day to day operations under certain specified conditions.

Cash and balances with central banks increased by 3.8 per cent. to AED 20.0 billion as at 31 December 2017 from AED 19.3 billion as at 31 December 2016. The increase was primarily attributable to an increase in cash on hand and higher reserves maintained with central banks due to increased deposits from customers, in part offset by a decline in certificates of deposits with the Central Bank.

Cash and balances with central banks decreased by 4.6 per cent. to AED 19.3 billion as at 31 December 2016 from AED 20.2 billion as at 31 December 2015. The decrease was primarily attributable to a decline in certificates of deposits with the Central Bank.

Deposits and balances due from banks, net

Deposits and balances due from banks form part of interbank placements among commercial banks for short-term liquidity purposes. The following table sets forth details of amounts due from banks and financial institutions, net of impairment allowances as at the dates indicated.

	As at 31 December							
	2017		2016		2015		2017/2016	2016/2015
	Amount	% of total	Amount	% of total	Amount	% of total	Variation	
	(AED in thousands, except percentages)						*(percentage)*	
Nostro balances	1,700,600	14.7	724,047	2.9	398,773	1.8	134.9	81.6
Margin deposits	18,989	0.2	40,660	0.2	524,324	2.3	(53.3)	(92.2)
Time deposits	3,808,135	32.9	19,955,290	80.6	13,843,958	61.4	(80.9)	44.1
Wakala placements	810,100	7.0	360,000	1.5	187,942	0.8	125.0	91.5
Loans and balances due from banks	5,241,378	45.2	3,686,987	14.8	7,596,546	33.7	42.2	(51.5)
Gross deposits and balances due from banks	**11,579,202**	**100.0**	**24,766,984**	**100.0**	**22,551,543**	**100.0**	**(53.2)**	**9.8**
Less: Allowance for impairment	(127,246)	(1.1)	(103,369)	(0.4)	(169,622)	(0.8)	23.1	(39.1)
Total deposits and balances due from banks, net	**11,451,956**	**-**	**24,663,615**	**-**	**22,381,921**	**-**	**(53.6)**	**10.2**

Deposits and balances due from banks, net of impairment allowances decreased by 53.6 per cent. to AED 11.5 billion as at 31 December 2017 from AED 24.7 billion as at 31 December 2016. The decline in 2017 mainly reflected a decision to reduce deposits and balances with other banks and increase investments in investment securities to ensure compliance with LCR requirements.

Deposits and balances due from banks, net of impairment allowances increased by 10.2 per cent. to AED 24.7 billion as at 31 December 2016 and from AED 22.4 billion as at 31 December 2015. The increase in 2016 mainly reflected an increase in time deposits placed with banks.

ADCB was a net lender of AED 4.9 billion, AED 23.8 billion and AED 22.3 billion in the interbank markets as at 31 December 2017, 2016 and 2015, respectively.

Reverse-repo placements

ADCB enters into reverse repurchase and collateral swap agreements under which bonds and cash are received as collateral against reverse-repo placements. The risks and rewards relating to these bonds remain with counterparties. The terms and conditions of these collateral arrangements are governed by Global Master Repurchase Agreements (GMRA). The following table sets forth details of reverse-repo placements as at the dates indicated.

	As at 31 December							
	2017		2016		2015		2017/2016	2016/2015
	Amount	% of total	Amount	% of total	Amount	% of total	Variation	
	(AED in thousands, except percentages)						*(percentage)*	
Banks and financial institutions	98,578	100.0	1,524,806	100.0	2,419,776	56.85	(93.5)	(37.0)
Customers	-	-	-	-	1,836,501	43.15	-	(100.0)
Total reverse-repo placements	**98,578**	**100.0**	**1,524,806**	**100.0**	**4,256,277**	**100.0**	**(93.5)**	**(64.2)**

Reverse-repo placements decreased by 93.5 per cent. to AED 0.1 billion as at 31 December 2017 from AED 1.5 billion as at 31 December 2016 and AED 4.3 billion as at 31 December 2015, reflecting the strategy of investing in longer term investments while reducing short term investments such as reverse repo placements, which are low yielding assets.

Investment securities

Investment securities consist of quoted and unquoted available-for-sale investment securities, most of which are from the UAE with the remainder from the GCC region and the rest of the world. The following table sets out details of the investments held by ADCB as at the dates indicated.

	Year ended 31 December		
	2017	2016	2015
	(AED thousands)		
Available-for-sale investments			
Quoted:			
Government securities	18,967,418	9,188,983	4,922,795
Bonds – public sector	8,642,460	7,176,838	6,007,236
Bonds – banks and financial institutions	9,282,303	7,199,509	8,302,970
Bonds – corporate	892,122	820,273	674,302
Equity instruments	490	548	988
Mutual funds	163,343	158,058	143,586
Total quoted	**37,948,136**	**24,544,209**	**20,051,877**
Unquoted:			
Government securities	10,910,384	8,178,003	398,109
Equity instruments	333,137	337,254	362,732
Mutual funds	-	-	50,889
Total unquoted	**11,243,521**	**8,515,257**	**811,730**
Total available-for-sale investments	**49,191,657**	**33,059,466**	**20,863,607**

Investment securities increased by 48.8 per cent. to AED 49.2 billion as at 31 December 2017 from AED 33.1 billion as at 31 December 2016, which was an increase of 58.5 per cent. from AED 20.9 billion as at 31 December 2015. The increase in each of these periods was mainly due to an increase in quoted and unquoted government investment securities as a result of ADCB's strategy to increase assets with an extended maturity profile, in part to satisfy ADCB's on-going compliance with LCR requirements.

Loans and advances to customers, net

The following table sets out details of ADCB's loans and advances, net of impairment allowances as at the dates indicated.

	As at 31 December						Variation	
	2017		2016		2015		2017/2016	2016/2015
	Amount	% of total	Amount	% of total	Amount	% of total	Variation	
	(AED in thousands, except percentages)						*(percentage)*	
Overdrafts (retail and corporate)	4,420,471	2.7	5,689,706	3.6	4,487,083	3.1	(22.3)	26.8
Retail loans	30,006,710	18.4	29,661,611	18.7	28,400,112	19.4	1.2	4.4
Corporate loans	125,438,313	76.8	121,242,781	76.5	111,442,577	76.2	3.5	8.8
Credit cards	4,367,578	2.7	3,873,572	2.4	3,517,946	2.4	12.8	10.1
Other facilities	4,955,902	3.0	3,932,400	2.5	4,578,009	3.1	26.0	(14.1)
Gross loans and advances to customers	**169,188,974**	**-**	**164,400,070**	**-**	**152,425,727**	**-**	**2.9**	**7.9**
Less: Allowance for impairment	(5,906,744)	(3.6)	(5,942,375)	(3.8)	(6,175,265)	(4.2)	(0.6)	(3.8)
Total loans and advances to customers, net	**163,282,230**	**100.0**	**158,457,695**	**100.00**	**146,250,462**	**100.0**	**3.0**	**8.3**

Loans and advances to customers, net of impairment allowances increased by 3.0 per cent. to AED 163.3 billion as at 31 December 2017 from AED 158.5 billion at 31 December 2016, mainly due to growth in corporate and retail loans, resulting primarily from an increase of AED 3.3 billion in loans and advances to customers in the real estate investment and hospitality industry.

Loans and advances to customers, net of impairment allowances increased by 8.3 per cent. to AED 158.5 billion as at 31 December 2016, from AED 146.3 billion as at 31 December 2015. The increase was principally attributable to strong growth in ADCB's loan portfolio, in particular resulting from growth in loans and advances to customers in the real estate investment and hospitality industry of AED 3.7 billion and growth in loans and advances to government & public sector entities of AED 3.0 billion.

ADCB's 20 largest non-performing loans and advances to customers, net, as at 31 December 2017 amounted to AED 2,446 million. Impairment allowances (excluding Dubai World), as a percentage of non-performing loans, increased from 128.5 per cent. as at 31 December 2015 to 129.9 per cent. as at 31 December 2016 and to 162.9 per cent. as at 31 December 2017. Dubai World was restructured in 2010,

allowing the company to pay its debt over a longer period of time at a lower interest rate. Consequently, ADCB had to book an 'accounting impairment' representing the loss due to the time value of money. This accounting impairment was progressively written back to interest income as a component of the effective interest rate on the loan. The outstanding impairment on this account as at 31 December 2017 is AED19.4 million.

The following table sets out the movements in impairment allowances for doubtful loans and advances as at the dates indicated.

	As at 31 December		
	2017	**2016**	**2015**
		(AED millions)	
Balance at the beginning of the year	6,046	6,345	6,778
Currency translation adjustment	1	(0)	(1)
Net amounts written off	(1,632)	(1,787)	(806)
Recoveries	(259)	(138)	(253)
Discount unwind	(51)	(64)	(126)
Impairment allowances for the year	1,929	1,690	753
Balance	**6,034**	**6,046**	**6,345**

As at 31 December 2017, ADCB held AED 3,045 million in collective impairment allowances and AED 2,862 million in individual impairment allowances, constituting in aggregate 3.5 per cent. of gross loans and advances to customers.

All unsecured retail loans falling under similar overdue categories are assumed to carry similar credit risk and an allowance for impairment is taken on a portfolio basis. In cases of secured loans where ADCB possesses collateral (e.g., mortgages) the realisable value of the collateral is taken into consideration in assessing the allowance for impairment.

Other assets

The following table presents data regarding ADCB's other assets as at the dates indicated.

	As at 31 December					
	2017		**2016**		**2015**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(AED thousands, except percentages)					
Interest receivable	1,867,461	12.6	1,584,558	10.5	1,079,214	12.6
Advance tax	7,129	0.0	5,575	0.0	7,241	0.1
Prepayments	76,196	0.5	58,553	0.4	55,083	0.6
Acceptances	12,593,697	84.8	13,262,942	87.7	7,168,716	83.6
Others	312,555	2.1	209,360	1.4	261,386	3.1
Total other assets	**14,857,038**	**100.0**	**15,120,988**	**100.0**	**8,571,640**	**100.0**

Other assets decreased by 1.7 per cent. to AED 14.9 billion as at 31 December 2017 from AED 15.1 billion as at 31 December 2016. The decline in 2017 was primarily due to a decline in acceptances.

Other assets increased by 76.4 per cent. to AED 15.1 billion as at 31 December 2016 from AED 8.6 billion as at 31 December 2015. The increase in 2016 was primarily due to an increase in acceptances by AED 6.1 billion to finance trade related activity.

Total liabilities

The following table presents data regarding ADCB's liabilities as at the dates indicated.

	As at 31 December					
	2017		**2016**		**2015**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(AED thousands, except percentages)					
Liabilities						
Due to banks	5,177,129	2.2	3,842,714	1.7	1,691,793	0.8
Derivative financial instruments	4,234,481	1.8	4,792,529	2.1	4,741,180	2.4
Deposits from customers	163,078,386	70.1	155,442,207	68.2	143,526,296	71.9
Euro commercial paper	2,909,845	1.3	8,728,533	3.8	5,700,064	2.9
Borrowings	40,555,195	17.4	38,015,030	16.7	33,471,731	16.8

	As at 31 December					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	(AED thousands, except percentages)					
Other liabilities	16,603,319	7.2	17,117,359	7.5	10,403,234	5.2
Total liabilities	**232,558,355**	**100.0**	**227,938,372**	**100.0**	**199,534,298**	**100.0**

Total liabilities increased by 2.0 per cent. to AED 233.0 billion as at 31 December 2017 from AED 228.0 billion at 31 December 2016. The increase was primarily due to an increase in deposits from customers and amounts due to banks. During this period, growth in customer deposits was higher than growth in loans resulting in an improvement in the loan to deposit ratio to 100.1 per cent. in 2017 from 101.9 per cent. in 2016. The increase was offset in part due to a decline in euro commercial paper reflecting ADCB's strategy to increase reliance on customer deposits.

Total liabilities increased by 14.2 per cent. to AED 228.0 billion as at 31 December 2016 from AED 200.0 billion as at 31 December 2015, primarily due to an increase in customers' deposits, in particular time deposits. The increase was also attributable to an increase in due to banks as time deposits placed by other banks increased, given the overall increase in economic activities. In addition, excess global liquidity resulted in increased issuances of euro commercial paper as well as increased borrowings, which was also driven by ADCB's strategy to manage cost of funds.

Due to banks

The following table sets forth the details of the amounts due by ADCB to banks and financial institutions as at the dates indicated.

	As at 31 December					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	(AED thousands, except percentages)					
Vostro balances	822,121	15.9	267,453	7.0	282,666	16.7
Margin deposits	327,814	6.3	245,402	6.4	88,289	5.2
Time deposits	4,027,194	77.8	3,329,859	86.6	1,320,838	78.1
Total due to banks	**5,177,129**	**100.0**	**3,842,714**	**100.0**	**1,691,793**	**100.0**

Amounts due to banks increased by 34.7 per cent. to AED 5.2 billion as at 31 December 2017 from AED 3.8 billion at 31 December 2016. The increase was primarily due to increased time deposits, reflecting an increasing reliance on short-term interbank deposits as a substitute to the issuance of euro commercial paper to manage cost of funds while maintaining regulatory compliance.

Amounts due to banks increased to AED 3.8 billion at 31 December 2016 from AED 1.7 billion as at 31 December 2015. The increase was primarily due to increased time deposits, reflecting an increasing reliance on short term interbank deposits to manage cost of funds.

Deposits from customers

The following tables set forth a breakdown of ADCB's total deposits from customers by category as at the dates indicated.

	As at 31 December					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	(AED thousands, except percentages)					
By category						
Time deposits	80,765,754	49.5	84,044,103	54.1	62,189,594	43.3
Current account deposits	55,741,567	34.2	51,596,345	33.2	51,713,778	36.0
Savings deposits	13,758,208	8.4	12,644,918	8.1	10,932,983	7.6
Murabaha deposits	11,190,454	6.9	6,011,966	3.9	17,628,523	12.3
Long-term government deposits	397,282	0.2	411,313	0.2	418,907	0.3
Margin deposits	1,225,121	0.8	733,562	0.5	642,511	0.5
Total	**163,078,386**	**100.0**	**155,442,207**	**100.0**	**143,526,296**	**100.0**

Customer deposits increased by 4.9 per cent. to AED 163.1 billion as at 31 December 2017 from AED 155.4 billion at 31 December 2016. The increase was primarily attributable to an increase in current account and savings deposits as well as Murabaha deposits.

Customer deposits increased by 8.3 per cent. to AED 155.4 billion as at 31 December 2016 from AED 143.5 billion as at 31 December 2015. The increase was primarily attributable to an increase in time deposits and savings deposits, in part offset by a decrease in the balance of Murabaha deposits resulting from a strategy to reduce these more expensive deposits.

Borrowings

Borrowings comprise global medium term notes, bilateral and syndicated loans, certificates of deposits issued, subordinated notes, borrowings through repurchase agreements and Islamic sukuk notes. The following table sets out details of ADCB's borrowings as at the dates indicated.

	As at 31 December					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	(AED thousands, except percentages)					
Global medium-term notes	24,028,597	59.3	20,521,304	54.0	17,396,800	52.0
Islamic sukuk notes	-	-	-	-	1,841,406	5.5
Bilateral loans – floating rate	4,031,550	9.9	3,304,437	8.7	3,302,321	9.9
Syndicated loan – floating rate	3,666,292	9.0	3,653,983	9.6	1,465,125	4.4
Certificate of deposits issued	4,069,589	10.0	4,938,595	13.0	873,063	2.6
Subordinated notes – fixed rate	4,165,462	10.3	4,067,495	10.7	4,033,799	12.0
Borrowings through repurchase agreements	593,705	1.5	1,529,216	4.0	4,559,217	13.6
Total	**40,555,195**	**100.0**	**38,015,030**	**100.0**	**33,471,731**	**100.0**

Borrowings increased by 6.7 per cent. to AED 40.6 billion as at 31 December 2017 from AED 38.0 billion as at 31 December 2016. The increase was mainly due to an increase in the issuance of global medium term notes to support ADCB's investment strategy.

Borrowings increased by 13.6 per cent. to AED 38.0 billion as at 31 December 2016 compared to AED 33.5 billion as at 31 December 2015. The increase principally reflected an increase of AED 3.1 billion under the Programme and an increase of AED 4.0 billion in certificate of deposits, in part offset by a reduction in borrowings through repurchase agreements of AED 3.0 billion as well as the maturity of a sukuk in November 2016.

ADCB hedges the majority of its fixed rate bonds for foreign currency exchange rate risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at 31 December 2017 was AED 196,811 thousand.

For further information on the maturity, currency and interest payment on borrowings, see note 20 to the 2017 Financial Statements and the 2016 Financial Statements.

Other liabilities

The following table sets out details of ADCB's other liabilities as at the dates indicated.

	As at 31 December					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	(AED thousands, except percentages)					
Interest payable	1,015,277	6.1	1,022,845	6.0	506,502	4.9
Recognised liability for defined benefit obligation	453,866	2.7	421,275	2.4	384,677	3.7
Accounts payable and other creditors	249,627	1.5	271,313	1.6	291,506	2.8
Deferred income	631,168	3.8	635,476	3.7	626,360	6.0
Acceptances	12,593,697	75.9	13,262,942	77.5	7,168,716	68.9
Others	1,659,684	10.0	1,503,508	8.8	1,425,473	13.7
Total	**16,603,319**	**100.0**	**17,117,359**	**100.0**	**10,403,234**	**100.0**

Other liabilities decreased by 3.0 per cent. to AED 16.6 billion as at 31 December 2017 from AED 17.1 billion at 31 December 2016. The decrease was primarily attributable to a decline in acceptances related to trade financing activity.

Other liabilities increased by 64.5 per cent. to AED 17.1 billion as at 31 December 2016 from AED 10.4 billion as at 31 December 2015, principally reflecting the increases in acceptances related to trade financing activity.

Liquidity, funding and capital

The following discussion of ADCB's funding and capital requirements should be read in conjunction with "*— Quantitative and Qualitative Disclosures about Risk*".

Liquidity

Customer deposits create the need for liquidity as ADCB is required to pay customers back either on demand in respect of current and savings accounts or at maturity in respect of time deposits. ADCB's liquidity needs are met by the maintenance of liquid assets such as cash and balances with Central Banks, deposits and balances due from banks, reverse-repo placements, trading securities and quoted investment securities.

The following table sets forth the details of ADCB's liquid assets at the dates indicated.

	As at 31 December					
	2017		2016		2015	
	Amount	% of total	Amount	% of total	Amount	% of total
	(AED thousands, except percentages)					
Cash and balances with Central Banks	19,997,123	30.8	19,261,902	28.8	20,180,277	33.9
Deposits and balances due from banks	6,337,824	9.8	21,079,997	31.5	14,954,997	25.1
Reverse-repo placements	98,578	0.2	1,524,806	2.3	4,256,277	7.2
Trading securities	485,301	0.7	418,758	0.6	62,261	-
Investment securities - Quoted	37,948,136	58.5	24,544,209	36.8	20,051,877	33.8
Total liquid assets	**64,866,962**	**100.0**	**66,829,672**	**100.0**	**59,505,689**	**100.0**

The following table sets out ADCB's liquidity ratios, which is calculated by dividing its liquid assets by its total assets, as at the end of each calendar quarter in the years indicated.

	For the year ended 31 December		
	2017	2016	2015
31 March	25.7%	24.3%	25.5%
30 June	23.4%	24.9%	25.1%
30 September	23.4%	26.4%	23.7%
31 December	24.5%	26.0%	26.1%

For further information, see "*– Significant Factors Affecting Results of Operations – Funding mix*".

Capital expenditure

As at 31 December 2017, ADCB had commitments for future capital expenditure totaling AED 380 million, principally reflecting software updates and branch renovations. ADCB's management has allocated the necessary resources in respect of these commitments and believes that future income and funding will be sufficient to cover this and any similar such commitments.

Funding

The primary source of ADCB's funding has historically been from customer deposits, many of which are time and demand deposits. Through access to wholesale funding markets (including through bilateral or syndicated loans in addition to the international bond markets), ADCB has been able to diversify and increase the maturity of its funding sources. However, in common with other banks in the UAE whose assets are largely funded by shorter tenor customer deposits, ADCB been unable to completely eliminate asset-liability maturity gaps.

The following table sets out the principal sources of funding for ADCB as at the dates indicated.

	As at 31 December		
	2017	2016	2015

	Amount	% of total	Amount	% of total	Amount	% of total
	(AED millions and as a percentage of the respective category)					
Customer deposits						
Current account deposits	55,741	26.3	51,596	25.0	51,714	28.1
Time deposits.....	80,766	38.1	84,044	40.8	62,190	33.7
Saving deposits.....	13,758	6.5	12,645	6.1	10,933	5.9
Other	12,813	6.1	7,157	3.5	18,689	10.1
Total customer deposits	**163,078**	**77.0**	**155,442**	**75.4**	**143,526**	**77.8**
Due to banks						
Time deposits.....	4,027	1.9	3,330	1.6	1,321	0.7
Vostro balances.....	822	0.4	268	0.1	283	0.2
Margin deposits	328	0.2	245	0.2	88	0.0
Total due to banks	**5,177**	**2.4**	**3,843**	**1.9**	**1,692**	**0.9**
Euro commercial paper	**2,910**	**1.4**	**8,729**	**4.2**	**5,700**	**3.1**
Borrowings	**40,555**	**19.2**	**38,015**	**18.5**	**33,472**	**18.2**
Total non-equity funding[1]	**211,720**	**100.0**	**206,029**	**100.0**	**184,390**	**100.0**

[1] This figure represents the aggregate of total customer deposits, total due to banks, euro commercial paper and borrowings as at the dates indicated.

As at 31 December 2017, customer deposits accounted for 77.0 per cent. of ADCB's total non-equity funding as compared to 75.4 per cent. and 77.8 per cent. as at 31 December 2016 and 2015, respectively.

Capital

The Central Bank is ADCB's principal regulator and sets and monitors its capital requirements. ADCB's objective is to have an adequate capital base to enable it to pursue its strategic initiatives and to support the growth of its business.

ADCB's senior management, by employing techniques based on the guidelines developed by the Basel Committee and the Central Bank, monitors capital adequacy and the use of regulatory capital. Returns are filed with the Central Bank on a quarterly basis.

The Central Bank issued circular No. 27/2009 dated 17 November 2009 informing all banks operating in the UAE to implement the standardised approach of Basel II from the date of the circular. For credit and market risk, the Central Bank issued guidelines for implementation of the standardised approach and since 2010, banks are required to comply and report under Pillar 2 – Internal Capital Adequacy Assessment Process (ICAAP) requirements. For operational risk, the Central Bank has given banks the option to use the basic indicators approach or the standardised approach and ADCB has chosen to use the standardised approach.

In December 2010 (revised in June 2011), the Basel Committee issued Basel III, a global regulatory framework, to enhance international capital standards. Basel III is designed to materially improve the quality of regulatory capital and introduces a new minimum common equity capital requirement. Basel III also raises the minimum capital requirements and introduces capital conservation and countercyclical buffers to induce banking organisations to hold capital in excess of regulatory minimums. In February 2017, the Central Bank published enhanced regulatory capital rules by way of notifications 52 and 60/2017 which implemented Basel III in the UAE. To achieve the broader macro-prudential goal of protecting the banking sector from periods of excess aggregate credit growth and in addition to the capital conservation buffer requirement, banks may be required to implement the countercyclical buffer. Banks must meet the capital conservation buffer and countercyclical buffer requirements by using CET 1 capital. The level of the countercyclical buffer requirement will vary between 0 per cent. and 2.5 per cent. of risk weighted assets and will be communicated by the Central Bank with an adequate notice period. Further, to reduce risks related to the failure of D-SIBs, the Central Bank has introduced a Common Equity Tier 1 D-SIB buffer. ADCB has been listed as a D-SIB and is required to maintain a buffer of 0.38 per cent., effective from 1 January 2018 (increasing to 0.50 per cent. with effect from 1 January 2019).

To enable banks to meet the new standards, the notification contains transitional arrangements commencing 1 January 2017 through 1 January 2019. Transitional requirements result in a phase-in of capital conservation and the D-SIB buffer over three years. As of January 2019, banks will be required to meet new minimum requirements related to risk-weighted assets as mentioned.

ADCB currently calculates its capital ratio in accordance with Basel III capital requirements. As at 31 December 2017, ADCB's total capital adequacy ratio was 19.09 per cent. and included the Tier 1 Notes

and the Tier 2 Notes. The terms and conditions of the Tier 2 Notes provide ADCB with an option to call the Tier 2 Notes in 2018, subject to obtaining prior Central Bank approval. For further information, see "*Risk Factors – Regulatory Risks – ADCB is a highly regulated entity and changes in applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on ADCB's business, results of operations and financial condition*".

The table below sets out ADCB's capital base and risk-weighted assets reported in accordance with Basel III as at 31 December 2017.

	As at 31 December 2017
	(AED millions, except for percentage)
Common equity Tier 1 (CET 1) capital:	
Share capital	5,198
Share premium	2,420
Other reserves	7,680
Retained earnings	13,125
Regulatory deductions and adjustments:	
Intangible assets[(1)]	(15)
Cash flow hedge reserve[(1)]	(152)
Employee's incentive plan shares, net[(1)]	(52)
Cumulative changes in fair value	27
Total CET 1 capital	**28,231**
Additional Tier 1 (AT1) capital:	
Capital notes	4,000
Transitional deduction from AT1 capital (10% for 2017)	(27)
Total AT1 capital	**3,973**
Total Tier 1 capital	32,204
Tier 2 capital:	
Collective impairment allowance on loans and advances	2,213
Subordinated notes	4,233
Transitional deduction from Tier 2 capital (10% for 2017)	(27)
Total Tier 2 capital	**6,419**
Total regulatory capital	**38,623**
Risk-weighted assets:	
Credit risk	177,021
Market risk	10,719
Operational risk	14,529
Total risk-weighted assets	**202,269**
CET 1 ratio	13.96%
AT1 ratio	1.96%
Tier 1 ratio	15.92%
Tier 2 ratio	3.17%
Capital adequacy ratio	**19.09%**

(1) Transitional deduction from CET 1 (80 per cent. for 2017).

The table below sets out ADCB's capital base and risk-weighted assets reported in accordance with Basel II as at the dates indicated.

	As at 31 December		
	2017	**2016**	**2015**
	(AED millions, except for percentage)		
Tier 1 capital:			
Share capital	5,198	5,198	5,596
Share premium	2,420	2,420	3,848
Other reserves	7,425	7,423	5,657
Retained earnings	13,125	11,053	9,627
Non-controlling interests	-	-	5
Capital notes	4,000	4,000	4,000
Less: Intangible assets	(19)	(19)	(19)

	As at 31 December		
	2017	2016	2015
	(AED millions, except for percentage)		
Less: Investment in associate	-	(102)	(99)
Total Tier 1 capital	**32,149**	**29,973**	**28,615**
Tier 2 capital:			
Collective impairment allowance on loans and advances	2,213	2,116	1,966
Cumulative changes in fair value	27	6	-
Subordinated notes	4,234	4,217	4,226
Less: Investment in associate	-	(102)	(98)
Total Tier 2 capital	**6,474**	**6,237**	**6,094**
Total regulatory capital	**38,623**	**36,210**	**34,709**
Risk-weighted assets:			
Credit risk	177,021	169,252	157,315
Market risk	10,719	8,344	5,652
Operational risk	14,529	13,741	12,689
Total risk-weighted assets	**202,269**	**191,337**	**175,656**
Capital Adequacy Ratio	19.1%	18.9%	19.8%
Tier 1 ratio	15.9%	15.7%	16.3%
Tier 2 ratio	3.2%	3.3%	3.5%

In accordance with UAE Federal Law No. 2 of 2015 (the "**Commercial Companies Law**") and the Union Law, ADCB transfers 10 per cent. of its annual profits to its statutory and legal reserve and will continue to do so until such time as the reserve equals 50 per cent. of the issued share capital of ADCB. As at 31 December 2017, the value of the statutory and legal reserve was more than 50 per cent. of the issued share capital of ADCB and, accordingly, further transfers to the statutory reserve are no longer required under the provisions of the Commercial Companies Law. These reserves are not available for distribution.

For the description of capital adequacy guidelines, see "*UAE Monetary and Financial System — Recent Developments — Capital*".

Off-balance sheet commitments and contingent liabilities

The following table sets out ADCB's off-balance sheet commitments and contingent liabilities as at the dates indicated.

	As at 31 December		
	2017	2016	2015
		(AED thousands)	
Letters of credit	3,869,821	6,400,474	7,397,227
Guarantees	25,214,764	27,321,772	20,688,203
Commitments to extend credit – revocable[(1)]	12,024,786	11,021,112	10,140,076
Commitments to extend credit – irrevocable	11,877,423	13,656,251	13,436,760
Total commitments on behalf of customers	**52,986,794**	**58,399,609**	**51,662,266**
Commitments for future capital expenditure	380,094	307,268	364,985
Commitments to invest in investment securities	59,683	57,202	89,182
Total commitments and contingent liabilities	**53,426,571**	**58,764,079**	**52,116,433**

(1) Includes amounts for undrawn credit card limits of AED 6,805.6 million in 2017, AED 7,032.7 million in 2016 and AED 6,860.9 million in 2015.

Letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Credit-related commitments include commitments to extend credit, letters of credit and guarantees which are designed to meet the requirements of the ADCB's customers. Irrevocable commitments to extend credit represent contractual commitments to make loans and advances and revolving credits. Revocable commitments to extend credit represent commitments to make loan and advances and revolving credits which can be cancelled by ADCB unconditionally without any contractual obligations. 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.

Commitments and contingent liabilities which have been entered into on behalf of customers and for which there are corresponding obligations from customers, are not included in assets and liabilities. The Bank's maximum exposure to credit loss, in the event of non-performance by the other party and where all counterclaims, collateral or security proves valueless, is represented by the contractual nominal amount of these instruments included in the table above. These commitments and contingent obligations are subject to ADCB's normal credit approval processes.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

The table below sets out ADCB's financial guarantees and irrevocable commitments by maturity as at the dates indicated.

	Up to 1 year	More than 1 year	Total
		(AED thousands)	
As at 31 December 2017			
Financial guarantees and irrevocable commitments	3,635,719	10,498,914	14,134,633
As at 31 December 2016			
Financial guarantees and irrevocable commitments	5,561,825	10,022,092	15,583,917
As at 31 December 2015			
Financial guarantees and irrevocable commitments	4,089,177	11,082,809	15,171,986

ADCB is also a lessee to a number of operating leases mainly in respect of branches and had total non-cancellable operating lease commitments of AED 174.2 million in 2017, an increase of AED 49.3 million compared to AED 124.9 million in 2016, primarily due to new leases in 2017.

Cash flow

The following table sets forth certain information about the consolidated cash flows of ADCB for the years indicated.

	Year ended 31 December		
	2017	2016	2015
		(AED thousands)	
Net cash flow from operating activities	3,155,273	11,201,493	15,184,033
Net cash (used in)/from investing activities	(14,637,056)	(11,690,511)	572,250
Net cash (used in)/from financing activities	(7,357,788)	4,366,568	(3,220)
Net (decrease)/increase in cash and cash equivalents	**(18,839,571)**	**3,877,550**	**15,753,063**
Cash and cash equivalents at the beginning of the year	34,651,119	30,773,569	15,020,506
Cash and cash equivalents at the end of the year	**15,811,548**	**34,651,119**	**30,773,569**

Net cash flow from operating activities

Net cash from operating activities for the year ended 31 December 2017 decreased by 71.8 per cent. to AED 3,155.3 million as compared to net cash from operations of AED 11,201.5 million for the year ended 31 December 2016. The change in net cash from operating activities in 2017 as compared to 2016, principally reflected a decline in deposits and balances due from banks and a decline in reverse repo placements for the reasons discussed above and an increase in customer deposits.

Net cash from operating activities for the year ended 31 December 2016 decreased by 26.2 per cent. to AED 11,201.5 million as compared to net cash from operations of AED 15,184.0 million for the year ended 31 December 2015. The change in net cash from operating activities in 2016 as compared to 2015, principally reflected the increase in loans and advances to customers, a decline in amounts due from banks, the decline in reverse-repo placements and an increase in deposits from customers.

Net cash (used in)/from investing activities

Net cash used in investing activities during the year ended 31 December 2017 increased by 25.2 per cent. to AED 14,637.1 million as compared to net cash used in investing activities of AED 11,690.5 million for the year ended 31 December 2016. The change in net cash from investing activities principally reflected

the net purchase of available-for-sale investments, resulting from a need to maintain an adequate level of liquid assets to comply with LCR requirements.

Net cash used in investing activities during the year ended 31 December 2016 decreased to a cash outflow of AED 11,690.5 million as compared to a net cash inflow from investing activities of AED 572.3 million for the year ended 31 December 2015. The change in net cash from investing activities principally reflected the net purchase of available-for-sale investments.

Net cash (used in)/from financing activities

Net cash flows used in financing activities for the year ended 31 December 2017 was AED 7,357.8 million, principally reflecting the repayment of euro commercial paper and dividends paid to equity holders.

Net cash flows from financing activities for the year ended 31 December 2016 was AED 4,366.6 million, principally reflecting net proceeds from borrowings and euro commercial paper issued and the payment of dividends to equity holders.

Net cash flows used in financing activities for the year ended 31 December 2015 resulted in a cash outflow of AED 3.2 million, principally reflecting net proceeds from borrowings and the issuance of euro commercial paper and dividends paid to equity holders.

Related party transactions

ADCB enters into transactions with major shareholders, directors, executive management and their related concerns in the ordinary course of its business and at commercial interest and commission rates. As at 31 December 2017, outstanding loans and advances to customers to related parties amounted to AED 21.9 billion (AED 24.3 billion as at 31 December 2016) and customer deposits with related parties amounted to AED 39.1 billion (AED 35.1 billion as at 31 December 2016). ADCB also had irrevocable commitments and contingencies with related parties in the amount of AED 2.0 billion as at 31 December 2017 (AED 7.4 billion as at 31 December 2016). Due to the nature of ADCB's controlling shareholder, the Government (which encompasses a number of Government controlled entities), it is impractical to disclose fully all related party transactions between ADCB and its controlling shareholder as well as ADCB's related companies as described by IAS 24.

ADCB is subject to restrictions set out in the Large Exposure Notice, which introduced new limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. For further detail on the Large Exposure Notice, see "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Large Exposures*".

Quantitative and qualitative disclosures about risk

In common with other financial institutions, ADCB faces a range of risks in its business and operations including: (i) credit risk; (ii) funding and liquidity risk; (iii) market risk (including currency risk, interest rate risk and equity price risk); (iv) legal risk; (v) reputational risk; and (vi) operational risk.

Credit risk

Credit risk represents the potential loss if counterparties fail to fulfil their obligations. ADCB's primary exposure to credit risk arises through its loans and advances to customers and banks. ADCB is also exposed to credit risk on various other financial assets, including derivative instruments and debt investments. ADCB, like other financial institutions, undertakes short-term lending in the inter-bank market.

All unsecured retail loans falling under similar overdue categories are assumed to carry similar credit risk and an allowance for impairment is taken on a portfolio basis. In cases of secured loans where ADCB possesses collateral (mortgage) the realisable value of the collateral is taken into consideration in assessing the allowance for impairment.

For further information regarding credit risk, see "*Risk Factors – Factors that may affect ADCB's ability to fulfil its obligations in respect of Notes issued under the Programme and/or the Guarantee – ADCB's*

business, results of operations and financial condition have historically been adversely affected by credit risks and may again be affected by credit risks if economic conditions do not improve" and "*Risk Management – Principal Risks – Credit risk*".

Funding and liquidity risk

Funding risk is the risk that the Bank will be unable to achieve its business plans due to its capital position, liquidity position or structural position. Funding risk arises when ADCB cannot obtain the funds needed to meet current and future cash flow and collateral requirements at the expected terms and when required. To reduce this risk, ADCB has elected to use diversified funding sources and to manage assets with the objective of maximising liquidity.

Liquidity risk is the risk that ADCB will be unable to meet its payment obligations when financial liabilities fall due or unable to replace funds when they are withdrawn. Liquidity risk arises from mismatches in the timing of cash flows such as when the cash needed to fund lending commitments exceeds deposits and other available liquid assets.

For further information regarding funding and liquidity risk, see "*Risk Factors – Factors that may affect ADCB's ability to fulfil its obligations in respect of Notes issued under the Programme and/or the Guarantee – ADCB's business, results of operations and financial condition could be adversely affected by liquidity risks*" and "*Risk Management – Principal Risks – Funding and liquidity risk*".

Market risk

Market risk is the risk that ADCB's income and/or value of a financial instrument will fluctuate because of changes in market factors such as interest rates, foreign exchange rates, commodity rates and market prices of equity. ADCB is exposed to market risk with respect to its investments in financial assets and financial liabilities to the extent it has not hedged such risks through derivatives positions. ADCB separates its exposure to market risk between trading and banking book.

For further information regarding ADCB's market rate risk, including foreign currency risk and ADCB's interest sensitivity position based on contractual re-pricing arrangements, see notes 44 and 47 to the 2017 Financial Statements and the 2016 Financial Statements, respectively, and "*Risk Management – Principal Risks – Market risk*".

Legal risk

Legal risk is the risk of losses occurring due to: (i) non-compliance with laws or regulations; or (ii) legal or regulatory action that invalidates contractual protections. For further information regarding ADCB's legal risk, see "*Risk Management – Principal Risks – Legal risk*".

Reputational risk

Reputational risk is the risk of loss occurring due to a decrease in the value of the ADCB brand. ADCB's brand and reputation could be adversely affected by a number of factors, including, but not limited to, substandard work product, higher transactional costs than competitors, major adverse credit events, negative publicity in local and international press, legal disputes or lower than expected financial results. For further information regarding ADCB's reputational risk, see "*Risk Management – Principal Risks – Operational risk*".

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks can arise from all business processes and activities carried out by the Group and can expose the Group to potentially large losses, regulatory criticism and reputational damage. For further information regarding ADCB's operational risk, see notes 48 to the 2017 Financial Statements and the 2016 Financial Statements and "*Risk Management – Principal Risks – Operational risk*".

Significant accounting judgments and estimates

The reported results of ADCB are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of these consolidated financial statements. IFRS requires the management, in preparing ADCB's consolidated financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements.

The IASB has also issued new and revised IFRSs, including IFRS 9, that are mandatorily effective for an accounting period that begins on or after 1 January 2018. For further information, see "– *Significant Factors Affecting Results of Operations – Implementation of IFRS 9*" and note 2 to the 2017 Financial Statements and the 2016 Financial Statements.

The judgements and assumptions involved in ADCB's accounting policies that are considered by the Board to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by ADCB would affect its reported results.

Impairment allowances for loans

At each reporting date ADCB assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably. Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by ADCB on terms that ADCB would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security or other observable data relating to a Group's asset such as adverse changes in the payment status of borrowers or issuers in ADCB or economic conditions that correlate with defaults in ADCB. ADCB considers evidence of impairment for loans and advances and investment securities measured at amortised cost at both individual and collective level.

Individually assessed loans

Impairment allowances for doubtful loans and advances for individually assessed loans are determined by an evaluation of exposure on a case-by-case basis. This procedure is applied to all corporate loans and advances which are individually significant accounts or are not subject to the portfolio-based-approach.

Management considers the amount expected to be realised on disposals of collateral, ADCB's ability to enforce its claim on the collateral and associated cost of litigation and the expected time frame to complete legal formalities and disposals of collateral in estimating the individual allowance. The gross impairment allowances recorded for individually assessed loans was AED 1,952.0 million, AED 1,464.2 million and AED 704.6 million in the years ended 31 December 2017, 2016 and 2015, respectively.

Collectively assessed loans

Impairment allowances for doubtful loans and advances for collectively assessed loans are assessed in two circumstances:

- to cover losses which may have been incurred but have not yet been identified on loans subject to individual assessment; and
- for homogenous groups of loans that are not considered individually significant.

The impairment allowance charge recorded for collectively assessed loans increased from AED 48.2 million for the year ended 31 December 2015 and increased significantly to AED 225.7 million for the year ended 31 December 2016, respectively. However, for the year ended 31 December 2017, there was a collective impairment reversal of AED 22.8 million.

For collectively assessed loans, judgement is involved in selecting and applying the criteria for grouping together loans with similar credit characteristics, as well as in selecting and applying the statistical and other models used to estimate the losses incurred for each group of loans in the reporting period. The benchmarking of loss rates, the assessment of the extent to which historical losses are representative of current conditions, and the ongoing refinement of modelling methodologies, provide a means of identifying changes that may be required, but the process is inherently one of estimation.

Impairment of available-for-sale investments

ADCB exercises judgement to consider impairment of available-for-sale investments. This includes determination of whether any decline in the fair value below cost of equity instruments is significant or prolonged. In making this judgement, ADCB evaluates among other factors, the normal volatility in market price. In addition, ADCB considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance or changes in technology.

Valuation of financial instruments

The best evidence of fair value is a quoted price for the instrument being measured in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that include one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs. The main assumptions and estimates which management consider when applying a model with valuation techniques are:

- the likelihood and expected timing of future cash flows on the instrument. These cash flows are estimated based on the terms of the instrument, and judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market rates;

- selecting an appropriate discount rate for the instrument. The determination of this rate is based on an assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate risk - free rate; and

- when applying a model with unobservable inputs, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments are based on some market observable inputs even when unobservable inputs are significant.

Investment properties

The fair values of investment properties is based on the highest and best use of the properties, which is their current use. The fair valuation of the investment properties is carried out by independent valuers based on models whose inputs are observable in an active market such as market conditions, market prices, future rental income etc.

For further information on ADCB's significant accounting judgments and estimates, see note 4 to the 2017 Financial Statements and the 2016 Financial Statements.

DESCRIPTION OF ADCB FINANCE CAYMAN

ADCB Finance Cayman was incorporated under the Companies Law (as amended) in the Cayman Islands as an exempted company with limited liability on 12 May 2008, with registration number 210317. Its registered office is c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. Its telephone number is +1 345 814 7600.

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

ADCB Finance Cayman has no subsidiaries.

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

Director	Age	Principal Occupation at ADCB
Simon Copleston	44	Group General Counsel and Board Secretary
Kevin Taylor	57	Group Treasurer
Rajesh Raheja	47	Head – Funding and Balance Sheet, Wholesale Funding

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

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

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

As at 31 December 2017, ADCB Finance Cayman had the UAE dirham equivalent of AED 26,468,208,250 in aggregate nominal amount of notes outstanding (both senior and subordinated) under this Programme. ADCB Finance Cayman will continue to issue notes under this Programme up to the Programme's limit.

Pursuant to the terms of the Transaction Documents, ADCB Finance Cayman may issue securities other than the Notes or otherwise incur indebtedness. Accordingly, ADCB Finance Cayman is also able to issue notes under its AUD Programme. As at 31 December 2017, ADCB Finance Cayman had the UAE dirham equivalent of AED 1,862,688,523 in aggregate nominal amount of notes outstanding under the AUD Programme. ADCB Finance Cayman will continue to issue notes under the AUD Programme up to each Programme's limit.

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

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

DESCRIPTION OF ADCB

OVERVIEW

ADCB is one of the leading commercial banks in the UAE, offering a wide range of retail, commercial, investment and Islamic banking, brokerage and asset management products and services. According to the 2017 Financial Statements and the publicly available financial statements of ADCB's main domestic competitors for the financial year ended 31 December 2017, ADCB was the third largest bank in the UAE market in terms of net loans and advances to customers (AED 163.3 billion), the second largest bank in Abu Dhabi in terms of total assets (AED 265.0 billion) and the second largest bank in the Abu Dhabi market in terms of net loans and advances to customers (AED 163.3 billion).

As at 31 December 2017, ADCB had customer deposits of AED 163.1 billion. As at 31 December 2017, ADCB's total assets were AED 265.0 billion, representing an estimated 9.8 per cent. of the UAE market in terms of total assets according to Central Bank statistical records for December 2017. As at 31 December 2017, ADCB served more than 794,000 retail customers and more than 26,800 wholesale customers, primarily in its domestic UAE market.

ADCB has grown rapidly to become one of the largest full service commercial banks in the UAE. Since its incorporation, the Government has at all times held, indirectly, a controlling interest of at least 58.1 per cent. of the share capital of ADCB. As at the date of this Base Prospectus, the Government held, through the Council, 62.52 per cent. of ADCB's share capital.

ADCB has four principal areas of business:

- ***Consumer Banking Group***: the consumer banking group provides a broad range of conventional and *Shari'a* compliant consumer banking and wealth management products and services to individual customers (including HNWIs and their businesses) located primarily in the UAE. The products and services offered include current and deposit accounts, personal and vehicle loans, mortgage lending, brokerage, credit and other card services. The consumer banking group also oversees and monitors the operations of ADCB's Jersey branch. For the financial year ended 31 December 2017, AED 1,069.4 million or 25.0 per cent. of ADCB's net profit for the year was attributable to the consumer banking group;

- ***Wholesale Banking Group***: the wholesale banking group provides a broad range of corporate and investment banking products and services to large strategic clients (including government or government related entities and regional blue chip corporates), financial institutions, mid-corporates and local branches of multinational corporations and SMEs. The products and services offered include corporate lending, cash management, trade finance, Islamic finance, debt securities underwriting and distribution, corporate advisory and structuring services. The wholesale banking group also oversees and monitors certain strategic investments, joint ventures and international operations (including ADCB's banking operations in India). For the financial year ended 31 December 2017, AED 1,464.4 million or 34.2 per cent. of ADCB's net profit for the year was attributable to the wholesale banking group;

- ***Treasury and Investments Group***: the treasury and investments group provides commercial and proprietary treasury operations offering a range of treasury services including money market, interest rate, currency and commodity services (together with Islamic equivalents of money market, interest rate and currency services) and manages ADCB's investment portfolio. For the financial year ended 31 December 2017, AED 1,568.9 million or 36.7 per cent. of ADCB's net profit for the year was attributable to the treasury and investments group; and

- ***Property Management***: the property management division comprises the real estate management and engineering service operations of ADCB's subsidiaries, Abu Dhabi Commercial Properties ("**ADCP**") and Abu Dhabi Commercial Engineering Services ("**ADCES**"), in addition to certain real estate assets in Abu Dhabi owned by ADCB (see " – *Property Management*"). For the financial year ended 31 December 2017, AED 174.8 million or 4.1 per cent. of ADCB's net profit for the year was attributable to the property management group.

As at 31 December 2017, ADCB had 47 branches, three pay offices and 358 automated teller machines ("**ATMs**") in the UAE, with the majority in Abu Dhabi and Dubai, two branches in India (in Mumbai and

Bengaluru), one offshore branch in Jersey and representative offices in London and in Singapore. ADCB also offers services to individuals and corporate customers through its internet banking, phone and SMS banking systems, the ADCB mobile application and through one of the largest point of sale networks in the UAE. In addition, ADCB provides a range of *Shari'a* compliant Islamic products and services under its "*ADCB Islamic Banking*" brand.

STRENGTHS

ADCB believes that its businesses have the following strengths:

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

ADCB believes that the resilience of its earnings and ability to grow its operating income since the middle of 2008 reflects the strengths of its core consumer and wholesale banking and treasury operations. ADCB reported a net profit of AED 4,278 million for the financial year ended 31 December 2017, as compared to a net profit of AED 4,157.1 million for the financial year ended 31 December 2016 and a net profit of AED 4,927.1 million for the financial year ended 31 December 2015.

Based on IMF data (extracted from the World Economic Outlook (October 2017)), real GDP growth in the UAE increased by 5.8 per cent. in 2013, 3.3 per cent. in 2014, 3.8 per cent. in 2015 and 3.0 per cent. in 2016.

The sharp decline in global crude oil prices between July 2014 (when, according to data published by OPEC, the monthly average OPEC Reference Basket price per barrel was U.S.$107.89) and January 2016 (when the monthly average OPEC Reference Basket price per barrel had dropped to a monthly average price of U.S.$26.50), had a significant impact across the oil-producing economies of the GCC states, resulting in greater budget deficits, a decrease in fiscal revenues and consequent lower public spending. However, unlike other oil revenue dependent economies in the GCC, the UAE has been able to successfully diversify its economy, such that revenues from the oil and gas sector contribute a comparatively lower proportion of total government revenue. For example, according to the IMF, the Kingdom of Saudi Arabia, the Sultanate of Oman and the State of Kuwait received 64.2 per cent., 71.7 per cent. and 88.6 per cent., respectively, of total government revenues from the oil sector in 2016, as compared with approximately 33 per cent. of total 2016 UAE federal government revenues being derived from the oil sector.

As a result of this successful diversification, when compared to other regional economies which remain heavily reliant on global crude oil prices for the vast majority of fiscal revenues, the UAE is comparatively better positioned to absorb the impact caused by international volatility in the price of crude oil, such as that seen between mid-2014 and early 2016. The resilience of the UAE economy has, in turn, enabled ADCB to grow its loan portfolio, year-on-year, since 2012. However, since 2015 and in response to the low oil price environment, the UAE federal government has undertaken a policy of significant fiscal reform which has had, and is expected to continue to have, a transformative affect on the UAE economy. The federal government has scaled back capital transfers to government-related entities, cut government investment, raised electricity and water tariffs and removed fuel subsidies. Additionally, the UAE federal government has implemented a VAT regime in the UAE with effect from 1 January 2018. These measures have become an integral part of a broader federal government strategy aimed at rationalising fiscal expenditure generally and reducing fiscal dependency on hydrocarbon related revenues. When taken in totality with the ongoing oil price volatility, the diversion of significant fiscal revenues to the Saudi Arabian led military intervention in the Republic of Yemen since 2015 and domestic job losses in both the private and public sectors across the UAE (and particularly within Abu Dhabi), the impact on the UAE economy since early 2015 has been, and is expected to continue to be, pronounced.

ADCB's loans and advances to customers, net of impairment allowances, increased by 3.0 per cent. in 2017 to AED 163.3 billion as at 31 December 2017, from AED 158.5 billion as at 31 December 2016 and AED 146.3 billion as at 31 December 2015. The increase was principally attributable to an increase in volume of loans to: (i) the real estate investment and hospitality sector; (ii) the financial institutions sector; and (iii) the energy sector (which saw increases of AED 3.3 billion and AED 1.2 billion, respectively, during 2017). ADCB's loans and advances to customers, net of impairment allowances, increased by 8.3 per cent. to AED 158.5 billion as at 31 December 2016 from AED 146.3 billion as at 31 December 2015. Additionally and, notwithstanding challenging economic conditions, the percentage of

ADCB's loans and advances to customers and banks classified as impaired has continued to reduce, year-on-year, since 2013, with 4.13 per cent. of ADCB's total loans and advances to customers and banks classified as non-performing as at 31 December 2013 and 3.13 per cent., 3.02 per cent., 2.74 per cent. and 2.12 per cent. of total loans and advances to customers and banks classified as non-performing as at each of 31 December 2014, 2015, 2016 and 2017, respectively.

Supportive principal shareholder

As at the date of this Base Prospectus, 62.52 per cent. of the issued and outstanding ordinary shares of ADCB were held by the Government (through the Council). The Government was instrumental in the founding of ADCB through a three way merger of local Abu Dhabi banks in 1985, and it has continued to support ADCB since that date. In particular, many Government controlled entities regularly engage ADCB in new business opportunities and have remained long standing clients of ADCB. Furthermore, in common with other regional governments, the Government provided financial support to its local banks, including ADCB, during the 2008 global financial crisis which helped ADCB to maintain liquidity and achieve a high capital adequacy ratio, well above the Central Bank guidelines. The majority ownership of ADCB and financial and other support provided by the Government has helped to stabilise ADCB's performance in turbulent economic periods and to enhance customer and market confidence in ADCB. Although there can be no assurance that the Government will continue to support ADCB, management believes that ADCB's relationship with the Government is unlikely to change in the foreseeable future.

Strong capital base and liquidity profile

As at 31 December 2017, ADCB had a total capital adequacy ratio of 19.09 per cent., consisting of a Tier 1 ratio of 15.89 per cent. and a Tier 2 ratio of 3.2 per cent., calculated in each case in accordance with Central Bank guidelines. Pursuant to the February 2017 Regulations, ADCB is required by the Central Bank to maintain a minimum total capital adequacy ratio of 12.75 per cent., effective from 1 January 2018 (increasing to a minimum total capital adequacy ratio of 13.5 per cent., effective from 1 January 2019). Included within this Central Bank prescribed minimum total capital adequacy ratio, ADCB, as a D-SIB, is required from 1 January 2018 to maintain a Common Equity Tier 1 buffer of 0.38 per cent. (increasing to 0.50 per cent. with effect from 1 January 2019). As at 31 December 2017, ADCB had cash and cash equivalents of AED 15.8 billion (AED 34.7 billion as at 31 December 2016).

As at the date of this Base Prospectus, the Central Bank has adopted a policy of a gradual, phased introduction of the Basel III Reforms in the UAE. As part of this phased introduction of Basel III, certain banks operating in the UAE have begun transitioning to LCR compliance and reporting their LCR to the Central Bank. ADCB has maintained a strong liquidity position with an LCR ratio of 134.6 per cent. as at 31 December 2017 compared to a minimum ratio of 70 per cent. prescribed by the Central Bank. As at 31 December 2017, ADCB's liquidity ratio was 24.5 per cent., as compared to 26.0 per cent. in 2016 and 26.1 per cent. in 2015. As part of its LCR reporting to the Central Bank, ADCB is required to maintain a portfolio of HQLAs which is sufficient to survive a significant stress scenario, lasting for a period of up to 30 days. As at 31 December 2017, ADCB held a portfolio of HQLAs valued at AED 42.5 billion. ADCB believes that its adherence to the LCR criteria will ensure that it is well equipped to absorb any unanticipated systemic shocks to the UAE or regional economies or banking sectors. See "*Risk Factors – ADCB's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations*" and "*Risk Factors – ADCB is a highly regulated entity and changes in applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on ADCB's business, results of operations and financial condition*".

Strong domestic franchise with a well known and trusted brand

In the UAE, ADCB is one of the leading commercial banks with a broad portfolio of consumer and wholesale products, an extensive distribution network and well established relationships with its client base. With more than 794,000 retail customers and over 26,800 wholesale customers, ADCB has one of the largest customer bases in Abu Dhabi and the UAE and maintains one of the largest domestic distribution networks. This distribution network offers significant opportunities to attract additional clients and expand ADCB's range of products and services to existing clients. As at 31 December 2017, ADCB had 47 branches, three pay offices and 358 ATMs throughout the UAE with a suite of alternative distribution channels, including internet banking, mobile banking channels and SMS alerts. ADCB has also set up contact centres to assist customers and to address customer queries as a part of its culture of

service excellence and to provide seamless service to its customers. As at 31 December 2017, ADCB had total customer deposits of AED 163.1 billion, which represented an estimated market share of 10.0 per cent. of total UAE customer deposits and a loan and advances to customers portfolio (net of impairment allowances) of AED 163.3 billion, which represented an estimated 11.1 per cent. of the total loans and advances, net of impairment allowances of all UAE banks, according to the UAE Monthly Banking Indicators for December 2017 published by the Central Bank.

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

Experienced executive management team with proven track record in the banking industry

ADCB's strategy (see "– *Strategy*") is supported by the executive management team's broad expertise in the region, proven record for implementing industry leading initiatives, and by its focus on best practices and customer service. ADCB benefits from continuity of personnel within its executive management team, with limited changes to the executive management over the previous 10 years. ADCB's executive management team has extensive experience in the financial services sector in the UAE and internationally (see "*Governance*"). The heads of ADCB's wholesale, consumer, treasury and investment, finance and risk groups have extensive experience in the finance and banking sector, from global institutions such as Barclays, Citibank and Standard Chartered Bank.

Expertise in designing banking products to meet customers' needs

ADCB currently offers a range of banking products and services to its clients and has the ability to tailor each product to fit the banking needs of individual clients, especially its strategic, large corporate and HNWI clients. ADCB's wholesale banking group provides customised cash management, trade finance (including structured trade finance) and investment banking solutions to its strategic, large corporate and SME clients. ADCB also offers individualised banking services for HNWIs. Since 2005, ADCB has focused on affluent retail clients and HNWI clients through its Privilege Club, Excellency, SimplyLife and other programmes. ADCB also offers "TouchPoints", a rewards programme whereby customers earn points redeemable for goods and services for virtually all transactions carried out with ADCB, which management believes is unique in the region.

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

STRATEGY

ADCB's strategy is based on five main pillars:

- ***Grow through a UAE centric approach with controlled internationalisation***: ADCB's core strategy is to defend, maintain and consolidate its business in the UAE. ADCB aims to capitalise on the strengths of its consumer and wholesale banking franchises and strong brand in order to enhance its position as a leading full service commercial bank in the UAE. ADCB's focus for growth resides primarily within the core segments of corporate and wholesale banking and consumer banking in the UAE; however ADCB is prepared to explore new markets to take advantage of international opportunities, should suitable ones arise. ADCB is currently focusing on: (a) growing revenues derived from SMEs, mid-corporates and consumer businesses; (b) creating shareholder value and driving a strong return on equity by adopting a business-focused risk culture; and (c) achieving growth through cross-selling products and services across its various segments in order to meet the full breadth of customer needs and reduce customer attrition;

- ***Sustainability through liability growth***: As one of ADCB's key strategic levers, it has sought to develop a sustainable cost of funds advantage, seizing opportunities to bolster its balance sheet.

ADCB has also increased customer deposits (in particular, current and savings account deposits) to further lower its cost of funds as a way to fuel balance sheet growth and improve returns;

- ***Maintain a culture of service excellence and efficiency***: ADCB has a customer centric approach and continues to invest in improving its customer experience proposition, with innovation at the forefront of its customer service model. The programme of changes includes, but is not limited to: (a) an enterprise-wide project to examine and re-assess customer interactions; (b) full re-engineering of core business processes; (c) a smarter physical distribution strategy with a key focus on customer service; and (d) continued investment in technology and innovation. ADCB monitors customer satisfaction levels using the well-recognised 'net promoter score' metric which measures a customer's propensity to recommend a business or service to their friends and associates;

- ***Manage risk in line with a pre-defined risk strategy***: ADCB maintains a granular risk appetite policy based on several quantitative and qualitative metrics. ADCB has a "best in market" risk management team and continues to improve its risk management function, corporate governance and transparency through regular reviews of its risk policies and procedures. To manage such risks, ADCB has implemented a more robust risk framework, including investment in upgrading its risk systems to handle such risks. Risk management is also being carried out through ongoing proactive remedial management, tightening of credit criteria and education of staff in order to create a bank wide "credit" culture; and

- ***Digitisation to drive growth and efficiency***: The digitisation of many of ADCB's core business processes is a key strategic focus for ADCB. In the context of ever-evolving and rapidly changing customer demands and industry boundaries, in which traditional and non-financial competitors are embracing digital solutions to offer banking services through non-traditional banking distribution channels, ADCB's digital and data analytics strategy aims to improve return on equity through a combination of customer acquisition, reductions in processing costs and impairment charges. See " – *Digitisation*" for further details on ADCB's digitisation initiatives.

As enablers to its core strategic pillars, ADCB recognises the contribution of its staff members to its long-term profitability and success. To this end, ADCB intends to retain its key staff members, to periodically review their compensation and incentives and reward them in accordance with their performance. ADCB also remains focused on attracting talent to key new roles within the organisation through a competitive compensation structure, its investment in its people and its commitment to building aspiring career paths for staff.

In striving to implement its strategic pillars, ADCB views innovation and agility as integral characteristics of its corporate culture, made essential by short product life cycles, evolving customer demands and the prevailing competitive landscape. ADCB aims to foster the ability to create custom-quality products in short production runs, on-demand, at low cost, with high reliability, and with a low cycle time. ADCB staff in dedicated performance units currently receive training on agile working practices and "smart" risk taking, with these practices intended to be extended to the wider organisation over time.

HISTORY

ADCB is a public joint stock company and was incorporated on 2 May 1985 following the merger of Khalij Commercial Bank, Emirates Commercial Bank and Federal Commercial Bank. The merger was effected pursuant to a resolution of the Executive Council of the Government. ADCB is registered in accordance with the Commercial Companies Law under registration number 4 and is licensed to operate as a commercial bank in the UAE by the Central Bank. ADCB's telephone number is +971 (0)2 621 0090.

Between 2012 and 2015, ADCB undertook a share buyback programme. In total, under the buyback programme, ADCB re-purchased 7.10 per cent. of its share capital. On 8 January 2017, ADCB cancelled these re-purchased shares, in accordance with Article 219 of the Commercial Companies Law. Following this cancellation, the issued share capital of ADCB was AED 5,198,231,209. As at 31 December 2017, ADCB's issued share capital was AED 5,198,231,209. ADCB's shares have a nominal value of AED 1 each. ADCB's share capital is listed on the ADX.

CONSUMER BANKING GROUP

The consumer banking group ("**CBG**") provides a comprehensive range of conventional and *Shari'a* compliant products and services across all segments of retail clients. Focused on catering for client needs, these products and services include deposit and transactional accounts, personal and auto loans, mortgages, credit cards, third-party insurance and investment products. In addition, the consumer banking group offers wealth management and brokerage services, offshore banking services in addition to providing financial support to businesses of HNWIs and ultra-HNWIs through its Private Accounts unit. The service delivery is supported by a strong, multi-channel infrastructure of 47 branches, 358 ATMs (134 of which have cash and cheque deposit facilities), a state of the art contact centre (open 24 hours and 7 days a week), online banking services and mobile banking applications.

ADCB was the first bank in the UAE to launch a bank-wide loyalty program, "TouchPoints". TouchPoints rewards customers for their interaction with ADCB. Customers earn reward points for subscription to products and services, maintenance and continuity of their relationship, transacting with ADCB or utilising a product or service recommended by ADCB. These loyalty points can be redeemed by the customer for airline miles and for vouchers of various leading retail merchants (including electronics, jewellery, supermarkets and lifestyle benefits).

The consumer banking group comprises five businesses: (i) the retail banking business, which serves each of the "mass", "emerging affluent" and the "mass affluent" customer segments, through three specifically catered sets of products – "Aspire", "Privilege Club" and "Excellency"; (ii) the private client and wealth management business, which has the dual responsibility of managing the relationships of HNWIs and ultra-HNWIs (under the brand name "ADCB Private") and also provides wealth management product and service solutions to all other customer segments within CBG; (iii) the Islamic banking business, which provides ADCB's *Shari'a* compliant products and services based on Islamic structures such as murabaha, salam, mudaraba, wakala and ijara to both retail and corporate customers; (iv) the private accounts business, which supports the businesses of HNWIs and ultra-HNWIs; and (v) the "new business" group, which is responsible for developing new business opportunities. The "SimplyLife" product was the first "new business" line to be launched in 2014, in order to cater for the consumer finance needs of the lower tier of the "mass" customer segment.

For the financial year ended 31 December 2017, AED 1,069.4 million or 25.0 per cent. of ADCB's net profit for the year was attributable to CBG. Operating profit attributable to CBG for the financial year ended 31 December 2017 increased to AED 2,242.4 million from AED 2,171.1 million for the financial year ended 31 December 2016. Impairment allowances attributable to CBG for the financial year ended 31 December 2017 increased to AED 1,182.8 million from AED 942.9 million for the financial year ended 31 December 2016. CBG contributed 45.9 per cent. (or AED 4,081.4 million) to ADCB's total operating income of AED 8,895.3 million for the financial year ended 31 December 2017 (as compared to 46.5 per cent. (or AED 3,952.8 million) of total operating income of AED 8,495.4 million for the financial year ended 31 December 2016).

As at 31 December 2017, CBG had over 794,000 customers.

Consumer banking

Retail banking business

The retail banking business offers three sets of products and services, namely "Aspire", "Privilege Club" and "Excellency", which cater to the "mass", "emerging affluent" and "mass affluent" customer segments, respectively. The "mass" customer segment includes customers who credit more than AED 5,000 in monthly salary transfers to their ADCB account or those who maintain a 'total relationship balance' with ADCB of greater than AED 10,000. The "emerging affluent" customer segment caters for customers with a 'total relationship balance' with ADCB of greater than AED 200,000 (or monthly salary credits of greater than AED 30,000) and the "mass affluent" customer segment includes customers maintaining a 'total relationship balance' with ADCB of greater than AED 500,000 or crediting more than AED 100,000 in salary on a monthly basis. "Aspire" consists of basic transaction accounts offering deposits, loans and credit cards along with access to online and mobile banking services. The "Privilege Club" product, in addition to the services and products offered under "Aspire", provides access to a dedicated customer service officer and banking area, dedicated toll free number, wealth management products and lifestyle benefits. "Excellency" provides access to relationship managers (each of whom has been certified by the

Chartered Institute for Securities and Investment), dedicated "Excellency" centres, a dedicated toll free number, wealth management solutions (including an investment platform offering a broad array of third party funds and strategies) and special lifestyle benefits. As at 31 December 2017, CBG had over 590,000 "Aspire" clients, over 87,000 "Privilege Club" clients, over 19,000 "Excellency" clients and over 90,000 "SimplyLife" clients. The 105,000 retail clients of ADCB's Islamic banking business are included within the "Aspire", "Privilege Club", "Excellency" and "SimplyLife" client numbers provided above.

Private client and wealth management business

CBG's private client and wealth management business caters for the investment management needs of all customer segments within CBG. The business offers an open architecture platform which provides CBG customers with access to a global set of mutual funds. The business product offering combines traditional long-only equity fund management with more bespoke discretionary portfolio management and investment advisory solutions, along with an execution and custody offering covering equity, fixed income, mutual funds and structured products. Additionally, the business also manages a range of Luxembourg domiciled Undertakings for Collective Investments in Transferable Securities (UCITS) mutual funds offering exposure to MENA equity markets.

ADCB's private client service, "ADCB Private" manages the relationships of the CBG's HNWIs and ultra-HNWIs. The "ADCB Private" business offers private clients bespoke products and services including discretionary, non-discretionary and advisory wealth management solutions, capital markets products, succession planning, tailored lending, lifestyle solutions, premium payment solutions and transaction based retail and business banking solutions.

Membership of "ADCB Private" is typically only extended on an invitation only basis, with ADCB assessing the overall net worth and profile of the customer (whilst ensuring that the customer meets the minimum eligibility criteria for "ADCB Private", which is the maintenance of a 'total relationship balance' of at least U.S.$1 million with ADCB).

As at the date of this Base Prospectus, ADCB has received in-principal approval from the Financial Services Regulatory Authority of the Abu Dhabi Global Market ("**ADGM**") to establish an asset management subsidiary in the ADGM. ADCB Asset Management Ltd. will hold a category 3C license with 'financial services permission' to conduct regulated activities including managing assets, arranging and advising on investments, arranging custody and arranging credit. ADCB expects the subsidiary to become operational in the second quarter of 2018.

Islamic banking business

The Islamic banking business is managed under the "ADCB Islamic Banking" brand, which offers *Shari'a* compliant products and services to both retail and corporate customers. ADCB's suite of products and services available in *Shari'a* compliant form are similar to its conventional offerings, including accounts (Millionaire Destiny Savings Account, Emirati millionaire Savings Account), deposits, financing products (murabaha auto finance, salam personal finance, education and home finance), Islamic credit cards and investments. This business forms a part of ADCB's Islamic banking platform in conjunction with ADCB's wholly-owned Islamic banking subsidiary, Abu Dhabi Commercial Islamic Finance. As at 31 December 2017, ADCB's Islamic banking business had over 105,000 retail clients and approximately 3,000 corporate clients.

ADCB's Islamic banking business experienced significant growth during 2017, with income from Islamic financing increasing by 28.2 per cent. in the year ended 31 December 2017 to AED 1,081.7 million from AED 843.7 million in the year ended 31 December 2016.

Additionally, ADCB's gross Islamic financing assets increased by 17.1 per cent. from AED 18,875.9 million as at 31 December 2016 to AED 22,102.2 million as at 31 December 2017. ADCB also experienced growth of 22.8 per cent. in its total Islamic deposits which increased from AED 11,987.4 million as at 31 December 2016 to AED 14,724.0 million as at 31 December 2017. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for further information.

Private accounts

The private accounts division provides transaction banking, corporate loans and working capital finance to HNWIs, ultra-HNWIs and their businesses.

New business group

The "new business" group is responsible for developing and exploiting new business opportunities within the UAE. In 2014, the "SimplyLife" product was the first new business line to be launched, to cater for the consumer finance needs of the lower tier of the "mass" customer segment. As at 31 December 2017, CBG had over 90,000 "SimplyLife" customers. A focus area for the new business group is the remittance business, which is designed to increase penetration and usage of electronic funds transfers across the different customer segments of the CBG.

Additionally, in June 2017, the new business group launched the 'merchant acquiring services' business which is designed to complement ADCB's cards issuance business. ADCB's merchant acquiring services business involves the installation of ADCB point-of-sale machines at a number of participating merchant's premises. Each credit or debit card transaction that a merchant undertakes with a customer on the ADCB point-of sale machine is then processed by ADCB, on behalf of the merchant, for which ADCB earns a processing fee. ADCB offers merchant acquiring services through various channels including point of sale, mobile point of sale and e-commerce. Since the launch of this new business line, ADCB has acquired more than 500 merchants.

Products and services

The principal products and services offered by CBG include:

- *Deposit and transactional accounts*: CBG customers are offered interest and non-interest bearing current accounts (which can be opened in a variety of currencies), savings accounts, term deposit accounts and call accounts of different maturities and yields. Customers can access their accounts by using their debit cards at ADCB's network of ATMs, as well as through SMS, telephone and internet banking channels;

- *Personal loans*: CBG customers can avail of personal loans, including "Smart Loans" (which are short term, high interest bearing personal loans without salary transfer) which are extended for a variety of purposes to both UAE nationals and expatriates and are denominated in UAE dirham;

- *Auto loans*: CBG customers are offered auto loans which are extended for the purchase of cars and are generally denominated in UAE dirham. The processes by which auto loans are extended, and the terms governing such loans, are substantially similar to those with respect to personal loans;

- *Mortgages*: CBG provides mortgages for the purchase of properties and off plan properties with fixed and variable interest rate options;

- *Credit cards*: CBG customers can avail of credit cards with Visa and MasterCard, as well as co-branded credit cards with LuLu Hypermarkets, the largest supermarket chain in the UAE and with Etihad Airways, the national airline of the UAE;

- *Third party bancassurance products*: CBG also offers insurance solutions and services through partnerships with international and local providers including Zurich International Life, American Life Insurance Company, Dubai Islamic Insurance and Reinsurance Company and Oman Insurance Company; and

- *Open architecture investment product suite*: CBG offers both its own and third party investment products to its customers. Customers may subscribe to a range of investment instruments including mutual funds, fixed income securities and structured products.

Sales, service and distribution channels

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

Conventional distribution channels

As at 31 December 2017, ADCB maintained the following conventional distribution channels:

- *47 branches*: located throughout all seven Emirates of the UAE (with 22 branches in Abu Dhabi, 12 branches in Dubai and 13 branches elsewhere in the UAE), two branches in India and one offshore branch in Jersey. Each of ADCB's branches in the UAE and India contains a teller and a bank operations unit and a sales and service unit; and

- *Three pay offices*: located in Al Dhafra Air Base, Al Ghuwaifat and Army General Headquarters (GHQ).

Alternative distribution channels

ADCB also maintains the following alternative distribution channels:

- *ADCB's internet banking system*: ADCB customers can conduct certain banking transactions such as account transfers, bill payments, opening of fixed deposits, booking credit card loans, viewing transaction history and conducting enquiries. As at 31 December 2017, over 480,000 customers had registered with ADCB's internet banking system;

- *ADCB's mobile banking application*: ADCB customers can conduct certain basic banking transactions such as account transfers, bill payments and enquiries. As at 31 December 2017, over 350,000 customers had downloaded the ADCB mobile banking application;

- *SMS alerts*: allows ADCB customers to request information on transactions conducted through ADCB's mobile banking application and to receive transaction alerts via SMS. As at 31 December 2017, over 730,000 customers had registered for SMS banking;

- *358 ATMs*: located throughout the UAE (with the majority concentrated in Abu Dhabi and Dubai);

- *Contact centres*: call centres designed to assist customers with questions concerning consumer banking products and services. ADCB's contact centres are ISO 9001 certified; and

- *uBank*: ADCB operates three fully digital banking centres, known as the "uBank", with two locations in Abu Dhabi and one location in Dubai. The "uBank" service uses biometric technology for authentication, interactive digital walls and surface tables along with video conferencing facilities through which customers can access financial guidance and support. Through the "uBank" service, customers have the ability to instantly open accounts and collect cheques from the kiosk. In addition, customers are able to conduct a number of routine banking transactions, including issuance and replacement of credit and debit cards, through a video assisted kiosk at the "uBank". The "uBank" also has on-site service ambassadors to guide customers with transactions through the digital centre as required.

Competition for consumer banking group

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

Awards

ADCB's CBG has been recognised as one of the leading providers of retail banking products and services in the UAE.

In 2016, at the "Asian Banker Awards", ADCB's CBG division was awarded "Best Retail Bank in the UAE" for the seventh time. In addition, ADCB also won the "Asian Banker's" "Best Brand Initiative of the Year" and the "Best Managed Bank in the UAE". Additionally, in 2017, at the "The International Excellence in Retail Financial Services Awards 2017", hosted by "The Asian Banker" in Tokyo, ADCB received the "Branch of the Year" award, for its "uBank" initiative.

WHOLESALE BANKING GROUP

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

The wholesale banking group's client-focused divisions include: (i) the commercial banking division, which focuses on SMEs; (ii) the mid-corporate division; (iii) three divisions (one serving Dubai and the Northern Emirates, the second focusing on Abu Dhabi and Al Ain and the third serving the wider GCC, including businesses domiciled in the UAE with strong links to India) focussed on top tier corporates, including multi-national businesses, government-related commercial entities and governments and their respective agencies; and (iv) the institutional clients division, which serves financial institutions in the UAE, the GCC and globally.

The wholesale banking group's product-focused divisions include the: (i) transactional banking division, which focuses on cash management (including a sophisticated automated platform), trade finance, bespoke client servicing and liability products such as fixed deposits; and (ii) investment banking division, which focuses on conventional and Islamic debt capital markets instruments including debt underwriting and distribution services, structured asset and acquisition financing, debt restructuring, corporate advisory and structuring services, oversees and monitors ADCB's strategic investments, infrastructure fund management and evaluates mergers and acquisitions and joint venture opportunities;

ADCB's Indian operations (which consists of two branches in Mumbai and Bengaluru) and ADCB's representative offices in: (a) the United Kingdom (which was opened in London in 2014); and (b) Singapore (which was opened in September 2015) also sit within the wholesale banking group.

Although CBG oversees ADCB's Islamic banking operations, the wholesale banking group draws on the expertise of ADCB's Islamic banking specialists to offer Islamic banking products and services to its clients. As at 31 December 2017, the wholesale banking group had more than 26,800 customers, the majority of which were based in the UAE.

For the financial year ended 31 December 2017, AED 1,464.4 million or 34.2 per cent. of ADCB's net profit for the year was attributable to the wholesale banking group. Operating profit attributable to the wholesale banking group for the financial year ended 31 December 2017 increased to AED 1,958.3 million from AED 1,878.1 million for the financial year ended 31 December 2016. Impairment allowances attributable to the wholesale banking group for the financial year ended 31 December 2017 decreased to AED 487.5 million from AED 596.8 million for the financial year ended 31 December 2016. The wholesale banking group contributed 30.7 per cent. (or AED 2,735.7 million) to ADCB's total operating income of AED 8,895.3 million for the financial year ended 31 December 2017 (as compared to 30.4 per cent. (or AED 2,579.2 million) of total operating income of AED 8,495.4 million for the financial year ended 31 December 2016).

Client-focused divisions

Commercial banking division

The commercial banking division provides SME customers (entities with annual revenue of less than AED 150 million) with a wide range of products and services including cash management, trade finance, business/commercial financing and deposit services. In order to control the costs of and risks associated with the services it provides to its SME clients, the division provides clients with relatively standardised packages of services rather than separate solutions for each individual client. The division has increased customer deposits (consisting of term and demand deposits) from SMEs between 2009 and 2017. ADCB added over 16,700 new funded SME loan accounts (including long and short term loans and overdrafts) among new and existing customers in the year ended 31 December 2017, and expects to continue to grow

its SME client base in the future. As at 31 December 2017, ADCB had approximately 21,800 SME customers.

Mid-corporate division

The mid-corporate division offers a range of products and services to mid-sized corporates, focused primarily on growing businesses (entities with annual revenue of between AED 150 million and AED 500 million). The division operates through a dedicated team of relationship managers who provide clients with asset and liability products and trade finance, cash management and corporate financing services. The mid-corporate division serves approximately 1,700 clients. Its client base includes branches of foreign companies and offshore entities. The client base also includes approximately 900 'liabilities only clients' (being clients with whom ADCB has no lending relationship and who only maintain current and savings account balances with ADCB), which the team has developed and now manages in order to assist increasing current and savings account balances and ongoing relationships.

Top tier corporate divisions

Each of the Dubai and the Northern Emirates, the Abu Dhabi and Al Ain and wider GCC top tier corporate divisions offer a full range of banking products and services to large corporates, multi-national businesses, government-related commercial entities and governments and their departments across their respective geographic locations. In particular, the GCC business offers facilities to clients with linkages to India and clients in other GCC countries requiring the services of a UAE-based bank, with a current focus on the Kingdom of Saudi Arabia and the Sultanate of Oman.

The top tier corporate divisions deliver through a focused group of dedicated relationship managers, with a combined client base of approximately 2,600.

Institutional clients division

The institutional clients division is responsible for managing ADCB's relationships with approximately 700 financial institutions (including non-bank financial institutions) located around the globe. These financial institutions comprise banks, finance and investment companies, asset managers, broker dealers, commodity houses and insurance companies. The division provides a range of trade finance, treasury, financing and other products and solutions to these financial institutions. The division is also responsible for maintaining nostro (where ADCB holds an account with other financial institutions) and vostro (where other financial institutions hold an account with ADCB) client relationships. In addition, the institutional clients division is responsible for the allocation of exposure to other relevant areas of ADCB, including the treasury group.

Product-focused divisions

Transaction banking division

The transactional banking division provides corporate banking services to support the wholesale banking group's client-focused divisions. The division offers cash management, trade services and trade finance products as well as liability products such as call accounts, fixed deposits and money market related deposits. The division's principal products and services include:

- *Cash management*: managing cash accounts, cash management solutions for large or government clients, including through the use of a sophisticated electronic platform enabling integration of internal and external information management between ADCB and the client through secure information technology architecture, and payment and collection products for its corporate and financial institution clients. It also provides escrow services and is closely involved in the management of deposit products;

- *Trade finance*: providing trade finance products and services such as export/import letters of credit, payment guarantees, bills and collections. Trade services can be offered on a proprietary electronic platform which automates activity;

- *Liability products*: providing and managing liability products, including deposits; and

- *Service*: providing an enhanced service offering dedicated support for ADCB's most important client relationships.

ADCB is focused on significantly increasing its transaction banking capabilities, including its trade finance and cash management capabilities. With respect to trade finance, ADCB has: (i) aligned its wholesale banking group coverage teams (both internally and with the credit group); (ii) built capacity for structured transactions, including the development of an Islamic trade finance delivery channel; (iii) launched an advanced internet based trade finance platform to automate ADCB's trade finance offerings and enhance its capabilities; and (iv) reviewed and streamlined documentation practices.

With respect to cash management, ADCB: (i) has increased clients (including government clients) using ADCB's cash management capabilities; (ii) has launched programmes to strengthen deposit retention, drive the acquisition of deposits and cross-sell existing products; (iii) is providing yield enhancing, principal protected investments through the treasury and investments group; (iv) is exploring opportunities for providing transactional management services to niche customer groups such as universities, law and accounting firms and insurance companies; (v) is focusing on acquiring *Shari'a* compliant deposits; (vi) has delivered a sophisticated electronic system to deliver end-to-end cash management; and (vii) is offering streamlined processing and payment options.

Investment banking division

The investment banking division primarily provides corporate advisory, origination, structuring, underwriting and syndication services to corporations, financial institutions and government controlled entities.

The division offers its products and services primarily to clients in the UAE, especially in Abu Dhabi and Dubai, with the remainder in other GCC countries. Although the division does not focus on any particular industries or sectors, it has provided products and services to a disproportionately large number of real estate and energy companies due to the concentration of such companies in the region. The division also works with international banks as an arranger or lead manager in international debt offerings by GCC issuers with the aim of positioning itself as the preferred local partner of such international banks rather than directly competing with them.

The division's principal investment banking products and services include:

- *Asset based finance*: offering asset based finance (infrastructure and project financing) to local or multinational corporates;

- *Debt capital markets*: structuring and arranging conventional bonds (including convertible bonds) on a syndicated or stand-alone basis. The division also offers structured and standardised Islamic finance, including *Shari'a* compliant financing and sukuk issuances for its institutional clients, and intends to grow its Islamic debt capital markets business significantly in the future;

- *Structured financing and debt restructuring*: offering structured asset finance, acquisition finance (including leveraged finance) and debt restructuring for local or multinational corporates; and

- *Corporate advisory and structuring*: providing corporate advisory and structuring services to clients to facilitate complex structured financing transactions. In addition, the division assists with investment management, transaction negotiation, performing due diligence and asset valuations for sellers.

The division also manages ADCB's strategic investments and certain of ADCB's proprietary investments. In addition, the investment banking division seeks and evaluates strategic opportunities for ADCB, such as mergers and acquisitions and joint ventures, and performs valuations of assets for investment purposes.

Support team

Risk and support team

The risk and support team provides support to the wholesale bank through analysis of initial business risk and credit analysis, portfolio monitoring, document exception management, quality controls and assurance over front office activities, as well as preparing financing documents before forwarding

business proposals to ADCB's credit department. In addition, through the use of both financial analysis tools and a dedicated implementation team, the risk and business support division provides support across ADCB's wholesale banking business. See "*Risk Management*".

ADCB overseas divisions

ADCB India operations

The wholesale banking group oversees ADCB's Indian banking operations ("**ADCB India**"). ADCB has two branches in India, located in Mumbai and Bengaluru. These branches primarily provide corporate banking products and services, including asset, liability and trade finance products, to ADCB's Indian and UAE corporate clients. While ADCB's India's operations include certain limited consumer banking operations, such operations are not significant in relation to the branches' overall operations. ADCB India is currently focusing on expansion of its operations by leveraging on the UAE-India trade flow and ADCB's relationship with existing UAE customers with a presence in India. Growth in ADCB's India's banking operations over the last five years has been strong as demonstrated by the increase in loans and advances to customers and deposits from customers. ADCB India has hired senior bankers to provide leadership in this growth phase. ADCB's India's branches are regulated by the Reserve Bank of India.

Representative offices

The role of ADCB's representative offices in London and Singapore is to capitalise on global economic trade and investment flows through these global financial centres for the benefit of the wider ADCB Group. These representative offices are primarily tasked with conducting research to understand and increase knowledge of the local market in these financial centres.

Competition for wholesale banking group

The primary competitors to ADCB's wholesale banking business include Emirates NBD, First Abu Dhabi Bank and Mashreqbank. ADCB also competes with certain international banks such as HSBC, Standard Chartered Bank, Barclays and BNP Paribas. In debt capital markets and securities underwriting and distribution, ADCB typically works with international investment banks such as Goldman Sachs, Citibank, Morgan Stanley and UBS as co-lead or joint managers, rather than competing with them.

Certain aspects of ADCB's wholesale banking business, including access to deposits and trade finance, have become increasingly competitive due to tight domestic liquidity conditions for term deposits and a renewed focus on non-funded lending by local banks. Foreign bank participation in public sector financing has had a significant downward effect on margins in this area.

In Islamic wholesale banking, ADCB's principal competitors include Abu Dhabi Islamic Bank, Al Hilal Bank, Dubai Islamic Bank and Islamic subsidiaries of local and international banks.

Awards

In 2017, ADCB was named: (i) "Five Star Trade Finance provider in the Region" by "Euromoney"; (ii) "Best Domestic Trade Finance Provider in the UAE"; (iii) "Best Bank for Transaction Services in the Middle East"; (iv) "Best DCM Real Estate bank in the UAE"; (v) "Market Leader in 2017"; (vi) "Best Bank for Cash Management in the UAE 2017" by "Euromoney"; (vii) "Best Supply Chain Finance Bank in the Middle East"; (viii) "Best Trade Finance Bank in the UAE" by "Global Finance"; (ix) "Best in Class Treasury Solution in the Middle East" by "Adam Smith" and (x) "UAE Domestic Trade Finance Bank of the Year" by "Asian Banking & Finance".

TREASURY AND INVESTMENTS GROUP

The treasury and investments group manages ADCB's commercial and proprietary financial markets operations and investment securities portfolios.

For the financial year ended 31 December 2017, ADCB's treasury and investments group generated net profit of AED 1,568.9 million representing 36.7 per cent. of ADCB's total net profit. Operating profit attributable to the treasury and investments group for the financial year ended 31 December 2017 increased to AED 1,568.9 million from AED 1,402.9 million for the financial year ended 31 December 2016. Impairment allowances attributable to the treasury and investments group for the financial year

ended 31 December 2017 were nil, while for the financial year ended 31 December 2016, the treasury and investments group recorded impairment recoveries of AED 19.2 million. The treasury and investments group contributed 20.0 per cent. (or AED 1,778.5 million) to ADCB's total operating income of AED 8,895.3 million for the financial year ended 31 December 2017 (as compared to 18.8 per cent. (or AED 1,600.0 million) of total operating income of AED 8,495.4 million for the financial year ended 31 December 2016).

Treasury division

The treasury division offers a range of treasury services including money market, interest rate, currency and commodity services as well as other structured treasury solutions and risk management products, together with their Islamic equivalents to domestic and foreign corporates, sovereign wealth funds, central banks, public sector and government entities, as well as to HNWI clients, international investors and financial institutions.

Treasury is responsible for managing ADCB's cash flow and liquidity as well as ADCB's foreign exchange risks, investments and interest rate risks within delegated limits. It ensures that ADCB operates within a defined LCR ratio by performing daily cash flow analysis and advances to deposit ratio tests (including loan to deposit ratio tests). As part of the gradual, phased implementation of Basel III in the UAE, ADCB's Treasury proactively manages ADCB's liquidity risk under the Basel III framework and its Central Bank specific equivalents using the LCR and the NSFR. The ALCO and the Board monitor compliance to these ratios internally on an ongoing basis.

Treasury uses derivative financial instruments for balance sheet hedging purposes in order to reduce the Group's exposure to fluctuations in currency and interest rates. Additionally, in its trading activities, Treasury uses derivatives to offer hedging solutions to customers in order to enable them to transfer, modify or reduce current and expected risks. Treasury at times also manages risk taken as a result of client transactions or initiates positions with the expectation of profiting from favourable market movements. As at 31 December 2017, the total positive fair values and notional values of the total derivative financial instruments was AED 3.82 billion and AED 404.6 billion, respectively.

Treasury manages liquidity, interest rate and foreign exchange risks by running different stress scenarios involving changes to market parameters including customer behaviour through software sourced from Moody's named FERMAT. The software enhances ADCB's ability to assess liquidity under different market conditions and take timely counter measures.

Treasury has diversified its funding and deployment tools via active short term liquidity management through repo trading and collateral swaps. This activity is executed via the Tripartite and Bilateral Repo markets.

In its treasury operations, ADCB aims to continue to leverage its wholesale and retail banking client relationships to increase its market share.

Investments division

ADCB's investments division manages ADCB's liquid assets portfolio as part of its compliance with the regulatory requirements of the Central Bank. Its investment strategy focuses on investments that: (i) do not compromise ADCB's short to medium term liquidity positions; (ii) are in line with Central Bank and Basel III guidelines for HQLAs; and (iii) satisfy ADCB's low risk appetite but generate attractive returns on capital. The investments are evaluated regularly and recorded on a mark-to-market or mark-to-model basis on ADCB's statement of financial position.

As part of its LCR liquidity reporting and compliance, ADCB's treasury division invests in various short-term or medium-term, highly marketable assets in line with Basel III guidelines for HQLAs (such as certificates of deposit held with the Central Bank and investment grade bonds). As at 31 December 2017, ADCB held a portfolio of HQLAs valued at AED 42.5 billion (31 December 2016: HQLAs valued at AED 31.9 billion). See "*Risk Factors – ADCB's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations*" and "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Liquidity*" for more information.

ADCB's investments are primarily in highly liquid sovereign and quasi-sovereign senior unsecured fixed income securities issued by UAE, GCC and global issuers. The majority of ADCB's local liquidity is

invested in government bonds and other government-related public sector entities in the UAE and systemically important financial institutions in the UAE and the GCC. ADCB's treasury has significantly reduced its exposure in Qatar following the decision of a number of MENA countries, including the UAE, to sever diplomatic relations with the Qatar in June 2017. See "*Overview of the UAE and Abu Dhabi – International Relations*".

As at 31 December 2017, 77.6 per cent. of ADCB's investment portfolio was invested in listed fixed income securities and 22.4 per cent. in unlisted government fixed income securities. The remaining AED 496.9 million was invested in listed and unlisted equity and private equity funds, primarily based in the UAE.

As at 31 December 2017, the investments division had: (i) U.S. Treasury and U.S. agency securities of AED 3.8 billion; (ii) a portfolio of AED 721 million of investments in senior fixed income securities of systemically important banks in the U.S., the United Kingdom, France, Germany and the Netherlands; and (iii) a portfolio of AED 3.44 billion of investments in senior fixed income securities issued by systemically important banks in India, the PRC, South Korea, Malaysia and Brazil and AED 343 million of investments in Government of India securities and treasury bills. The carrying value of the total investment securities portfolio managed by ADCB's investments division grew from AED 20,863 million as at 31 December 2015 to AED 49,192 million as at 31 December 2017.

The table below sets forth ADCB's investment securities on the dates indicated.

	As at 31 December		
	2017	**2016**	**2015**
		(AED millions)	
Investment securities	49,192	33,059	20,863

ADCB's investment securities portfolio outside the UAE and GCC was 34.3 per cent. of its total portfolio as at 31 December 2017. Asset allocation has primarily been to highly liquid senior unsecured bonds of systemically important institutions with liquidity being the key investment criteria. The geographical distribution of ADCB's investment securities portfolio as at 31 December 2017 was AED 25,957 million (52.8 per cent.) in the UAE, AED 6,323 million (12.9 per cent.) in other GCC countries and AED 16,912 million (34.3 per cent.) in the rest of the world (inlcuidng Asia, Europe, the United States and other locations).

As at 31 December 2017, ADCB had an available for sale bond portfolio of AED 48,694.7 million. The external credit rating profile, by reference to Standard & Poor's rating scale (or, where a Standard & Poor's rating was unavailable, a comparabale Fitch or Moody's rating), of ADCB's available for sale bond portfolio as at 31 December 2017 was: (i) AED 12,549.7 million (or 25.8 per cent. of the bond portfolio) rated between 'AAA' and 'AA-'; (ii) AED 10,618.7 million (or 21.8 per cent. of the bond portfolio) rated between 'A+' and 'A-'; (iii) AED 8,316.7 million (or 17.1 per cent. of the bond portfolio) rated between 'BBB+' and 'BBB-'; (iv) AED 3,870.2 million (or 7.9 per cent. of the bond portfolio) rated between 'BB+' and 'B-'; (v) AED 324.4 million (or 0.7 per cent. of the bond portfolio) rated between 'CCC+' and 'C-'; (vi) AED 12,719.3 million (or 26.1 per cent. of the bond portfolio) being UAE Sovereign bonds; and (vii) AED 295.7 million (or 0.6 per cent. of the bond portfolio) being unrated.

For information regarding the fair value of ADCB's available-for-sale investments, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition as at 31 December 2017, 2016 and 2015 –Cash, deposits and bank balances by location – Investment securities*".

For more information about the risks associated with these investments, see "*Risk Factors – Difficult macro economic and financial market conditions have affected and could continue to materially adversely affect ADCB's business, results of operations, financial condition and prospects*".

In May 2017, ADCB received a request (the "**Information Request**") from a European tax office to provide certain information related to a series of equity transactions undertaken by ADCB's treasury and investments group between 2011 and 2012 (the "**European Equity Trades**"). As part of the European Equity Trades, in accordance with prevailing market practice, legal advice received and applicable tax regulation, ADCB (as a non-tax-resident and pursuant to applicable double tax treaties) was entitled to apply for a refund of withholding tax applied to the dividends paid to ADCB on the equities it had acquired. The Information Request required a response from ADCB by 12 June 2017 (subsequently extended to 31 January 2018). ADCB responded to the Information Request in full by the deadline of 31

January 2018. As at the date of this Base Prospectus, ADCB has received no further communication from the European tax office in relation to the European Equity Trades.

Competition for treasury operations

The management of ADCB believes that ADCB has market leading expertise in derivative products and structured treasury solutions as compared to other local banks. In addition to competing with the local UAE banks, ADCB competes with a number of international banks in this business, including HSBC, Standard Chartered Bank, Citibank and Deutsche Bank. These banks have a wealth of experience in international treasury operations and market knowledge in this area and may pose a threat to ADCB's franchise in the UAE market. However, management believes that ADCB's strong relationships with mid-sized corporates, top-tier local corporates, public enterprises, SMEs and domestic financial institutions, combined with its treasury products expertise, will help sustain or enhance its market position in the foreseeable future.

PROPERTY MANAGEMENT

The property management group comprises the real estate management operations of:

- ***Abu Dhabi Commercial Properties LLC***: which is a wholly-owned subsidiary whose principal activities consist of providing real estate property management and advisory services, including facilities management; and

- ***Abu Dhabi Commercial Engineering Services LLC***: which is a wholly-owned subsidiary whose principal activity consists of providing engineering services and project management and development services.

In addition to the above, notable real estate assets in Abu Dhabi owned by ADCB include: (i) ADCB's head office building, situated in the central business district area of Abu Dhabi City; (ii) ADCB's office building, situated at Al Nahyan Camp in Abu Dhabi City (owned by Jasem Al Darmaki as nominee on behalf of ADCB); (iii) a mixed use building named "AD1" at Abu Dhabi National Exhibition Centre, part of the Capital Centre District; and (iv) an apartment building consisting of 58 apartments and 15 standalone villas in the Bawabat Al Sharq Development, Bani Yas, Abu Dhabi (ADCB has the benefit of a Sale and Purchase Agreement, but legal title remains with the developer, Bani Yas Investment and Development Company).

In addition, ADCB owns a number of buildings across the UAE associated with its business operations as part of its branch network, corporate space and storage facilities.

As ADCB is not wholly-owned by UAE nationals as a result of it being a public company, it is not able to be registered as an owner of real estate situated in Abu Dhabi, except in a number of limited designated areas. This does not apply to ADCB's current headquarters and certain other plots, which were historically registered in ADCB's name. ADCB has, on occasion, resolved this issue by arranging for a director or executive, or companies associated with them, to hold property located in Abu Dhabi on behalf of ADCB. While this arrangement has proven an effective means of complying with Abu Dhabi law, it exposes ADCB to certain risks with respect to certain real estate properties, including the risk of such property passing to the custodian's heirs under *Shari'a* law if the custodian were to die intestate. See "*Risk Factors – ADCB is exposed to risk of loss relating to its real estate property as a result of market movements and/or the interplay between ADCB's ownership structure, Abu Dhabi real estate foreign ownership restrictions and UAE laws of inheritance*". ADCB is exploring options to mitigate this risk. As at 31 December 2017, Jasem Al Darmaki, former head of government banking at ADCB, owned AED 88 million worth of real estate as custodian for ADCB and the legal title to the Bawabat Al Sharq properties mentioned above, worth AED 145.6 million as at 31 December 2017, remains with Bani Yas Investment and Development Company.

For the financial year ended 31 December 2017, ADCB's property management group generated net profit of AED 174.8 million, representing 4.1 per cent. of ADCB's total net profit. Operating profit attributable to the property management group for the financial year ended 31 December 2017 decreased to AED 178.1 million from AED 247.5 million for the financial year ended 31 December 2016. Impairment allowances attributable to the property management group for the financial year ended 31 December 2017 were AED 3.3 million, while impairment allowances for the property management

group were nil for the financial year ended 31 December 2016. The property management group contributed 3.4 per cent. (or AED 299.7 million) to ADCB's total operating income of AED 8,895.3 million for the financial year ended 31 December 2017 (as compared to 4.3 per cent. (or AED 363.4 million) of total operating income of AED 8,495.4 million for the financial year ended 31 December 2016).

DIGITISATION

ADCB's strategy was updated in 2017 to include the digitisation of many of ADCB's core business processes as a key organisation-wide strategic focus for ADCB (see "*Description of ADCB – Strategy*"). However, ADCB has always been committed to adopting the latest banking and technological innovations in order to provide its customers with a convenient banking experience. In line with this strategic focus on digitisation, ADCB has dedicated significant resources to the development of its digital offering and has instructed external consultants to advise on the implementation of its digitisation initiatives. ADCB plans to continue to invest in digitisation as it strives to remain competitive and to provide its customers with access to banking services remotely and digitally. See "*Risk Factors – If ADCB is unable to anticipate and develop or provide new digital services for its customers and/or keep pace with the digitisation of the banking market, ADCB's business, results of operations and financial condition could be materially adversely affected*".

The strategic focus on digitisation is reflected by the creation of the Digital Steering Committee, a working group with responsibility for overseeing ADCB's digitisation initiatives which is chaired by the GCEO and whose membership is comprised exclusively of the highest levels of ADCB's executive management (which each member of the Digital Steering Committee also being a member of the management executive committee).

As at the date of this Base Prospectus, ADCB's existing digitisation initiatives include the following:

- *uBank*: ADCB operates three fully digital banking centres, known as the "uBank", across locations in Abu Dhabi and Dubai. The "uBank" service uses biometric technology for authentication, interactive digital walls and surface tables along with video conferencing facilities through which customers can access financial guidance and support. In 2017, at the "The International Excellence in Retail Financial Services Awards 2017", hosted by "The Asian Banker" in Tokyo, ADCB received the "Branch of the Year" award, for its "uBank" initiative. (see "*– Consumer Banking Group – Alternative distribution channels*");

- *ADCB's customer applications*: ADCB's dedicated cutomer applications enable ADCB's customers to conduct certain basic transactions through their personal devices, such as account transfers, bill payments, enquiries, cash management and securities brokerage services, in addition to viewing location based offers and searching residential and commercial properties for rentals. As at 31 December 2017, ADCB had nine customer applications including a mobile banking application; a watch application; a location based offers application; an ADCP property search application; and an ADCB Securities L.L.C. application;

- *ADCB's internet banking system*: ADCB's internet banking system provides ADCB's customers with the ability to conduct certain banking transactions online, such as account transfers, bill payments, opening of fixed deposits, booking credit card loans, viewing transaction history and conducting enquiries. As at 31 December 2017, over 480,000 customers had registered with ADCB's internet banking system;

- *SMS alerts*: ADCB's customers can request information on transactions conducted through ADCB's mobile banking application and receive transaction alerts via SMS. As at 31 December 2017, over 730,000 customers had registered for SMS banking.

ADCB plans to continue to expand the range of its customer focused digitisation initiatives with various projects expected to be implemented across the organisation between 2018 and 2020.

GROUP BUSINESS SERVICES

The group business services group ("**GBS**") comprises a number of key support functions which operate across the ADCB network. Following the internal re-organisation that took place on 1 January 2016,

when the Branch Operations team was transferred internally to the CBG, and a further re-organisation in February 2018, when the Information and Physical Security team was transferred to the Risk Management department (see "*Risk Management – Information and physical security assurance department*"), GBS is comprised of over 1,600 staff. Headed by the Group Chief Operations Officer, GBS is organised by the following four core functions.

Itmam Services L.L.C. ("Itmam")

Itmam is a wholly-owned subsidiary of ADCB which provides banking operational and processing services (such as lending, account and wealth, transaction and customer contact services) to all parts of the ADCB Group. Itmam forms part of the GBS organisational structure and is governed by its own board of directors, who are all ADCB executive staff members. The Itmam structure includes a general manager and six key operational service divisions including: (i) lending services; (ii) account and wealth services; (iii) customer contact services; (iv) transaction services; (v) general administration; and (vi) "Tamooha", ADCB's award-winning operations centre initiative, which are staffed entirely by UAE national females.

In 2017, ADCB entered into a services agreement with Accenture to provide operational support to ADCB from Accenture's premises in India. The services will initially be provided from one location, but this is anticipated to increase to two locations during 2018. The purpose of the arrangement with Accenture is to supplement the existing services being provided to ADCB while achieving cost and efficiency benefits. See "*Risk Factors – ADCB relies on third party service and system providers in the operation of its business*".

Group Service and Customer Experience Management

The group service and customer experience management division supports the bank-wide "service excellence initiative", innovation initiatives, service optimisation strategies and a number of key change projects across ADCB.

Group Operations

The group operations division provides the operational and processing services through which businesses and individuals can trade. The group operations division is comprised of trade finance operations, wealth management operations, treasury operations, ATM services and transformation and syndication operations.

In 2017, the group operations division continued to focus on service improvement and risk reduction. A robust risk posture and proactive management of risk ensured that in 2017 operational losses and errors remained minimal.

The group operations division includes the corporate services team which manages facilities across ADCB's properties (branches and offices) throughout the UAE.

Technology Services

The technology services division develops and supports ADCB's business systems. This division manages ADCB's servers, data centres and the network supporting ADCB's branch networks across the UAE. Providing support for ADCB applications running in production, the division assists the business groups in planning their requirements, managing business projects, conducting software testing, managing the ADCB hardware and software framework and is responsible for governance, risk mitigation, contracts, licensing and service changes.

In 2017, the technology services division focused on robust IT architecture, enhanced IT security, ongoing risk and control self-assessment testing and further strengthening the risk platform in addition to completing functional and technical upgrades of selected systems. Technology services was also engaged in a major core banking re-platforming exercise in 2017 with some activities completing in 2018, as well as delivery of a number of business and support systems.

The technology services division also provides a convenient and efficient service to ADCB's customers, offering a range of mobile and electronic banking services. This includes internet banking, ADCB mobile banking services, telephone banking and SMS banking.

ADCB's disaster recovery procedures and facilities ensure that critical systems and data are fully operational and provide essential services to its customers. ADCB carries out daily and other periodic data backups which are stored at a location outside of Abu Dhabi. In cases of emergency, ADCB can switch over selected critical systems to the disaster recovery site within one hour. ADCB's data centre is located outside the city limits of Abu Dhabi in a facility providing technical facilities certified as Tier IV in accordance with the Uptime Institute (which publishes a standard guiding design and investment for data centres globally).

HUMAN RESOURCES

Employees

The total number of ADCB employees as at 31 December 2017 was 5,100, compared to 4,928 as at 31 December 2016 and 5,619 as at 31 December 2015. The total number of outsourced workers as at 31 December 2017 was 1,485, compared to 1,686 as at 31 December 2016 and 1,768 as at 31 December 2015.

ADCB is committed to training and developing new and existing staff in order to ensure that ADCB continues to be supported by the skills required for its operational success. The Ambition University ("**AU**") is ADCB's corporate university which aligns and integrates employees' development with ADCB's strategic initiatives both at an organisation and at a business level. The AU undertakes business-driven training that adds value to ADCB's business, shareholders and customers. ADCB has developed a teaching model that is custom-designed for the needs of each business with programmes delivered through a blended-learning methodology, including online and face-to-face workshops run either by ADCB employees operating as in-house faculty or, where external facilitation is required, in partnership with some of the world's leading corporate education providers. The AU's Islamic Banking Academy was awarded 'The Human Development Initiative' award by "Global Islamic Finance Awards" in 2015.

ADCB engaged Moody's Analytics to design and deliver a tailored training programme in order to support the establishment of a unified credit culture ("**UCC**") across all of ADCB's operations for its staff members. This training programme was delivered in three phases relating to client analysis, credit structuring and credit proposal and decision across all levels of ADCB's staff members who play a role in the credit process.

In addition to private medical insurance, pension schemes for UAE nationals and other benefits, ADCB offers variable remuneration schemes for all employees, operating two principal schemes (one for executives, senior and middle management and a parallel scheme for more junior employees) under which performance based variable pay and other incentives (including interests in ADCB's shares) are awarded based on annual or semi-annual performance evaluation. ADCB operates a variable pay policy to ensure a consistent framework within the parameters of ADCB's risk management policy. This variable pay policy links an employee's variable pay to their performance as well as that of their department and ADCB's overall performance. ADCB's variable pay policy is structured in line with, and includes elements consistent with, international best practices. In particular, the scheme seeks to align employees' interests with those of ADCB's investors by use of deferrals, claw-backs and share based awards. ADCB also operates a share-based employee retention scheme to aid the retention of staff deemed to be critical to ADCB's business. The retention scheme, which is independent of the variable pay policy, is designed to ensure business continuity by mitigating employee turnover risk and the related operational risks. Employees' eligibility for the scheme is determined by the nomination, compensation and human resources committee of the board of directors and members of the management executive committee are not entitled to participate.

Additionally, ADCB has a mid-year and an annual performance appraisal scheme for all staff and merit pay increases and variable pay are paid on the basis of performance ratings. Further, ADCB pays sales staff incentives for achieving sales and revenue targets in addition to offering rewards and recognition schemes for employees who deliver exceptional service.

ADCB's approach to sourcing and retaining staff reflects the demands and opportunities of an increasingly active labour market. ADCB's recruitment team actively utilises its own internal procurement capabilities, independently sourcing candidates from the market, to complement the existing use of external recruitment consultants.

In 2016, the "Middle East HR Excellence Awards" awarded ADCB the "Innovation in Learning and Development award" for its successful learning and development programs, which are designed so as directly link the development needs of ADCB's employees to ADCB's business needs. Additionally, at the 4th annual "GCC Summit and Awards 2016", ADCB received the award for "GCC Government Most Distinctive L&D Strategy" in respect of its risk management certification program.

Emiratisation

In 1999, as part of a policy of "Emiratisation", UAE banks were instructed by the UAE federal government to increase the number of UAE nationals on their payroll by at least 4 per cent. per annum. This policy has now been replaced by the Emiratisation Circular.

In line with the Emiratisation Circular, ADCB has made a commitment to employing and training UAE nationals. ADCB's Emiratisation strategy supports ADCB's position as a nationalisation leader across the UAE. ADCB's Emiratisation strategy, implemented through recruitment and employee selection as well as training programmes, enjoys the support and commitment of business heads and management across all business areas of ADCB. A key part of this strategy is "Tamooha", an award-winning initiative in which call centres in locations throughout the UAE are staffed exclusively by UAE national females. As at 31 December 2017, 144 people were employed by ADCB in the "Tamooha" scheme. In 2016, ADCB's "Tamooha" scheme was recognised at the "Gulf Employee Experience Awards" and, in 2017, "Tamooha" won the "Best Initiative Award" at the "Global Women in Leadership Economic Forum".

The Emiratisation Circular has introduced a scoring system which takes into account the employment and progression of Emirati employees in the organisation. The minimum threshold for Emirati employees for each institution is dependent on a number of factors. The Emiratisation Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties to be computed in accordance with a specific formula set out in the Emiratisation Circular.

LITIGATION

There were a number of ordinary course legal proceedings pending against ADCB as at 31 December 2017, the value of which was not material in the context of ADCB's balance sheet. Based on the advice of ADCB's legal advisers, executive management believes that no significant liability is likely to arise from these proceedings. Therefore, no material provision has been made as at 31 December 2017 regarding any outstanding legal proceedings against ADCB. Pending legal proceedings are reviewed on an ongoing basis and provisions are made at the end of each fiscal quarter subject to appropriate internal approvals.

INSURANCE

ADCB maintains various insurance policies and coverage. These include standard property insurance coverage for its assets (premises and contents), bankers' blanket bond coverage, general liability insurance, crime insurance coverage, cyber-crime and cyber-security coverage, staff private medical insurance coverage and professional indemnity insurance coverage. ADCB also maintains a limited terrorism insurance cover (based on commercial viability) for its assets in the UAE. ADCB's assets are generally insured on a reinstatement cost basis. ADCB's aim is to maintain market standard insurance coverage.

COMPETITIVE ENVIRONMENT

The UAE banking sector as at 31 December 2017 comprises 49 commercial banks, including eight Islamic banks, and branches or subsidiaries of 27 foreign commercial banks. The licensed foreign bank branches and subsidiaries focus mainly on consumer banking, trade finance, foreign currency operations and government related business. Foreign bank participation in public sector financing has had a significant downward effect on margins in this area. The UAE banking market is becoming increasingly competitive and challenging and, following the consummation of the merger between National Bank of Abu Dhabi P.J.S.C. and First Gulf Bank P.J.S.C. on 30 March 2017, it is anticipated that the competitive landscape in the domestic banking sector will be altered with commentators suggesting that the merger is likely to stimulate further moves towards greater consolidation amongst UAE banks.

UAE local banks enjoy tax advantages over their international competitors with zero corporate, income and sales tax, while international banks operating in the UAE are subject to 20 per cent. corporate tax on their profits.

MANAGEMENT

BOARD OF DIRECTORS

ADCB's Board is the principal decision-making forum within ADCB. It has overall responsibility for the management and strategy of ADCB and is accountable for creating and delivering sustainable shareholder value through its guidance of ADCB's business. In particular, it sets the goals, strategies and policies of ADCB. The Board monitors the performance of ADCB's businesses and guides and supervises ADCB's executive management.

ADCB has adopted a corporate governance code which is based on international best practice and the Basel Committee's guidelines on corporate governance. The core principles of ADCB's corporate governance code comprise: (i) responsibility and the clear division and delegation of authority; (ii) accountability in the relationships between ADCB's executive management and the Board and between the Board and the shareholders and other stakeholders; (iii) transparency and disclosure to enable stakeholders to assess ADCB's financial performance and condition; and (iv) fairness in the treatment of all stakeholders.

During 2017, ADCB's corporate governance committee ("**CGC**") commissioned KPMG to benchmark ADCB's governance framework against the Basel Committee's guidelines on corporate governance, local regulations and international best practice. KPMG found ADCB's governance to be strong. In particular, KPMG commended ADCB's approach to disclosure and transparency, diversity, customer experience and its overall governance culture. The CGC considered KPMG's report in detail and has developed an action plan to address, where appropriate, the observations made by KPMG. As at the date of this Base Prospectus, it is anticipated that the Central Bank will introduce new regulations on corporate governance in 2018. The CGC will be responsible for ensuring ADCB's compliance with any new regulations on corporate governance introduced by the Central Bank.

In December 2017, ADCB was recognised by "Hawkamah", the regional corporate governance institute, for its leading environmental, social and corporate governance practices. "Hawkamah" was established for the recognition, support and encouragement of superior corporate governance practices in the banking sector in the MENA and South Asia regions.

As at the date of this Base Prospectus, the Board consists of 11 members. Ten of the Board members are elected by ADCB's shareholders and the Group Chief Executive Officer (the "**GCEO**") serves on the Board as an executive director. Other than the GCEO, all other directors of the Board are non-executive directors. The roles of the Chairman and the GCEO are separate and distinct, and there is clear division between their respective roles and responsibilities. The Chairman's main responsibility is to lead the Board and ensure the effective engagement and contribution of all directors, so that the Board may fully discharge its legal and regulatory responsibilities. The Board appoints the GCEO and specifies his powers and authority. The day-to-day management of ADCB has been delegated by the Board to the GCEO, who is assisted by the management executive committee ("**MEC**"). The GCEO, assisted by the MEC, is responsible for controlling and monitoring ADCB's business on a day-to-day basis, recommending strategy to the Board, leading senior management and implementing the Board's strategic and operational decisions.

All elected directors are required to seek re-election by the shareholders every three years. Directors are permitted to elect any director nominated to fill a vacancy, but any director so appointed must seek election by the shareholders at the next annual general assembly.

Any candidate for appointment as a director must first be considered and approved by the Board's nomination, compensation and HR committee ("**NCHR Committee**") and the Central Bank. Amongst other things, the NCHR Committee will consider whether the skills held by the candidate director are suitable. Where necessary, the NCHR Committee will also consider whether the candidate director meets ADCB's criteria for independence. The Council, as the majority shareholder, has the right to appoint a proportionate number of members of the Board to its shareholding in ADCB. As at the date of this Base Prospectus, the Chairman of the Board is one of the directors appointed by the Council and the Council has appointed five other members of the Board. Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting.

Sir Gerry Grimstone is an adviser to the Board of ADCB. He is a highly accomplished banking and business professional with extensive experience of the financial and professional services industry and has served as a Business Ambassador for the United Kingdom. In his role to date, Sir Grimstone has advised on all aspects of ADCB's business, including strategy, Board reporting and effectiveness, assessment of the performance of executive management and employee remuneration.

Detailed below are the names, ages, positions and brief biographical information of each member of the Board as at the date of this Base Prospectus.

Position	Age	Name, background and other positions
Chairman of the Board	**60**	***Mr. Eissa Mohammed Al Suwaidi***
Chairman of the Risk and Credit Committee *Member of NCHR Committee*		Managing Director - the Council; Board Member - International Petroleum Investment Company; Board Member - Emirates Investment Authority; Vice Chairman of Itissalat Al Maghrib (Maroc Telecom); and Chairman - Emirates Telecommunications Corporation "Etisalat".
Vice-Chairman of the Board	**45**	***Mr. Mohamed Sultan Ghannoum Al Hameli***
Chairman of NCHR Committee *Member of the Risk and Credit Committee*		Director General - Department of Finance, Government of Abu Dhabi; Chairman – National Health Insurance Company (DAMAN); Board Member - Social Welfare & Minor Affairs Foundation; Board Member - Emirates Telecommunications Corporation "Etisalat"; and Board Member – UAE Federal Tax Authority.
Board Director	**54**	***Mr. Mohamed Darwish Al Khoori***
Chairman of the Audit and Compliance Committee *Member of NCHR Committee*		Vice Chairman - Oman and Emirates Investment Holding Company; Chairman – Oman and Emirates Investment Holding Company, Executive Committee; Board Member – Abu Dhabi Global Market; Executive Director – Operations Department, ADIA; Board Member - The Financial Corporation (FINCORP); Board Member - Abu Dhabi Investment Authority's Investment Committee; and Chairman – Audit Committee, The Financial Corporation (FINCORP).
Board Director	**56**	***Mr. Abdulla Khalil Al Mutawa***
Member of the NCHR Committee *Member of the Audit and Compliance Committees*		General Manager – The Private Office of Sheikh Suroor bin Mohammed Al Nahyan; Board Member — Bank Al Falah Limited; Chairman – Makhazen Investment Company; Non-Executive Board Member – EFG Hermes; Bank Alfalah: Chairman — Board Strategy & Finance Committee; Chairman — Board Human Resources & Nomination Committee; Member — Board Audit Committee; Member — Board Risk Management Committee and Compensation Committee.
Board Director	**45**	***Mr. Mohamed Ali Al Dhaheri***
Chairman of the Corporate Governance Committee and *Member of the Audit and Compliance Committee*		Chairman – Invest AD; Executive Director – Accounting & Financial Services Department – the Council.
Board Director	**31**	***Shk. Sultan bin Suroor Al Dhahiri***

Position	Age	Name, background and other positions
Member of the Corporate Governance Committee		Chairman – Al Dhaana Holding; Chairman - SSD Group; and Chairman - Abu Dhabi Maritime and Mercantile International Company.
Board Director	**54**	***Mr. Khaled Haji Al Khoori***
Member of the Risk and Credit Committee and Corporate Governance Committee		Chairman – Orient House for Development and Construction; Board Member; and Chairman of Capital Expenditure Committee - Abu Dhabi National Hotels.
Executive Director and Group Chief Executive Officer	**49**	***Mr. Ala'a Eraiqat***
		Board Member – Abu Dhabi National Hotels PJSC (ADNH); Board Member – MasterCard Asia-Pacific, Middle East and Africa Regional Advisory Board; and Board Member – Mubadala Infrastructure Partners Advisory Board.
Board Director	**51**	***Mr. Khalid Deemas Al Suwaidi***
Member of the Corporate Governance Committee and Audit and Compliance Committee		Group Chief Executive Officer – Das Holding; Chairman – Emirates & Morocco Trading & General Investment; Vice-Chairman – Manazel Real Estate Company; Vice Chairman - Abu Dhabi National Insurance Takaful Co.; and Board Member - Citiscape Group Company.
Board Director	**37**	***Mr. Faisal Suhail AlDhaheri***
Member of the Risk and Credit Committee		Member – the Zayed Bin Sultan Al Nahyan Charitable & Humanitarian Foundation Investment Committee; Head of Alternative Investments Strategy – Abu Dhabi Investment Authority.
Board Director	**33**	***Mrs. Aysha Al Hallami***
Member of the Audit and Compliance Committee *Member of the Risk and Credit Committee*		Research Specialist – Strategy Unit of the Managing Director's Office, ADIA.
Adviser to the Board	**68**	***Sir Gerry Grimstone***
		Chairman – Standard Life Aberdeen plc; Chairman – Barclays International which overseas Barclays' corporate investment bank and international cards and payment businesses; Deputy Chairman – Barclays Bank PLC; Lead Non-Executive Director – UK Ministry of Defence; and Independent Non-Executive Director – Deloitte North West Europe.
Board Secretary	**44**	***Mr. Simon Copleston***
		Group General Counsel and Board Secretary – ADCB.

The business address of each member of the Board is P.O. Box 939, Abu Dhabi, United Arab Emirates.

Certain members of the Board, their families and companies of which they, or members of their families, are principal owners, or of which they are employees, are customers of ADCB in the ordinary course of

business. The transactions with these parties are made at arm's length and on substantially the same terms, including interest rates, as those prevailing at the same time for comparable transactions with unrelated parties. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Related Party Transactions*".

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

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

Under the Commercial Companies Law, all directors are liable to ADCB, its shareholders and third parties for any acts of fraud, abuse of powers, violation of laws, violation of its articles of association or for mismanagement.

The table below sets out the number of shares held by each director as at 31 December 2017:

Director	31 December 2017
Mr. Eissa Al Suwaidi	—
Mr. Mohamed Sultan Ghannoum Al Hameli	—
Mr. Ala'a Eraiqat*	2,271,758
Shk. Sultan bin Suroor Al Dhahiri	2,835,147
Mr. Abdulla Khalil Al Mutawa	2,347,277
Mr. Mohamed Ali Al Dhaheri	—
Mr. Mohamed Darwish Al Khoori	92,892
Mr. Khalid Deemas Al Suwaidi	—
Mr. Khaled Haji Al Khoori	—
Mr. Faisal Suhail AlDhaheri	—
Mrs. Aysha Al Halami	—

* Excluding 569,797 restricted units in ADCB's long-term incentive plan scheme of which: (1) 174,549 vested on 31 December 2017; (2) 148,267 will vest on 31 December 2018, subject to early vesting; and (3) 246,891 will vest on 31 December 2019, subject to early vesting.

Board committees

The Board has established four board committees: (i) the audit and compliance committee; (ii) the corporate governance committee; (iii) the NCHR Committee; and (iv) the risk and credit committee, each of which plays an important role in governing ADCB's operations and in establishing and coordinating the policies of ADCB.

Board audit and compliance committee

The Board audit and compliance committee ("**BACC**") (which currently consists of five non-executive directors, one of whom is the committee chairman) is primarily responsible for: (i) managing ADCB's internal audit function; (ii) overseeing the preparation of ADCB's financial statements and disclosures; (iii) recommending the appointment of and ensuring the independence of auditors (internal and external); and (iv) monitoring internal controls over financial reporting as well as managing compliance with relevant legal and regulatory requirements. The BACC plays a predominantly advisory role, reporting its recommendations to the Board for final approval.

However, in certain limited circumstances, decisions may be taken by BACC, which are binding on the Board (for example, it may approve the terms of engagement of the external auditor without Board approval).

The BACC provides regular reports to the Board. In 2017, the BACC met 9 times.

Board corporate governance committee

The CGC (which currently consists of four non-executive directors, one of whom is the committee chairman) is responsible for overseeing the development and implementation of ADCB's corporate governance strategy and action plan, including the development of corporate governance procedures and best practices within ADCB, compliance with regulatory requirements relating to corporate governance and public reporting on corporate governance matters. The CGC is responsible for: (i) monitoring developments in corporate governance and recommending and monitoring the implementation of ADCB's corporate governance plan; (ii) overseeing ADCB officers with responsibility for corporate governance; (iii) reviewing ADCB's corporate governance structures including the Board and its committees, management committees and their terms of reference; (iv) reviewing disclosure practices including directors' conflicts of interest and measures to implement accepted culture and ethics within ADCB; (v) reviewing and amending ADCB's articles of association; (vi) publishing corporate governance information; (vii) making recommendations to the Board and its committees on corporate governance strategy, actions and culture; and (viii) evaluating directors' performance and professional development.

The CGC provides regular reports to the Board. The CGC plays an advisory role, reporting its recommendations to the Board for final approval. In 2017, the CGC met 5 times.

Board nomination, compensation and HR committee

The NCHR Committee (which currently consists of four non-executive directors, one of whom is the committee chairman) is responsible for: (i) ensuring the appropriate composition of the Board; (ii) selecting and appointing directors; (iii) holding orientation and training sessions for new directors; (iv) succession planning for Board members and executive management; (v) performance assessment of the executive management; (vi) developing, applying and reviewing human resources and training policies; (vii) determining ADCB's requirements for executive managers and employees; (viii) selecting and appointing executive management; (ix) reviewing and approving remuneration policies for executive management and the Board, and ADCB's remuneration and incentive plans; (x) ADCB's public reporting of remuneration matters; and (xi) ensuring independent directors remain independent on a continuous basis.

In determining the composition of the Board, the NCHR Committee considers the knowledge, skills and experience which are anticipated to be required by Board members. No director may participate in any decision regarding his own appointment or remuneration.

The NCHR Committee provides regular reports to the Board and is authorised to take certain appointment and remuneration decisions which may bind the Board. In all other cases, recommendations are made to the Board for final approval. In 2017, the NCHR Committee met 6 times.

Board risk and credit committee

The Board risk and credit committee (the "**BRCC**") (which currently consists of five non-executive directors, one of whom is the committee chairman) is responsible for credit decisions involving an aggregate percentage of ADCB's capital per single borrower, or group of related borrowers, as specified by the Central Bank (see "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Large exposures*") and, in all other cases beyond its scope of authority, making recommendations to the Board for approval. It is also responsible for overseeing: (i) the development of risk measurement tools; (ii) the development and implementation of ADCB's risk appetite statement and risk management strategies and limits; (iii) compliance with regulatory requirements relating to risk management; (iv) public reporting on risk management matters; and (v) reviewing and approving credit commitments within its scope of authority.

The BRCC provides regular reports to the Board. In 2017, the BRCC met 37 times.

EXECUTIVE MANAGEMENT

As at the date of this Base Prospectus, the executive management of ADCB includes:

Position	Name
Group Chief Executive Officer and Executive Director.....	Mr. Ala'a Eraiqat
Group Chief Financial Officer.....	Mr. Deepak Khullar

Position	Name
Group Chief Risk Officer	Mr. Paul Keating
Group Chief Operations Officer	Ms. Siddiqa Abbas
Group Chief Credit Officer	Mr. Tilak Silva
Group Treasurer	Mr. Kevin Taylor
Group Chief Internal Auditor	Mr. Abdirizak Mohamed
Group Head – Wholesale Banking Group	Mr. Colin Fraser
Group Head – Consumer Banking Group	Mr. Arup Mukhopadhyay
Group Head – Human Resources	Mr. Ali Darwish
Group General Counsel and Board Secretary	Mr. Simon Copleston

Detailed below are the names, ages, positions and brief biographical information of each member of ADCB's executive management as at the date of this Base Prospectus.

Position	Age	Name, background and other positions
Group Chief Executive Officer and Executive Director	**49**	***Mr. Ala'a Eraiqat*** Mr. Eraiqat joined ADCB in January 2004 and since then has held various senior positions before taking over as GCEO in February 2009, when he was also appointed to ADCB's Board. Prior to joining ADCB, Mr. Eraiqat held senior positions at Citibank and Standard Chartered Bank, among others. In his current role as GCEO, his responsibilities include chairing the following management committees: the MEC; and the management risk and credit committee, in addition to the following subsidiaries of ADCB: ADCP, ADCES, ADCB Securities L.L.C. and Itmam Services L.L.C. Outside of his various functions within the ADCB Group, Mr. Eraiqat also serves on the boards of the following entities: Abu Dhabi National Hotels PJSC (ADNH); MasterCard Asia-Pacific, Middle East and Africa Regional Advisory Board; and Mubadala Infrastructure Partners Advisory Board.
Group Chief Financial Officer	**56**	***Mr. Deepak Khullar*** Mr. Khullar was appointed as ADCB's Group Chief Financial Officer in 2008 and is responsible for the Group finance, investor relations, and strategic sourcing functions. Prior to joining ADCB, Mr. Khullar spent 15 years with Standard Chartered Bank in the Middle East and in Korea, before which, he worked for 12 years with Ernst & Young and Price Waterhouse & Co. (now PricewaterhouseCoopers) across the Middle East and India. Mr. Khullar is an Associate of the Institute of Chartered Accountants of India and an Associate Member of the Association of Corporate Treasurers (UK).
Group Chief Risk Officer	**52**	***Mr. Paul Keating*** Mr. Keating was appointed as ADCB's Group Chief Risk Officer in January 2018 having previously worked for the Australia and New Zealand Banking Group Limited ("**ANZ**") for over 30 years where he served in various capacities across the world. His last role with ANZ was as chief risk officer and head of credit for ANZ's Pacific division, with responsibility for 11 countries. In his role as Group Chief Risk Officer, Mr.

Position	Age	Name, background and other positions
		Keating has responsibility for compliance, operational risk, market risk, credit policy and information security. Mr. Keating holds a Bachelor of Commerce and Administration from Victoria University in New Zealand and a Post Graduate Diploma in Banking Management from Massey University in New Zealand.
Group Chief Operations Officer	**43**	***Ms. Siddiqa Abbas*** Ms. Abbas was appointed as ADCB's Group Chief Operations Officer in January 2018. Ms. Abbas has held a number of senior operational management positions at ADCB including head of branch operations and head of consumer banking operations. Prior to her appointment as Group Chief Operations Officer, Ms. Abbas was the General Manager of Itmam between 2016 and 2018. Ms. Abbas holds a Bachelor's Degree in Mass Media from the UAE University in Al Ain.
Group Chief Credit Officer	**68**	***Mr. Tilak Silva*** Mr. Silva was appointed as ADCB's Group Chief Credit Officer in January 2018. He has been with ADCB for 37 years with his main focus areas during that time being credit underwriting, remedial risk, litigation and restructuring. Prior to joining ADCB, Mr. Silva worked for Hatton National Bank in Sri Lanka, undertaking different roles within the bank's credit group.
Group Treasurer	**57**	***Mr. Kevin Taylor*** Mr. Taylor joined ADCB in 2009 as head of the treasury and investments group. He has held significant treasury and risk positions in global organisations such as ALICO, Citigroup, Westpac Bank and Merrill Lynch. At ADCB, he has responsibility for a front office staff of 40, including foreign exchange trading and sales, derivative trading and sales, and fixed income and investments personnel, along with money market and balance sheet analytics teams. Mr. Taylor is a member of the UAE banks federation's Financial Markets Committee and is a member of the board of directors of Gulf Capital. Mr. Taylor holds an MBA from Macquarie University in Australia and a Master of Science in Risk Management from the Stern School of Business, New York University.

Position	Age	Name, background and other positions
Group Chief Internal Auditor	**49**	***Mr. Abdirizak Mohamed*** Mr. Mohamed has been ADCB's Group Chief Internal Auditor since 2006, having previously worked at the NASDAQ Stock Market, the Financial Industry Regulatory Authority (formerly the National Association of Securities Dealers) and the Office of Federal Housing Enterprise Oversight (and its successor entity, the Federal Housing Finance Agency), each in the United States. He has more than 20 years of financial industry experience including roles within capital markets management, accounting policy and applications, examinations and auditing, risk management, regulatory oversight, and corporate governance. Mr. Mohamed also serves as an audit committee member of various Abu Dhabi-based companies. Mr. Mohamed is a Certified Public Accountant, and holds a Bachelor's degree from the University of Washington in Seattle and a Master's degree from the George Washington University in Washington, D.C.
Group Head – Wholesale Banking Group	**47**	***Mr. Colin Fraser*** Mr. Fraser joined ADCB as head of the wholesale banking group in 2008, having previously been the corporate banking director for Barclays Bank's GCC operation where he had worked in various capacities and across various jurisdictions since 1992. Mr. Fraser completed his Master of Arts in Financial Economics at the University of Dundee, receiving the Bowie Memorial Prize as the top economics graduate. He is an Associate of the Chartered Institute of Bankers and a Fellow of the Royal Society for the Arts.
Group Head – Consumer Banking Group	**51**	***Mr. Arup Mukhopadhyay*** Mr. Mukhopadhyay joined ADCB in 2005 as head of the CBG. He had previously spent seven years with Citibank, acting as head of wealth management products and as a marketing director for its UAE consumer business. Prior to his roles with Citibank, Mr. Mukhopadhyay served with Unilever in India in various sales and marketing roles. Mr. Mukhopadhyay is a Mechanical Engineering graduate and holds an MBA from the Indian Institute of Management, Lucknow. In 2016, Mr. Mukhopadhyay was named the Retail Banker of the year in the Middle East by the Asian Banker, Singapore.
Group Head – Human Resources	**51**	***Mr. Ali Darwish*** Mr. Darwish originally joined ADCB in 1998, serving at various senior executive levels before being appointed as Group Head of the Human Resources function in May 2011. Prior to joining ADCB, Mr. Darwish had over 20 years experience across the financial services sector, having worked for HSBC, ABN AMRO, Dubai Islamic Bank and Tamweel.

Position	Age	Name, background and other positions
Group General Counsel and Board Secretary	**44**	***Mr. Simon Copleston*** Mr. Copleston has been General Counsel and Board Secretary at ADCB since 2008. Prior to his appointment at ADCB, he spent two years with the Abu Dhabi Investment Authority in their emerging markets department and strategic investment and infrastructure teams and has more than 19 years' experience in banking, finance, and corporate law roles, including eight years practising corporate law in London. In his current role with ADCB, Mr. Copleston has had overall responsibility for developing and monitoring ADCB's corporate governance regime. He holds a history degree from Durham University in the UK and is a UK qualified solicitor.

The business address of each member of the executive management is P.O. Box 939, Abu Dhabi, United Arab Emirates.

No member of the executive management of ADCB has any actual or potential conflict of interest between his duties to ADCB and his private interests and/or other duties.

Executive management committees

Day-to-day management is coordinated by the MEC, which oversees all other management committees and working groups, including the management risk and credit committee (the "**MRCC**"), the ALCO, the management recoveries committee ("**MRC**"), the capital expenditure committee (the "**Capex Committee**"), the senior management committee ("**SMC**"), the management human resources committee ("**MHRC**"), the international operations and alliances committee, the liabilities and initiatives committee ("**LICO**") and the management financial performance committee ("**MFPC**"). The MEC has delegated certain responsibilities to its reporting committees.

Management executive committee

The MEC is the highest management level authority overseeing matters relating to corporate organisation, strategy recommendations, finance and operations. All management committees report to the MEC, which has full authority to review and reorganise the composition and terms of reference of the management committees and working groups.

The MEC is composed of key members of management, whose appointments are approved by the NCHR Committee. The members of the MEC include the GCEO (who serves as Chairman of the MEC), the Group chief financial officer ("**CFO**"), the Group chief risk officer ("**GCRO**"), the Group chief operations officer ("**COO**"), the heads of wholesale banking, treasury and investments, human resources and consumer banking and the Group General Counsel. The MEC meets weekly and reports to the Board.

The responsibilities of the MEC include:

- establishing the organisation structure for management and management committees;
- implementing strategy set by the Board and recommending strategy and policy decisions;
- recommending ADCB's annual budget and funding plan;
- approving key performance indicators for each business line;
- reviewing periodic performance reports;
- executing proposals from the Board (including proposals regarding any increase or decrease to ADCB's capital);

- approving expenditures within the guidelines of ADCB's annual budget, expenditures not captured by the annual budget up to AED 10 million during a quarter and other expenditures within certain delegated limits set by the Board;

- approving the establishment or sale of branches, agencies, joint ventures and subsidiaries and appointments of directors to subsidiaries;

- approving debt-funding issues, up to certain delegated limits set by the Board, treasury investments and related hedging transactions;

- approving recovery settlements relating to impaired loans and advances to customers up to certain limits set by the Board;

- approving ADCB's policies, excluding those falling within the Board's responsibility; and

- approving credit transactions up to certain limits set by the Board.

Management risk and credit committee

The MRCC is responsible for appraising credit decisions within the limits that have been sub-delegated from the MEC. In addition, the MRCC considers risk appetite and strategy issues; sets and recommends risk policies; guides the BRCC and the Board on credits above delegated limits and on general risk and risk policy issues and makes recommendations to the Board or the BRCC, as appropriate, on risk strategy matters and credit exposures.

Assets and liabilities committee

The ALCO is responsible for reviewing and monitoring all major investments and strategic commitments and developing policies relating to the management of all assets and liabilities (such as balance sheet structuring, funding, pricing, hedging, investing and the setting and monitoring of liquidity ratios).

The ALCO seeks to manage assets and liabilities in order to enhance profitability and protect ADCB from any adverse consequences that may result from extreme changes in market conditions and other financial risks.

The ALCO's primary functions include: (i) managing ADCB's wholesale debt lending and deposit liabilities; (ii) the formulation and implementation of market risk and liquidity risk policies and strategies for addressing market and liquidity risks; (iii) ensuring market risk and liquidity risk are identified, assessed, monitored, mitigated and controlled; (iv) the formulation and implementation of balance sheet structure policies and strategies for addressing issues relating to balance sheet structure; and (v) the purchase of assets within ADCB's treasury investment portfolio.

In carrying out these key functions, the ALCO:

- reviews ADCB's financial performance, economic reports and forecasts;

- reviews ADCB's balance sheet structure and evaluates the risk exposure and assesses its potential impact on the income statement;

- reviews interest rate trends, yields, cost of funds and margins;

- makes recommendations on strategic directions leading to changes in balance sheet composition to achieve a desired structure including: (i) asset allocation strategies; (ii) buying and selling of assets; (iii) changing liability structure and mix; (iv) balance sheet growth, structure and maturity; and (iv) hedging;

- formulates policy guidelines on limits of exposure to liquidity and market risk (such as value-at-risk ("**VaR**"), liquidity ratios, large depositors, sources of funds, investment and other assets);

- reviews base lending rate or reference rate and its guidelines;

- reviews transfer pricing between business units and sets the overall direction and approval criteria for purchase and sale of investments; and

- classifies investments into held-for-trading, available-for-sale and held to maturity.

Management recoveries committee

The MRC is responsible for reviewing and approving settlements relating to certain impaired loans and advances to customers within the limits that have been set by the MEC. A matter is forwarded to the MRC after the remedial risk department has attempted to recover the amount outstanding from the borrower and has either been unable to recover such amount or has provisionally agreed with the borrower to restructure the loan. See "*Risk Management – Collection procedures*".

Capital expenditure committee

The Capex Committee is ADCB's key governance forum for managing its capital investment portfolio. The primary function of the Capex Committee is to consider, review and approve capital expenditure projects with a value of over AED 500,000. The projects almost exclusively relate to new technology systems, system upgrades and real estate (specifically relating to improvements and acquisitions required to conduct ADCB's business and to execute its long term plans, for example, in respect of branches).

Senior management committee

The SMC acts as a management forum regarding a wide range of issues, including ADCB's HR policies, management strategy, projects and dissemination of information.

Management human resources committee

The MHRC supports the MEC in the discharge of its responsibilities relating to human resources and is the primary forum for prior screening, discussion and recommendation of all human resources related matters which are under the domain of the MEC. The MHRC discusses and recommends human resources strategy, policy and budgets to the MEC (including matters relating to pay and benefits, promotions, Emiratisation, merit increases, head count, learning, development and organisational activities like performance management, talent management and succession planning).

Liabilities and initiatives committee

The LICO supports the MEC with respect to approving and marketing ADCB's products within the bounds of ADCB's strategy. The LICO plays a prominent role in pricing of liability products within the overall pricing framework set by ALCO, including ensuring cross-department coordination in pricing of liability products. The LICO also oversees the progress of ADCB's various strategic initiatives.

Management financial performance committee

The MFPC is responsible for regularly reviewing and assessing the financial performance of ADCB's business lines against budget and strategic targets and identifying opportunities for revenue generation, cost control and optimisation of cost centres. In addition, the MFPC helps in shaping budget targets for the forthcoming year and has input into the medium term strategy process. The MFPC monitors and assesses the financial performance of ADCB's business lines within the bounds of ADCB's budget and strategy.

International operations and alliances committee

The International operations and alliances committee is responsible for overseeing and managing ADCB's international operations and alliances (excluding ADCB's Jersey branch). Specifically, the International operations and alliances committee has responsibility for managing ADCB's two branches in India and ADCB's representative offices in the United Kingdom and Singapore, in addition to strategic alliances ADCB has in place from time to time.

Working groups

In addition to the foregoing standing management committees, from time to time the MEC establishes working groups tasked to handle specific issues or areas of focus. The MEC has established the following working groups: compliance, corporate governance, customer service, operational risk management and insurances.

OTHER MANAGEMENT FUNCTIONS

Audit arrangements

The external auditor is appointed annually by ADCB's shareholders. At the 2017 annual general meeting, Deloitte & Touche (M.E.) was re-appointed as the external auditor of ADCB. Deloitte & Touche (M.E.) was originally appointed at the 2015 annual general meeting to replace Pricewaterhouse Coopers as ADCB's external auditor in line with ADCB's internal policy of rotation of its external auditors (and with the Abu Dhabi Accountability Authority statutory auditor appointment rules, which were introduced on 28 September 2014 (the "**SAAR**")) and the Commercial Companies Law which stipulates that ADCB is required to appoint new external auditors every four years).

In addition, the BACC will make recommendations on the rotation of the external audit firm, or of the partner of the firm in charge of ADCB's audit, to ensure the independence of the external auditor.

Pursuant to Article 38 of the UAE Securities and Commodities Authority Resolution No. 7 of 2016, concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies (the "**2016 SCA Regulations**"), an external auditor is prohibited from undertaking a prescribed list of additional services, which do not form part of the audit programme, while carrying out an audit. The 2016 SCA Regulations directly prohibit an external auditor from performing any technical, administrative or consultation services or works outside of the scope of the audit which may affect the auditor's decisions and independence.

The scope of an audit is agreed between the BACC and the auditor. The external audit partner attends meetings of the BACC and the Board at which the financial statements are discussed and approved and as otherwise required. The BACC also periodically meets separately with ADCB's internal auditors and the auditor in the absence of management.

Under the SAAR, Deloitte & Touche (M.E.), as the current auditors of ADCB, are due to be rotated during 2019.

Internal controls

ADCB's internal controls over financial reporting comprise processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting principles. ADCB's internal controls include policies and procedures that: (i) are designed to ensure the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ADCB; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles, and that receipts and expenditures of ADCB are being made only in accordance with authorisations of management and directors of ADCB; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of ADCB's assets.

Notwithstanding the above, internal controls are subject to inherent limitations. Please see "*Risk Factors – ADCB's risk management and internal controls may leave it exposed to unidentified or unanticipated risks, which could result in material losses*".

Disclosure standards

ADCB's corporate governance principles require ADCB to maintain high standards of disclosure and transparency. In line with this, ADCB has created a website in order to provide information to stakeholders. ADCB's web address is *www.adcb.com*. Information on ADCB's website does not form part of, and is not incorporated by reference into, this Base Prospectus.

Compensation

In the year ended 31 December 2017, the total compensation paid to the Board and executive management amounted to AED 83.0 million, as compared with AED 94.1 million for the year ended 31 December 2016 and AED 94.1 million for the year ended 31 December 2015.

RISK MANAGEMENT

INTRODUCTION

Efficient and timely management of the risks inherent in ADCB's business activities is critical to its financial soundness and profitability. Risk management involves identifying, measuring, monitoring and managing risks on a regular basis. The objective of risk management is to protect ADCB's asset values and income streams in order to protect the interests of its shareholders and external fund providers, increase shareholder value and achieve a return on equity that is commensurate with the risks assumed. The risk management framework is integral to the operations and culture of ADCB. Risks are proactively managed within the defined risk framework of ADCB.

Ultimate responsibility for setting out risk appetite and effective management of risk rests with the Board. This is managed through the BRCC and the BACC, which ensure that risk taking authority and policies are effectively communicated from the Board to the appropriate business units.

The MEC has primary responsibility for implementing, overseeing and taking ownership for the enforcement of risk strategy and internal control directives laid down by the Board and Board Committees. The management level committees also actively manage risk, particularly the ALCO, the MRCC and MRC.

In January 2018, ADCB reorganised its internal risk management function by separating the credit and risk functions into two separate groups with distinct responsibilities and reporting lines (with the credit group reporting to ADCB's Group Chief Credit Officer ("**GCCO**") and the risk group reporting to ADCB's GCRO). The GCRO reports independently to the BRCC and the GCEO and the GCCO reports to the GCEO with full access to the BRCC. This reorganisation was effected in order to ensure that ADCB's credit and risk functions were aligned with international best practice.

ADCB's risk management function is headed by the GCRO. The risk management function is independent of the origination, trading and sales functions to ensure balance in risk-reward decisions is not compromised and to ensure transparency of decision making, in accordance with prescribed risk standards and policies. It exercises control over credit, market, liquidity, operational, compliance and information security risk.

In addition, ADCB's GCCO oversees credit approvals, credit operations and remedial account management.

The BACC provides assistance to the Board to fulfil its duties, to ensure and oversee ADCB's financial statements; the independence and performance of ADCB's external and internal auditors; compliance with legal and regulatory requirements and internal policies; and internal control over financial reporting.

The internal audit group ("**IAG**") aims to apply a systematic and disciplined approach to evaluating and improving the effectiveness of ADCB's risk management, control and governance processes. The IAG reports directly to the BACC. The IAG consists of a team of auditors whose tasks are, among other things, to evaluate the quality of ADCB's lending portfolio, the sufficiency of ADCB's controls in operational processes and the integrity of ADCB's information systems and databases. The IAG auditors, alongside the compliance department, also ensure that transactions undertaken by ADCB are conducted in compliance with applicable legal and regulatory requirements, and in accordance with ADCB's internal procedures, thereby minimising the risk of fraudulent, improper or illegal practices (see further "*– Internal audit group*").

DECISION MAKING

ADCB's governance structure is headed by the Board, which has overall responsibility for risk management. ADCB has a number of Board committees and executive management committees which, together with their other responsibilities, oversee and monitor the day-to-day risk management of ADCB. These committees are responsible for the overall approval and implementation of ADCB's risk management policies, while the formulation, monitoring and reporting of such policies and any exceptions thereto or any required corrective action, are the primary responsibility of the risk group that is headed by the GCRO.

ADCB aims to reinforce a strong risk management culture through a comprehensive set of processes that are designed to effectively identify, measure, monitor, report, mitigate and control risk exposures.

Risk governance at ADCB is based on the following four layers of defence:

- involvement of the Board and sub-committees under the Board such as the BRCC;
- executive management level committees for risk management such as the MRCC and the MRC;
- dedicated risk management groups, which are the credit group and the risk group, that independently evaluates the control systems within ADCB; and
- independent assurance provided by internal and external audit to provide important feedback on the effectiveness of these processes.

The Board evaluates risk in co-ordination with ADCB's Board committees and executive management committees. For further information regarding ADCB's Board committees and executive management committees, see "*Governance – Board Committees*" and "*Governance – Executive Management Committees*".

Execution

Execution of ADCB's risk management system is co-ordinated by the credit group and the risk group which are headed by the GCCO and the GCRO, respectively. The risk group has the following sub groups: credit risk management; operational risk management; market risk management; group compliance and information security management. The credit group has the following sub groups: consumer risk management; credit; remedial risk management; and credit operations. The IAG also oversees and reviews ADCB's risk management practices and the integrity of its information systems and databases. These groups operate under the supervision of the Board and its committees, the GCEO, the GCRO, the GCCO and the MEC.

Group chief risk officer

The GCRO is responsible for overall implementation of the risk objectives of ADCB. His responsibilities are to:

- identify and plug gaps in ADCB's risk infrastructure/framework and formulate plans to address the same;
- establish and nurture the independence of the risk function;
- guide and influence provisioning policies, risk strategy and credit/risk process changes;
- introduce process, policy and approach changes to energise risk awareness amongst front office business personnel and decision makers;
- continually align the risk organisation in line with market best practices;
- manage ADCB's portfolio and associated risks to international best practice; and
- establish a comprehensible risk culture encompassing all areas of risk.

The GCRO position was created in order to centralise ADCB's risk management processes and reports to the BRCC and the GCEO. ADCB adopts a segregation of the risk and credit functions at the executive management executive. The GCRO is responsible for reviewing ADCB's policies and procedures for managing exposure to credit, market and liquidity risk, operational and information security risks.

Treasury division

Alongside its profit-generating and treasury management activities, the treasury division is responsible for the day-to-day management of interest rate, liquidity and currency risk, ensuring a minimum percentage is maintained in liquid assets and diversifying ADCB's funding sources. The treasury division reviews

any liquidity gaps, ADCB's funding policies, availability of contingent liquidity and projected future cash flows associated with significant investments/divestures and discusses these with the ALCO. The division reports directly to the GCEO and works closely with the market risk department.

Credit group

The credit group is responsible for reviewing wholesale credit applications and oversees ADCB's wholesale credit portfolio. The credit group monitors the loans it has extended to wholesale borrowers in order to calculate potential losses and make provisions accordingly, classifies loans as impaired loans and advances to customers as appropriate, refers certain impaired loans and advances to customers to the remedial risk department and generally controls ADCB's exposure to credit risk. In addition, the credit group periodically reviews ADCB's data collection procedures, restructuring methodologies, information management and credit evaluation practices. The department also oversees the credit administration unit and documentation unit.

Legal department

Alongside its day-to-day activities of providing legal assistance and advice to ADCB, the Group General Counsel and his team are responsible for managing ADCB's legal risk by reviewing, monitoring and interpreting applicable legal and regulatory issues in the UAE and other relevant overseas jurisdictions.

Remedial risk department

The remedial risk department attempts to recover outstanding loans after such loans are classified as impaired and referred to the remedial risk department by the credit department. If the remedial risk department's collection attempts are unsuccessful, it may require the borrower to provide further collateral, initiate a legal action to recover the outstanding amount or restructure the terms of the loan and forward such terms to the MRC for its approval.

Compliance department

The compliance department assesses the adequacy of, and compliance with, internal procedures at all levels throughout ADCB. The department applies a risk-based approach that ranks ADCB's operations according to the likelihood and magnitude of potential losses for ADCB. The head of the department reports directly to the GCRO.

The compliance department enables ADCB to fulfil its compliance obligations by creating regulatory awareness, assessing risks inherent in the business and enabling compliance with applicable rules and regulations.

Compliance with applicable regulations is the responsibility of each ADCB employee. Accordingly, the compliance department has made efforts to institute a sound process in order to ensure group-wide awareness and implementation of control procedures.

One of the key responsibilities of the compliance department is to ensure there are policies and procedures in place to adequately control and mitigate risk in respect of money laundering and combating the financing of terrorism.

During 2017, ADCB's BACC commissioned Promontory, a global consulting firm, to conduct an assessment of ADCB's anti-money laundering and sanctions compliance programmes. The consultant found both programmes to be strongly designed, documented and implemented and commended, among other things, ADCB's robust compliance controls and systems, the close monitoring of anti-money laundering and sanctions' risks and the overall compliance governance framework. The BACC considered the consultant's report in detail and has developed an action plan to address, where applicable, the recommendations made.

Consumer risk management department

The consumer risk management department is responsible for overseeing the approval and verification of consumer credit merchant authorisation, collections, risk mitigation, repossession and foreclosure management and fraud. The consumer risk management department is also responsible for reviewing key

performance and key risk indicators, changes in the economic environment, feedback on fraud and collections, customer service issues and competition.

Market risk department

The market risk department is responsible for identifying, measuring, monitoring and controlling risks associated with on and off balance-sheet positions held by ADCB. The market risk department aims to reduce income performance volatility and to make ADCB's market risk profile transparent to executive management, the Board and ADCB's regulators.

Credit risk department

The credit risk department is responsible for formulating the credit strategy and policy in terms of risk measurement and aggregation techniques, prudential requirements, risk assessment and review, reporting requirements, risk grading and product and documentation guidelines. The department is also responsible for portfolio monitoring and ensuring adequate risk systems support is in place. This department is the central co-ordination point for regulatory risk changes, liaison with external risk stakeholders such as rating agencies, for spearheading Basel III implementation and similar initiatives and for acting as the business partner in the implementation of risk systems.

Operational and fraud risk department

The operational and fraud risk department is responsible for the identification, measurement, monitoring, control and reporting of operational and fraud risks throughout ADCB. This is the group support function responsible for establishing and implementing the operational risk framework throughout ADCB, recording loss data, conducting risk self assessment workshops, identifying and tracking key risk indicators and developing action plans to plug identified operational and fraud risk gaps.

The centralised fraud risk management function is responsible for defining ADCB's fraud risk management policy and managing the risk of fraud across ADCB.

Information and physical security assurance department

Information security risk arises from information leakage, loss or, theft. The information and physical security assurance department proactively identifies top organisational information and cyber security risks by continuously evaluating threats and by benchmarking information security controls against leading industry standards. ADCB uses a combination of internal processes and third party technolological protections to identify, monitor and prevent traditional and emerging cyber-threats to its information and physical security. In particular, ADCB employs comprehensive monitoring at multiple levels within the organisation to detect any potential cyber-attacks and has an established process to respond to cyber security incidents and threats. Additionally, ADCB has implemented dedicated internal programmess to improve cyber-security awareness levels within the organisation. ADCB maintains an information risk heat map which plots the sufficiency of ADCB's existing protection mechanisms against continuously evolving cyber threats. The information and physical security assurance department uses knowledge from a variety of sources, such as published research, security forums, threat intelligence and regional events, to keep these mechanisms current and up-to-date to ensure that ADCB is able to quickly and proactively respond to potential cyber security risks. See "*Risk Factors – ADCB's business is dependent on its information and technology systems which are subject to potential cyber-attack*".

ADCB's comprehensive security risk management programme covers classification of assets, identification of vulnerabilities and assessment of the risks of all internal assets and key third parties, which enables management to prioritise and mitigate information security risks. All critical systems and applications undergo regular security testing (including external third party testing) to ensure effectiveness.

Internal audit group

The IAG was established to provide an independent, objective assurance and consulting function. The IAG aims to apply a systematic and disciplined approach to evaluating and improving the effectiveness of ADCB's risk management, control and governance processes. The IAG reports directly to the BACC. The IAG consists of a team of 50 auditors whose tasks include evaluating the quality of ADCB's lending portfolio, the controls in operational processes and the integrity of ADCB's information systems and

databases. The IAG's auditors, alongside the compliance department, also ensure that transactions undertaken by ADCB are conducted in compliance with applicable legal and regulatory requirements, and in accordance with ADCB's internal procedures, thereby minimising the risk of fraudulent, improper or illegal practices.

In carrying out their audit activities and responsibilities, internal auditors have unrestricted access to all of ADCB's records (whether manual or electronic), assets, physical properties and personnel. The IAG performs its function in accordance with a risk-based audit methodology. Although all of ADCB's units are audited, the frequency of internal audits carried out with respect to each of ADCB's units depends on the inherent risk of that unit and its related control risk evaluation. All audits are conducted in accordance with the annual audit plan, which is approved by the BACC.

CREDIT APPROVAL PROCEDURES

Overview

ADCB requires credit approvals in compliance with Board-approved credit procedures for both consumer and wholesale loans. The UAE's central credit bureaus (such as the Central Bank Risk Bureau and the Al Etihad Credit Bureau ("**AECB**")) provide support for the customer due diligence process. However, ultimate credit assessment and sanctioning is independently managed by each UAE bank (see "*The United Arab Emirates Banking Sector and Regulations – Establishing a Credit Bureau in the UAE*"). ADCB's credit approval procedures are closely monitored by the Board through the BRCC and by executive management through the MRCC. ADCB's credit group and consumer credit risk group are responsible for the development and implementation of ADCB's credit approval procedures in conjunction with the BRCC and the MRCC as well as the development of ADCB's central credit information database.

ADCB applies different credit limits and approval criteria depending on the types of loans, customers and industry sectors. The approvals are made at various levels of the organisation, ranging from the Board, the BRCC under the Board supervision, the MRCC up to a credit officer in the consumer risk management division for approval of retail loans, in each case within ADCB's established credit limits.

Wholesale and HNWI loan approval procedures

For wholesale and HNWI loans, the Board is responsible for approving all credit commitments which are classified as 'large exposures' for the purposes of the Large Exposure Notice. The BRCC, which is appointed by the Board, is mandated with approving credit commitments on behalf of ADCB over and above the management committee delegation and up to an aggregate percentage of ADCB's capital per single borrower or group of related borrowers as specified by the Central Bank (see "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Large exposures*") and, in all other cases, making recommendations to the Board for approval. The BRCC is comprised of five non-executive directors and several invitees from the executive management team including the GCEO, the CFO, the GCRO, the GCCO the COO, the head of internal audit, the heads of credit, consumer banking, wholesale banking, treasury, special assets restructuring and the Group General Counsel, among others. The MRCC has a delegation to approve wholesale loans that is linked to the customer internal rating and is capped at the prudential limits established by ADCB for each customer rating. These ratings are internal ratings for customers given by ADCB to each customer based on ADCB's credit policy. The MRCC is comprised of the GCEO, the GCRO, the GCCO the heads of consumer banking, wholesale banking and treasury. All decisions at the MRCC require the GCEO's vote and at least one vote from the credit group or the risk group. The GCRO has the right of escalation of any matter in this committee to the level of the BRCC should he feel the need to do so.

Wholesale and HNWI credit commitments that fall under the mandate of the MRCC are addressed by the credit group's "functional delegated lending authorities" approved by the MEC. Certain cases can be escalated to the MRCC/the BRCC based on the recommendation of the GCEO, the GCRO or the GCCO. The GCEO, the GCRO or the GCCO may also further sub-delegate "specific delegated lending authorities" that are generally limited to short-term commitments (i.e., a maximum of one year). All such sub-delegations are notified to both MRCC and BRCC.

In addition to categorising wholesale and HNWI credit commitments by value, ADCB also divides its wholesale and HNWI credit commitments into the following main product categories: loans, trade

finance, contract guarantees (such as performance bonds), financial commitments (such as financial guarantees and undrawn commitments), market variation (foreign exchange contracts, options and derivatives), settlement (foreign exchange and other delivery), syndication and others. ADCB applies specific standards of review for each category of credit commitment, which enables ADCB to examine both the credit risk of the borrower as well as ADCB's overall lending exposure per product category. The credit department also complies with product specific policy manuals, including manuals for ADCB's asset based finance, commercial vehicle financing and real estate and property development finance. Analysing applications by product category also allows ADCB to respond to market developments. This approach allows the credit department to apply different credit approval procedures of ADCB to different clients as required.

New wholesale and HNWI borrowers are sourced through ADCB's sales channels including its relationship managers at wholesale and HNWI client divisions such as the business banking division, financial institutions division and strategic clients and government banking divisions as well as through ADCB's local branch network. Once a new customer has been identified, the relationship manager prepares a due diligence report on the client as part of the approval process. This due diligence report is based on ADCB's review of all relevant information and generally includes: (i) borrower information (including its legal constitution, ownership structure, organisational structure and financial strength); (ii) management (including a list of directors, key officers and their qualifications and affiliations); (iii) industry sector and market information; (iv) relationship with ADCB and other banks; (v) financial analysis of the borrower; (vi) sources of repayment; and (vii) appropriateness of certain covenants to be included in loan documents. ADCB also reviews the borrower's payment history with ADCB or other banks, competitive strengths, levels of collateral and other factors to reach its credit decision. This due diligence report is then validated independently by the credit group, which prepares a brief assessment of the reports, summarising its salient features and recommendation for approval at the appropriate delegated lending authority.

The credit division also uses a risk grading and security categorisation system to assess and monitor the credit quality of credit applicants as well as existing borrowers. In accordance with ADCB's rating matrices, wholesale banking and HNWI clients are assigned credit grades based on various qualitative and quantitative factors including financial strength of the borrower, industry risk factors, management quality, operational efficiency and company standing. These credit grades are used by ADCB to decide the maximum lending amount per customer group and to set minimum pricing thresholds. The risk grading system attempts to grade a borrower based solely on the borrower's characteristics, and therefore does not take into consideration any security provided by the borrower. In addition to facilitating loan approval decision making, credit scores are also used by ADCB to set credit facility limits for specific clients. The credit quality of the client and the guarantor, the fair value of security interests and other relevant factors are all considered prior to setting the terms of the facility agreement (including the payment period, processing fee and interest rate).

It can take between four to six weeks to approve new loans for wholesale clients from the submission of the initial application including all required documents. However, the credit division has discretion to shorten the approval process or to review specific components of the credit assessment on a case-by-case basis. The division monitors conditions, covenants and other trigger mechanisms on an on-going basis during the year to ensure compliance or (as the case may be) facilitate timely intervention in advance of a facility's annual review. The credit division reviews the credit limits of its wholesale customers at least once each year.

Consumer credit approval procedures

ADCB has developed a comprehensive consumer credit policy and procedures manual, which establishes the consumer banking group's overall risk management framework. The manual establishes operating policies and procedures relating to credit approval and verification, merchant authorisation, collections, risk mitigation, repossession and foreclosure management and fraud. The policy acts as a guideline for the formulation of individual product credit policy and procedures manuals. Additional policies and procedures manuals have been established with respect to the use of vendors, agents, dealers, brokers and other third parties or intermediaries that directly or indirectly impact credit risk, such as appraisers, realtors, brokers, servicing agents and collection agencies.

For consumer loans, the Board has delegated its authority to the consumer risk management division. This division applies a tiered hierarchy of delegated approval authorities based on the value of the credit

commitment sought. Such authorities are set out in authority matrices which must be approved by appropriate internal committees.

New consumer borrowers are sourced through ADCB's sales channels, including direct sales agents and ADCB's retail branch network. The consumer risk management division makes credit decisions based on product lending programmes for consumer customers. The maximum consumer lending exposure to a single retail borrower in accordance with these lending programmes is capped at AED 29 million (excluding lending fully secured by cash and margin trading facilities granted by ADCB Securities L.L.C.). Acceptance of new retail clients typically depends on the size and type of loans as well as the type of customers. It typically takes one to three days for personal loans and up to one week for mortgage loans to be approved from the submission of the initial application including all the required documents. Credits extended to consumer customers are reviewed every 30 days as part of a general portfolio review.

COLLECTION PROCEDURES

Consumer banking collection procedures

If a consumer banking group loan is in arrears, it is processed in accordance with standard operating procedures whereby the loan is considered to be in default one day after it has become delinquent. The account is recorded as an impaired loan after 90 days past due in line with Central Bank recommendations and guidelines.

The collections and fraud unit, which reports directly to the head of consumer risk management, may also, in certain cases, approach a delinquent borrower in order to settle an outstanding loan or assess how an outstanding loan may be restructured. The collection and fraud unit will pursue all avenues available to collect the outstanding amount from a debtor and/or its guarantor by, among other methods, filing a claim with the court and starting a court proceeding to foreclose on relevant collateral.

Wholesale banking collection procedures

If a wholesale banking group loan is in arrears, the credit department is responsible for taking the initial steps to determine if the default can be remedied. If: (i) the loan remains in default for more than 90 days (and is thereby recorded as an impaired loan as per Central Bank recommendations and guidelines); or (ii) negative information about the debtor surfaces, which makes collection of the outstanding loan unlikely, then the credit department refers the loan to the remedial risk department.

Initially, the remedial risk department contacts the borrower to discuss repayment of the amount of the loan outstanding. If the borrower is unable to repay the amount outstanding under the original terms of the loan, the remedial risk department may attempt to reschedule interest and principal payments or otherwise restructure the loan in conjunction with the debtor and its advisers. As part of such restructuring, the remedial risk department may request additional collateral, increase applicable interest rates or accelerate payment schedules. Restructuring plans negotiated by the remedial risk department with the borrower must be approved by the MRC, which is comprised of members of ADCB's executive management and chaired by the GCRO. The MRC can review and approve settlements relating to impaired loans and advances to customers where the principal waiver does not exceed AED 25 million. Any amount in excess of this threshold must be approved by the MRCC, the BRCC or the Board itself, based upon threshold amounts. If the foregoing measures do not result in payment, the remedial risk department will pursue all other avenues available to collect the outstanding amount from the debtor and/or its guarantor by, among other methods, filing a claim with the court and starting a court proceeding to foreclose on relevant collateral. Under UAE federal law, however, creditors are prevented from foreclosing on a UAE national's primary residence.

PRINCIPAL RISKS

In common with other financial institutions, ADCB faces a range of risks in its business and operations including: (i) credit risk; (ii) funding and liquidity risk; (iii) market risk (including currency risk, interest rate risk and equity price risk); (iv) legal risk; (v) reputational risk; and (vi) operational risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation on maturity, or in a timely manner, causing the other party to incur a financial loss. Concentrations of credit

risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentration risk may also arise as a result of large exposures to individuals or a group of related counterparties. Concentrations of credit risk indicate the relative sensitivity of ADCB's performance to developments affecting a particular industry or geographic location.

ADCB's risk management function tailors its approach to credit risk management depending on the type of customer. Individual accounts (including financial institutions and companies managed by the wholesale banking group) are managed by a relationship manager and a credit manager. Risk management is conducted through expert analysis, supported by decision-making tools based on internal models of risk assessment. Portfolio management is also undertaken, usually in the case of accounts relating to and/or held by individuals, sole proprietorships and partnerships and certain smaller SMEs. Management of these risks is based on internal models of assessment and score card based decisions, complemented by internal portfolio analytics.

Management of credit risk

ADCB controls credit risk by aggregating and monitoring credit exposures (both direct and indirect exposures) on its loans and advances, investment securities, non-funded exposures and amounts due from banks. ADCB sets transaction limits for specific counterparties and continually assesses the creditworthiness of counterparties.

ADCB sets and monitors country, industry, product and tenor risk and uses its own internal rating models for assigning customer ratings which measure the degree of risk of a customer. Each rating corresponds to a certain probability of default. ADCB has various internal rating models for different customer segments.

In addition to monitoring credit limits, ADCB manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, ADCB may also close out transactions or assign them to other counterparties to mitigate credit risk.

Organisational framework for credit risk management

The risk management structure of ADCB is clearly established with well defined roles and responsibilities. The committees responsible for managing credit risk are the MRCC and the MRC. ADCB's risk management practices and strategies are an integral part of business planning and the budgeting process. All risk management areas are centralised under the credit group and the risk group.

The BRCC is responsible for sanctioning high value credits and is responsible for the approval of credit policies and processes in line with growth, risk management and strategic objectives established by the Board. In addition, ADCB manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. Credit risk in respect of derivative financial instruments is limited to those with positive fair values.

Regular audits of business units and ADCB's credit processes are undertaken by the IAG and the compliance division.

Credit risk measurement and mitigation policies

Loans and advances to customers are the main source of credit risk to ADCB, although ADCB can also be exposed to other forms of credit risk through various other financial assets, including derivative instruments, debt investments, loans to banks, loan commitments and debt securities. ADCB's risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite, limits and controls and to monitor the risks and adherence to limits by means of reliable and timely data. ADCB assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Collateral

ADCB holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered security interests over assets, fixed deposits and guarantees. Estimates of fair value of the collateral (including shares) are updated on a regular basis. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. The principal collateral types for loans and advances to customers are:

- cash and marketable securities;
- mortgages over residential and commercial properties;
- charges over business assets such as premises, inventory and accounts receivable;
- charges over financial instruments such as debt securities and equities; and
- guarantees.

The estimated fair value of collateral and other security enhancements held against net loans and advances to customers as at 31 December 2017 was AED 183,993.8 million compared to AED 164,856.3 million as at 31 December 2016 and AED 135,122.2 million as at 31 December 2015.

Where the estimated fair value of collateral held exceeds the outstanding loan, any excess on realisation is paid back to the customers and is not available for offset against other loans.

For further information regarding ADCB's credit risk, see "*Risk Factors – ADCB's business, results of operations, financial condition and prospects have been adversely affected by credit risks and will likely continue to be affected by credit risks if economic conditions do not improve*".

Portfolio monitoring and identifying credit risk loans

Credit risk management is actively involved in identifying and monitoring credit risk loans. It monitors the portfolio through system generated information and periodic reviews giving due consideration to industry/general economic trends, market feedback and media reports.

Within the retail portfolios comprising homogeneous assets, statistical techniques are deployed to monitor potential weaknesses within a particular portfolio. Retail accounts are classified according to specified categories of arrears status (based on days past due), which reflects the level of contractual payments which are overdue on a loan.

The probability of default increases with the number of contractual payments missed, thus raising the associated impairment requirement. In the event where a decision is taken to write-off a loan, the account is moved to the legal recovery function. However, in certain cases, an account may be charged-off directly from a performing status, such as in the case of insolvency or death.

In respect of the wholesale banking group portfolio, ADCB will more frequently participate in debt restructuring agreements as part of the business support process. Debt restructuring agreements may include actions to facilitate recovery of the principal and interest outstanding and may include rate negotiation and relaxing payment schedules, among others.

ADCB adopts a conservative approach to its credit risk management function. Early identification of potentially problematic exposures and the allocation of a specific impairment allowance (and/or collateral) against such loans and advances to customers (recorded in ADCB's income statement) helps to mitigate the risk of incurring future losses.

ADCB's management believes that the systems in place to implement ADCB's loan loss impairment allowances are robust, in line with industry best practice and IFRS 9 requirements, and reflect ADCB's prudent approach to credit risk management generally.

Exposure to credit risk by days past due

ADCB's risk classification of loans and advances to customers, which adheres to the recommendations and guidelines of the Central Bank, is as follows:

Risk category

Neither past due nor impaired	Up to 30 days past due
Past due but not impaired	Between 31 and 90 days past due
Past due and impaired	Over 91 days past due

The classification of loans and advances to customers by days past due as at 31 December in the years indicated is as follows:

	2017	2016	2015
		AED'000	
Neither past due nor impaired	159,477,889	156,862,836	144,402,392
Past due but not impaired loans and advances to customers	6,019,261	2,937,273	3,189,229
Past due and impaired	3,691,824	4,599,961	4,834,106
	169,188,974	164,400,070	152,425,727
Less: Allowance for impairment	(5,906,744)	(5,942,375)	(6,175,265)
Loans and advances to customers, net	**163,282,230**	**158,457,695**	**146,250,462**

	2017	2016	2015
		AED'000	
31 to 60 days	4,182,482	2,168,307	2,514,110
More than 60 days	1,836,779	768,966	675,119
Total past due but not impaired loans and advances to customers	**6,019,261**	**2,937,273**	**3,189,229**

Exposure to credit risk by internal risk grades

ADCB uses an internal grading system which employs ten grades that categorise ADCB's wholesale and HNWI customers based on various qualitative and quantitative factors such as borrower financial strength, industry risk factors, management quality, operational efficiency, company standing, liquidity, capital structure, peer group analysis etc. Some of these grades are further sub-classified with a plus or a minus sign. Lower grades are indicative of a lower likelihood of default. Credit grades between 1 to 7 are assigned to performing customers or accounts, while credit grades between 8 to 10 are assigned to non-performing or defaulting customers.

Credit ratings are used by ADCB to decide the maximum lending amount per customer group and also to set minimum pricing thresholds. Retail customers or individual borrowers are not assigned a credit rating under this structure. However, CBG uses behaviour scoring for its customers.

ADCB's internal credit grade is not intended to replicate external credit grades but, since factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grade.

The following table represents credit quality of loans and advances to customers, net that are neither past due nor impaired and derivative financial assets according to ADCB's internal credit grading system as at the dates indicated:

	As at 31 December					
	2017		2016		2015	
	Loans and advances to customers, net	Derivative financial assets	Loans and advances to customers, net	Derivative financial assets	Loans and advances to customers, net	Derivative financial assets
	(AED thousands, except percentages)					
Internal credit grades						
Grades 1-4	65,577,379	3,691,202	69,786,621	3,884,351	48,488,878	3,771,580
Grades 5-6	50,572,143	126,008	43,787,697	87,326	54,452,178	230,328
Grade 7	8,392,423	53	8,765,784	112	9,191,443	-
Ungraded including retail loans	34,935,944	3,101	34,522,734	-	32,269,893	-
	159,477,889	**3,820,364**	**156,862,836**	**3,971,789**	**144,402,392**	**4,001,908**

The following table represents the credit quality of derivative financial assets as at 31 December in the years indicated:

	2017	2016	2015
		AED'000	
Internal risk grades			
Grades 1 to 4	3,691,202	3,884,351	3,771,580
Grades 5 to 6	126,008	87,326	230,328
Grade 7	53	112	—
Ungraded	3,101	—	—
	3,820,364	**3,971,789**	**4,001,908**

Funding and liquidity risk

Funding risk is the risk that ADCB will be unable to achieve its business plans due to its capital position, liquidity position or structural position. Funding risk arises when ADCB cannot obtain the funds needed to meet current and future cash flow and collateral requirements at the expected terms and when required. To reduce this risk, ADCB has elected to use diversified funding sources and to manage assets with the objective of maximising liquidity.

Liquidity risk is the risk that ADCB will be unable to meet the payment obligations associated with its financial liabilities when they fall due and/or replace funds when they are withdrawn. ADCB's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to ADCB's reputation.

For further information regarding ADCB's liquidity risk, see "*Risk Factors – ADCB's business, results of operations, financial condition and prospects could be adversely affected by liquidity risks*".

Liquidity risk management process

The ALCO sets and monitors liquidity ratios and regularly revises and calibrates ADCB's liquidity management policies to ensure that ADCB is in a position to meet its obligations as they fall due.

ADCB's liquidity management process, as carried out within ADCB and monitored by both ADCB's treasury and investments group as well as ADCB's independent market risk control function, includes:

- monitoring of the liquidity position on a daily, weekly and monthly basis. This entails forecasting of future cash inflows/outflows and ensuring that the Group can meet the required outflows;
- conducting regularly liquidity stress testing of the Group's liquidity position under a variety of scenarios covering both normal and more severe market conditions with well defined triggers and suggested actions;
- ensuring regular compliance with the liquidity ratios, such as the LCR and NSFR, stipulated by the Central Bank in accordance with its phased introduction of the Basel III framework in the UAE and internally approved management triggers for liquidity risk; and
- conducting regular enterprise wide liquidity stress tests which estimate liquidity requirements under idiosyncratic and systemic stress conditions. The enterprise wide stress tests incorporate diverse liquidity triggers like currency de-peg, failure of a major local bank, credit rating downgrades, in addition to regular stress cash flow analysis.

In accordance with the Central Bank's gradual introduction of the Basel III framework in the UAE and related Central Bank guidelines, ADCB manages its liquidity position through compliance with the LCR. As part of its requirements to report its liquidity position to the Central Bank in compliance with the LCR, ADCB manages its internal liquidity through periodic internal 30-day and 60-day LCR stress tests which are more conservative than the Basel II requirements. Additionally, ADCB's treasury division invests in various short-term or medium-term, highly marketable assets in line with Basel III guidelines for HQLAs (such as certificates of deposit held with the Central Bank and investment grade bonds). As part of its LCR compliance, as at 31 December 2017, ADCB held a portfolio of HQLAs valued at AED

42.5 billion and had an LCR ratio of 134.6 per cent., as compared with a portfolio of HQLAs valued at AED 31.9 billion, and an LCR ratio of 128.6 per cent., as at 31 December 2016. See "*Risk Factors – ADCB's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations*" and "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Liquidity*" for more information. The ALCO and the Board monitor compliance to these ratios internally on an ongoing basis.

Monitoring composition of funding sources at a granular level has set triggers for avoiding concentration of funding sources. The concentration of funding sources is monitored as a percentage of the total liability position. Some of the ratios for monitoring are as follows:

- euro commercial paper to total liabilities;
- wholesale funds to total liabilities;
- money market deposits to total liabilities;
- core funds to total liabilities;
- non-core funds to total liabilities; and
- offshore funds to total liabilities.

Tools for liquidity management

ADCB, through its treasury department, ensures that it has access to diverse sources of funding, ranging from local customer deposits from both its retail and corporate customers, to long term funding such as debt securities and subordinated liabilities.

While ADCB's debt securities and subordinated debt are typically issued with maturities of greater than one year, deposits from banks and customers generally have shorter maturities which increases the liquidity risk of ADCB and creates an asset-liability mismatch. ADCB's treasury department manages this risk by:

- diversification of funding sources and balancing between long term and short term funding sources through borrowing under its unsecured notes issuance programmes;
- monitoring the stickiness of its liability portfolio and rewarding business units for sticky deposits through the fund transfer pricing process; and
- investing in various short-term or medium-term but highly marketable assets, in line with Basel III guidelines for HQLAs, such as certificates of deposit with the Central Bank, investment grade bonds that can be repurchased at short notices, etc.

Further, ADCB also has the following facilities from the Central Bank to manage its liquidity risk during critical times:

- overdraft facility against its cash reserves at an overnight rate at a spread of 150 basis points;
- overdraft facility beyond the cash reserves at an overnight rate with a spread of 300 basis points; and
- repo facility against certificates of deposit issued by the Central Bank with a spread of 100 basis points for certificates of deposit.

ADCB also has access to the Interim Marginal Lending Facility (the "**IMLF**") initiated by the Central Bank with effect from 15 April 2014. Under the IMLF, ADCB can borrow from the Central Bank by posting eligible collateral. ADCB periodically tests the IMLF with the Central Bank for its operational readiness. See "*The United Arab Emirates Banking Sector and Regulations – Recent trends in Banking – Liquidity – Interim Marginal Lending Facility*".

None of the above Central Bank facilities were utilised and outstanding as at the date of this Base Prospectus.

The contractual maturities of assets and liabilities are determined on the basis of the remaining period at the end of the reporting period date to the contractual maturity date and do not take into account the effective maturities as indicated by ADCB's deposit retention history and the availability of liquid funds. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

For further information regarding the maturity profile of ADCB's assets and liabilities, see "*Selected Statistical Data*".

Market risk

ADCB's activities expose it to market risk which is the risk that changes in market prices, such as interest rates, equity prices, commodity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect ADCB's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is broadly classified into three categories:

- interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates;

- currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates; and

- 'other price risk', which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

ADCB separates its exposure to market risk between its trading portfolio and its banking book.

Market risk arising from trading portfolio

Trading portfolios are held by the treasury division, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. Realised and unrealised gains and losses on these positions are generally reported in ADCB's consolidated income statement.

ADCB's trading activities expose it to the financial risk of changes in interest rates and foreign currency exchange rates. ADCB enters into a variety of derivative financial instruments to manage its exposure to such interest rate and foreign exchange risks.

Market risk arising from banking book

Non-trading risk arises from execution of ADCB's core business strategies, products and services to its customers which create interest rate risk positions and open currency positions that ADCB endeavours to manage through strategic positions designed to mitigate the inherent risk caused by holding such positions.

Non-trading risk includes all positions that are not held for trading including, but not limited to, ADCB's investments held to maturity or available for sale assets, loans held at amortised cost, derivatives used for hedging purposes and other assets held for longer term investment.

These exposures can result from a variety of factors including but not limited to re-pricing of gaps in assets, liabilities and off-balance sheet instruments and changes in the level and shape of market interest rate curves.

Risk identification and classification

The MRCC identifies and classifies market risk for ADCB and puts in place risk management policies and procedures. All business segments are responsible for comprehensive identification and verification of market risks within their business units. Regular meetings are held between market risk management and the heads of risk taking businesses to discuss and decide on risk exposures in the context of the market environment.

Management of market risk

The Board have set risk limits based on the VaR, stressed-VaR and risk greek sensitivity/stress analysis and foreign exchange open position limits which are closely monitored by the risk management division and reported regularly to the executive management and discussed by the ALCO.

Market risk is identified, measured, monitored, and controlled by an independent risk control function. Market risk management aims to reduce volatility in operating performance and make ADCB's market risk profile transparent to the executive management, the Board and ADCB's regulators.

Market risk management is overseen by the MRCC and performs the following primary functions:

- establishment of a comprehensive mark-to-market valuation policy framework;
- establishment of a comprehensive market risk policy framework;
- independent measurement, monitoring and control of market risk; and
- setting and monitoring of limits.

The following are the various matrices, both statistical and non-statistical, including sensitivity analysis tools, used to measure market risk.

Statistical risk measures

ADCB measures the risk of loss arising from future potential adverse movements in market rates, prices and volatilities using VaR methodology. The VaR that ADCB measures is an estimate, using a confidence level of 99 per cent. of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. This confidence level suggests that potential daily losses in excess of the VaR measure are likely to be experienced once every hundred days. The Board has set limits for the acceptable level of risks in managing the trading book.

ADCB uses simulation models to assess the possible changes in the market value of the trading book based on historical data. VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The VaR represents the risk of portfolios at the close of a business day and intra-day risk levels may vary from those reported at the end of the day. The actual trading results, however, may differ from the VaR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VaR limitations mentioned above, ADCB runs both stressed VaR and expected shortfall on a daily basis to monitor the tail risk outside the confidence limit. Stressed VaR is the VaR run through a stressed year, rather than the previous year (as is used in VaR).

The table below shows ADCB's VaR as at 31 December for each of the years indicated:

Daily value at risk (VaR at 99% - 1 day)	**2017**	**2016**	**2015**
		AED'000	
Overall risk	(10,786)	(5,151)	(3,228)
Average VaR	(9,423)	(5,754)	(6,714)

Non-statistical risk measures

Non-statistical risk measures, other than stress/sensitivity testing, include independent market valuations to ensure that ADCB's valuations are correct, and risk greeks to ensure that trading is within the risk appetite thresholds. These measures provide granular information of ADCB's market risk exposures.

Independent market valuations/greeks are validated by the market risk function in order to ensure that the market valuations/greeks are measured correctly. ADCB uses first order risk greeks to monitor and control market risk on a daily basis. The interest rate delta and vega and the foreign exchange delta and vega are computed daily and monitored against a limit. The Board has set limits for the delta and the vega within acceptable levels of risk in managing the trading book.

Sensitivity analysis

To overcome the VaR limitations mentioned under "*Statistical risk measures*" above, ADCB also carries out daily stress tests/sensitivity analysis of its portfolio to simulate conditions outside normal confidence intervals in order to analyse potential risk that may arise from extreme market events that are rare but plausible. The results of the stress tests are reported regularly to the ALCO for their review.

For further information regarding ADCB's market risk, see "*Risk Factors – ADCB's business, results of operations, financial condition and prospects could be affected by market risks*".

Interest rate risk – trading portfolio

ADCB uses financial simulation modelling tools to periodically measure and monitor interest rate sensitivity. The results are analysed and monitored by the ALCO.

The following table depicts the sensitivity of fair valuations in the trading portfolio to hypothetical and instantaneous changes in the level of interest rates – with other market risks held constant – which would have an impact on ADCB's consolidated income statement:

Relative instantaneous rate move shift for all tenors	**2017**		**2016**		**2015**	
	AED'000		*AED'000*		*AED'000*	
	+0.25%	*-0.25%*	*+0.25%*	*-0.25%*	*+0.25%*	*-0.25%*
AED	29,424	(27,274)	438	(102)	(17,319)	23,349
U.S.$	(24,052)	42,262	(1,098)	3,137	10,215	(9,471)

Interest rate risk – banking book

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, and the impact on ADCB's consolidated income statement for the banking book.

The sensitivity on the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities, including the effect of hedging instruments.

	2017		**2016**		**2015**	
	AED'000		*AED'000*		*AED'000*	
	+0.25%	*- 0.25%*	*+0.25%*	*- 0.25%*	*+0.25%*	*- 0.25%*
Sensitivity of net interest income	59,187	(59,187)	95,861	(95,862)	88,701	(88,123)

Currency risk

The following table depicts the sensitivity of fair valuations in the trading portfolio and banking book to hypothetical, instantaneous changes in the level of foreign currency exchange rates – with other market risks held constant – which would have an impact on ADCB's consolidated income statement:

Percentage price change	**2017**		**2016**		**2015**	
			AED'000			
	+5%	*-5%*	*+5%*	*- 5%*	*+5%*	*- 5%*
U.S.$ – AUD	900	498	109	606	1,122	(227)

Percentage price change	2017		2016		2015	
			AED'000			
	+5%	*-5%*	*+5%*	*- 5%*	*+5%*	*- 5%*
EUR – U.S.$	(5,229)	23,847	2,194	2,744	2,536	3,195
GBP – U.S.$	2,540	2,753	(3,762)	(265)	193	214
U.S.$ – JPY	1,063	1,665	(294)	566	6,541	3,839
U.S.$ – CHF	527	999	770	125	1,367	(786)
U.S.$ – INR	(10,783)	11,918	(10,918)	12,063	(10,614)	12,606

Legal risk

Legal risk is the risk of losses occurring due to: (i) non-compliance with laws or regulations; or (ii) legal or regulatory action that invalidates contractual protections. ADCB seeks to mitigate this risk through the use of experienced internal and external lawyers to review documentation and provide legal advice in relation to such documentation when appropriate. There is also an independent compliance department established to ensure compliance with UAE banking laws and compliance with laws and regulations in all other jurisdictions under which ADCB and its subsidiaries operate.

Reputational risk

Reputational risk is the risk of loss occurring due to a decrease in the value of the ADCB brand. ADCB's brand and reputation could be adversely affected by a number of factors, including, but not limited to, substandard work product, higher transactional costs than competitors, major adverse credit events, negative publicity in local and international press, legal disputes or lower than expected financial results. ADCB seeks to mitigate this risk through internal risk management policies and procedures and active use of the media and advertising.

Operational risk

ADCB defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Operational risks can expose ADCB to potentially large losses. While ADCB cannot eliminate all operational risks, it has developed a comprehensive process of identifying, assessing, controlling/mitigating, monitoring and reporting operational risk.

The ultimate responsibility for bank-wide operational risk profile, as well as compliance with laws and regulations, rests with the Board, even though this responsibility has been delegated to the executive management. Ongoing management of operational risk is coordinated by the Operational Risk Management Department ("**ORMD**") and reviewed and controlled by the MEC and the MRCC, as applicable, for policy purposes.

ADCB's operational risk governance framework is built on a number of elements which allow ADCB to effectively manage and measure its operational risk profile and to calculate the amount of operational risk capital that ADCB needs to hold to absorb potential losses.

ADCB's internal audit function provides further independent review of ADCB's operational risk management processes, systems and controls and reports to the Board and executive management. See "*Risk factors – ADCB's business, results of operations, financial condition and prospects could be affected by market risks*", "*Risk factors – ADCB's business may be adversely affected if there is any disturbance to its operational systems or a loss of business continuity*", "*Risk factors – ADCB is exposed to the risk of loss as a result of employee misrepresentation, misconduct and improper practice*" and "*Risk factors – ADCB's risk management and internal controls may leave it exposed to unidentified or unanticipated risks, which could result in material losses*".

OVERVIEW OF THE UAE AND ABU DHABI

THE UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

According to OPEC data, at 31 December 2016, the UAE had approximately 6.6 per cent. of the world's proven crude oil reserves (giving it the sixth largest oil reserves in the world). According to preliminary data produced by the FCSA and the IMF, respectively, crude oil and natural gas accounted for 16.8 per cent. of the UAE's GDP and 17.5 per cent. of the total value of the UAE's exports (including re-exports) in 2016.

Based on IMF data (extracted from the World Economic Outlook (October 2017)), real GDP growth in the UAE increased by 5.8 per cent. in 2013, 3.3 per cent. in 2014, 3.8 per cent. in 2015 and 3.0 per cent. in 2016.

On 25 May 2017, Moody's Investors Service Singapore Pte. Ltd. affirmed the UAE's long-term credit rating of Aa2 (with the outlook revised upwards from 'negative' to 'stable'). The principal reason cited for this high investment grade rating is the assumption that the obligations of the UAE Federal Government will be fully supported by Abu Dhabi. The UAE is not rated by any other rating agency.

The MSCI Emerging Markets Index classifies the UAE as an "emerging market" economy (compared to the previous classification of "frontier market") with nine UAE companies (including the Dubai Financial Market and the ADX) included on the benchmark index.

ABU DHABI

Abu Dhabi is the richest of the seven Emirates based on nominal GDP (source: FCSA) and is also the largest based on population (source: FCSA and the Abu Dhabi Statistics Centre (the "**Statistics Centre**")). The city of Abu Dhabi is also the capital of the UAE.

According to ADNOC, Abu Dhabi has approximately 94.0 per cent. of the UAE's total oil reserves and, according to the Statistics Centre, produced 3.0 million barrels of oil per day in the year ended 31 December 2016.

In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest. According to OPEC data, at 31 December 2016, the UAE had approximately 6,091 billion standard cubic metres of natural gas reserves, representing approximately 3.0 per cent. of the world's natural gas reserves of 200,539 billion standard cubic metres.

The table below shows Abu Dhabi's crude oil production, exports and average selling prices for each of the years indicated.

	2016	2015	2014	2013	2012
Crude oil production (million b/d)	3.0	2.9	2.7	2.7	2.6
Crude oil exports (million b/d)	2.4	2.4	2.2	2.5	2.4
Crude oil exports (U.S.$ billions)	37.8	44.9	103.7	100.5	97.9
Average selling price (U.S.$ per barrel)	42.7	50.4	103.5	109.2	112.1

Source: Statistics Centre.

The population of the UAE, based on a census carried out in 2005 and according to the FCSA, was approximately 4.1 million, of whom approximately 1.4 million resided in Abu Dhabi. In mid-2010, the FCSA estimated the population of the UAE to be approximately 8.2 million in 2009 and 8.3 million in 2010. In the results of the 2015, census, the population of the UAE was 9.1 million.

The populations of both the UAE and Abu Dhabi have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed.

The table below illustrates this growth using official census data since 1975.

	2015	2005	2001	1995	1985	1980	1975
Abu Dhabi population	N/A	1,399,484	1,170,254	942,463	566,036	451,848	211,812
Total UAE population	9,160,000	4,106,427	N/A	2,411,041	1,379,303	1,042,099	557,887

Sources: Official census data published by the FCSA, except 2001 figure for Abu Dhabi which is sourced from data published by the Statistics Centre.

Since 2005, Abu Dhabi's population has grown by 107.8 per cent. to 2,908,173 in 2016, according to mid-year estimates from the Statistics Centre.

In 2016, and based on the Statistics Centre's mid-year estimates, Abu Dhabi had a predominantly young population with 0.9 per cent. being 65 years and over and 16.6 per cent. being under the age of 15. According to the same data, between 2010 and 2016, Abu Dhabi's average annual population growth rate was 5.6 per cent. The population mix in 2016 is estimated by the Statistics Centre to have comprised 19.0 per cent. UAE nationals and 81.0 per cent. non-nationals.

According to the Statistics Centre and based on mid-year estimates, Abu Dhabi's nominal GDP per capita was approximately U.S.$68,345 in 2016, which makes it one of the highest in the Gulf region. The oil and gas industry dominates Abu Dhabi's economy and, according to preliminary estimates released by the Statistics Centre, was the largest single sector, contributing 27.5 per cent. of nominal GDP in 2016. Oil prices declined significantly in the second half of 2008 and this fact was the principal reason for the decline in Abu Dhabi's nominal GDP in 2009. Increases in oil and gas production rates combined with increases in oil prices contributed significantly to the growth in Abu Dhabi's GDP from 2004 to 2008 and again from 2010 to 2014. However, since July 2014, when the monthly average OPEC Reference Basket price per barrel was U.S.$107.89, crude oil prices have fallen sharply, by approximately 75 per cent. to a monthly average price of U.S.$26.50 in January 2016. As at 1 March 2018, the average price of the OPEC Reference Basket for the year to that date had recovered to U.S.$62.23 per barrel. The sharp decline in international prices for hydrocarbon products between mid-2014 and the end of 2015 was primarily responsible for the correction in the speed of growth of Abu Dhabi's nominal GDP, which grew by 7.4 per cent. in 2012 and by 4.8 per cent. in 2013, slowing to a growth rate of 3.0 per cent. during 2014. During 2015, Abu Dhabi's nominal GDP fell by 18.9 per cent. from 2014. This fall principally reflected substantially lower oil prices in 2015 compared to 2014. Abu Dhabi's nominal GDP during fell again, by a further 6.4 per cent. from 2015, principally reflecting low oil prices which were offset in part by increased production.

As at the date of this Base Prospectus, economic growth levels remain low when compared with the period prior to the global reduction in oil prices (when, in 2014, Abu Dhabi experienced nominal GDP growth of 3.0 per cent.), reflecting the prevailing volatility of crude oil prices. Abu Dhabi's growing non-oil sector, which in 2010 accounted for over 50.0 per cent. of Abu Dhabi's GDP, in comparison to 2008, where it accounted for just over 41.4 per cent., contributed to Abu Dhabi's increase in GDP in 2010, despite the continuing economic financial crisis. In 2015 and (according to preliminary estimates published by the Statistics Centre) 2016, the non-oil sector accounted for approximately 64.9 per cent. and 72.5 per cent., respectively, of Abu Dhabi's GDP.

No meaningful real GDP information is currently available for Abu Dhabi as a result of historical uncertainties surrounding the calculation of inflation for the Emirate.

The table below shows Abu Dhabi's nominal GDP, its percentage growth change, the UAE's nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the UAE's nominal GDP for each of the years indicated.

	2016*	2015	2014
	(AED billions, except for percentage)		
Abu Dhabi nominal GDP (current price)	728.5	778.5	960.1
Percentage change in Abu Dhabi nominal GDP	(6.4)	(18.9)	3.0
UAE nominal GDP (current prices)	1,158.7	1,392.6	1,467.0
Abu Dhabi as a percentage of UAE	62.9	68.9	64.9

Sources: Statistics Centre (for Abu Dhabi nominal GDP) and FCSA (for UAE nominal GDP).
* Preliminary estimates

Abu Dhabi's GDP is dominated by the oil and gas sector, which contributed 50.9 per cent. of nominal GDP in 2014 and, reflecting the lower oil price environment from mid-2014 onwards, 35.1 per cent. in 2015 and (according to preliminary estimates published by the Statistics Centre) 27.5 per cent. in 2016. According to the Statistics Centre, outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2014, 2015 and (according to preliminary estimates published by the Statistics Centre) 2016 have been: construction; financial and insurance sector; public administration and defence and compulsory social security; manufacturing; real estate; wholesale, retail trade and repair of motor vehicles and motorcycles; and transportation and storage, which together accounted for 41.4 per cent. of nominal GDP in 2014, 48.7 per cent. in 2015 and (according to preliminary estimates published by the Statistics Centre) 54.1 per cent. in 2016.

The following table shows Abu Dhabi's nominal GDP by economic activity and by percentage contribution, as well as the year-on-year growth rate, for each of the years indicated.

	2016*			2015			2014		
	(AED millions)	(%)	(2016 compared to 2015, % change)	(AED millions)	(%)	(2015 compared to 2014, % change)	(AED millions)	(%)	(2014 compared to 2013, % change)
Sector									
Agriculture, forestry and fishing	6,020	0.8	5.6	5,699	0.7	(5.4)	6,023	0.6	4.1
Mining and quarrying (includes crude oil and natural gas)	200,672	27.5	(26.5)	273,078	35.0	(44.1)	489,067	50.9	(4.3)
Manufacturing	50,587	6.9	0.5	50,324	6.5	(8.2)	54,707	5.7	12.6
Electricity, gas and water supply; waste management	32,671	4.5	9.5	29,831	3.8	21.2	24,613	2.6	10.2
Construction	91,722	12.6	3.3	88,782	11.4	(4.1)	92,596	9.6	8.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	42,917	5.9	4.6	41,038	5.3	0.1	41,006	4.3	15.1
Transportation and storage	39,951	5.5	7.8	37,065	4.8	(4.2)	38,709	4.0	11.0
Accommodation and food services	9,572	1.3	3.5	9,244	1.2	(5.9)	9,823	1.0	10.2
Information and communication	22,211	3.0	4.3	21,293	2.7	(0.8)	21,455	2.2	11.6
Financial and insurance	71,397	9.9	4.1	68,555	8.8	2.4	66,939	7.0	19.7
Real estate	44,512	6.1	8.1	41,177	5.3	(16.2)	49,138	5.1	22.3
Professional, scientific and technical	19,828	2.7	4.3	19,016	2.4	(4.6)	19,924	2.1	5.7
Administrative and support services	11,391	1.6	5.4	10,811	1.4	(2.0)	11,037	1.1	10.3
Public administration and defence; compulsory social security	52,972	7.3	1.1	52,383	6.7	1.5	51,620	5.4	7.5
Education	12,263	1.7	4.6	11,719	1.5	(7.3)	12,644	1.3	12.5
Human health and social work	12,378	1.7	6.7	11,604	1.5	(2.2)	11,864	1.2	10.2
Arts, recreation and other services	2,537	0.3	6.6	2,381	0.3	(5.2)	2,512	0.3	4.0
Activities of households as employers	4,918	0.7	9.2	4,502	0.6	11.1	4,052	0.4	4.1
Total GDP	**728,518**	**100.0**	—	**778,501**	**100.0**	—	**960,146**	**100.0**	—

Source: Statistics Centre.
*Preliminary estimates

The Government's long-term ratings were affirmed at Aa2 (with the outlook revised upwards from 'negative' to 'stable') and its short-term ratings at Prime-1 (also with a 'stable' outlook) by Moody's on 25 May 2017. The key driver of this upward revision in the outlook and the high investment grade ratings is Abu Dhabi's effective and broad policy response to the lower oil price environment through an acceleration in the reform agenda, coupled with its large fiscal buffers in the form of diversified offshore investments, which is expected to continue to support economic and fiscal resilience. On the other hand, Moody's also noted the lack of clarity around the formulation and implementation of government policies to arrest and reverse the large deficits and the deterioration in the net asset position created by lower oil prices. Moody's expects that the absence of such clarity will erode the fiscal buffers over time, exerting downward pressure on the rating.

The Government's long-term sovereign credit ratings were affirmed at AA long-term (with a stable outlook) and A-1+ short-term (with a stable outlook) by Standard & Poor's on 21 July 2017. Standard & Poor's commented that the ratings are anchored by the Emirate's strong fiscal and external positions. Standard & Poor's further commented that, in addition to providing fiscal policy flexibility, the exceptional strength of the Government's net asset position provides a buffer against the effect of oil price volatility on economic growth and Government revenues, as well as on the external account. On the other

hand, Standard & Poor's highlighted the fact that Abu Dhabi has less-developed political institutions compared to non-regional peers in the same rating category. Additionally, limited monetary policy flexibility (given the UAE dirham's peg to the U.S. dollar), gaps and delays in the provision of economic and fiscal data and the underdeveloped local currency domestic bond market also weigh on Standard & Poor's ratings. Further, and on the basis of Standard & Poor's assumptions that the oil price will remain low for the foreseeable future, Standard & Poor's anticipates that the Government's fiscal balance will turn to a deficit in the period from 2016 to 2019. However, Standard & Poor's also expects that the Government will maintain its very strong net fiscal asset position during this period.

The Government's long-term foreign and local currency issuer default ratings were affirmed at AA (with a stable outlook) and short-term foreign currency issuer default ratings at F1+ (with a stable outlook) by Fitch on 23 January 2017. Fitch commented that the Emirate's key credit strengths are its exceptionally strong fiscal and external metrics and high GDP per capita, balanced by high dependence on hydrocarbons, a relatively weak policy framework and weak data availability compared with peers.

GOVERNMENT

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan.

Departments, authorities and councils are established by Emiri Decree.

The Supreme Petroleum Council was established by Law No. (1) of 1988, and the Chairman of the Supreme Petroleum Council is H.H. Sheikh Khalifa bin Zayed Al Nahyan, Ruler of Abu Dhabi and President of the UAE. In accordance with Law No. (1) of 1988, the Supreme Petroleum Council is the highest authority responsible for petroleum affairs in Abu Dhabi and formulates and oversees Abu Dhabi's policies and objectives in all sectors of the petroleum industry. The Supreme Petroleum Council has 16 board members appointed by an Emiri Decree issued in March 2016.

The Executive Council is the principal executive authority below the Ruler and the Crown Prince and currently comprises 18 members, appointed by an Emiri Decree issued in September 2017.

Departments manage administration within the Emirate and manage specific portfolios, including, for example, the Department of Economy and Planning, the Department of Finance, the Department of Municipal Affairs, the Department of Transport and the Judicial Department. Authorities manage the Emirate's resources and strategies and include the Abu Dhabi Accountability Authority, the Abu Dhabi Food Control Authority, the Abu Dhabi Tourism and Culture Authority, the Abu Dhabi Water and Electricity Authority, the Executive Affairs Authority and the Health Authority. Councils act as controlling bodies for certain Government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards, and include the Civil Service Council, the Council for Economic Development, the Education Council, the Supreme Petroleum Council and the Urban Planning Council.

The Government owns or has material shareholdings in a number of significant companies and institutions, including ADNOC, Abu Dhabi Investment Authority ("**ADIA**"), the Council, Etihad Airways P.J.S.C. ("**Etihad**"), General Holding Corporation ("**Senaat**"), Mubadala Development Company ("**Mubadala**"), International Petroleum Investment Company ("**IPIC**"), Tourism Development and Investment Company ("**TDIC**") and Mubadala Investment Company. Each of these companies and institutions are wholly-owned by the Government and one or more board members of each of these companies and institutions are represented on the Executive Council.

ADNOC: ADNOC was established in 1971 to operate in all areas of Abu Dhabi's oil and gas industry. Since 1971, ADNOC has steadily broadened its activities establishing various companies and subsidiaries to create an integrated oil and gas industry in Abu Dhabi. ADNOC manages and oversees oil production of 2.9 million barrels a day which would rank it among the top ten oil producers in the world.

ADIA: ADIA was established in 1976. The Government provides funds to ADIA on a periodic basis that are surplus to its budgetary requirements and other funding requirements. ADIA carries out its investment strategy independent of and without reference to the Government or other entities that also invest funds on the Government's behalf. In addition, at certain times, in practice only during periods of extreme and/or prolonged weakness in commodity prices, ADIA is required to make available to the Government

its financial resources to secure and maintain the future welfare of Abu Dhabi. ADIA currently has ten board members.

IPIC: IPIC was established in 1984. IPIC has a mandate to invest in energy and energy-related assets globally. IPIC has seven board members, including H.H. Sheikh Mansour bin Zayed Al Nahyan, the Chairman of the board of directors, and one of ADCB's board members sits on the IPIC board of directors.

The Council: The Council started its operations in 2007. The Council is another investment arm of the Government and is also responsible for investing the Government's financial resources. The Council is empowered by the Government with a direct investment mandate to broaden Abu Dhabi's economic base and facilitate the international development of Abu Dhabi companies. The Council currently has seven board members.

Etihad: Etihad was established in 2003 and is the national airline of the UAE. Etihad's principal business is the commercial transportation by air of both passengers and cargo on a point to point scheduled and charter basis. Etihad also focuses its business around distribution in partnership with Abu Dhabi entities and the development of its Abu Dhabi hub operations at Abu Dhabi International Airport. Etihad is a key facilitator of the Government's tourism strategy.

Senaat: Senaat was established in 1973. Senaat is an industrial holding company, mandated by the Government to create, optimise, promote and champion capital-intensive assets, with holdings in companies operating in metals, oil and gas services, construction and building materials and in the food and beverage manufacturing sectors.

Mubadala: Mubadala was established in 2002. Mubadala is a business development and investment company mandated by the Government to act as a primary catalyst in the implementation of Abu Dhabi's development strategy in a commercial and profitable manner. Mubadala currently has seven board members.

TDIC: TDIC was established in 2005. TDIC is a wholly-owned subsidiary of the Abu Dhabi Tourism and Culture Authority. TDIC is mandated to implement the strategy of the Abu Dhabi Tourism and Culture Authority through tourism development and is charged with fulfilling Abu Dhabi's ambition to become a leading global tourist destination.

Mubadala Investment Company: On 21 January 2017, the President of the UAE, H.H. Sheikh Khalifa bin Zayed Al Nahyan, issued a law creating Mubadala Investment Company, a company wholly owned by the Government. Mubadala Investment Company will hold the entire issued share capital of each of Mubadala and IPIC.

ABU DHABI'S ECONOMIC STRATEGY

The Government's development strategy is articulated in the Abu Dhabi Policy Agenda 2007-2008 (the "**Policy Agenda**") and the Abu Dhabi Economic Vision 2030, issued by the Government in January 2009 (the "**2030 Economic Vision**"). Drawing on the Policy Agenda, the 2030 Economic Vision sets forth a roadmap for developing the Government's strategy for economic development over the period to 2030.

The Policy Agenda establishes broad, long-term policy goals to drive economic, social and geopolitical/governance change in Abu Dhabi. Under the Policy Agenda, diversifying the energy sector and the economy through investments by entities such as IPIC and Mubadala is a key step in achieving economic development, including through the strengthening of downstream hydrocarbon capabilities (refining, transportation and distribution), the application of better processes, products and technologies and the expansion of the proportion of value-added exports, such as refined and semi-refined products in the petrochemicals sector, from Abu Dhabi. The Policy Agenda also calls for the pursuit of the geographic diversification of Abu Dhabi's assets through strategic investments in upstream, midstream and downstream hydrocarbon assets outside the UAE by entities such as IPIC and the leveraging of Abu Dhabi's strengths in the hydrocarbon sector to diversify into other industrial sectors, such as the development of Abu Dhabi as a world leader in the petrochemicals industry.

INTERNATIONAL RELATIONS

The foreign policy of the UAE is based upon a set of guiding principles, laid down by the country's first President, H.H. Sheikh Zayed bin Sultan Al Nahyan.

The UAE participates in a number of multilateral aid-giving institutions, including the International Bank for Reconstruction and Development, the International Development Agency, the IMF and regional bodies like the Arab Bank for Economic Development in Africa, the Arab Gulf Fund for the United Nations, the Abu Dhabi-based Arab Monetary Fund, the Islamic Development Bank and the OPEC Fund for International Development. In addition, the UAE is a member of various other international organisations, including, among others, the Asia-Pacific Economic Co-operation, the GCC, the International Organisation for Industrial Development, the League of Arab States, OPEC, the Organisation of Arab Petroleum Exporting Countries, the Organisation of Islamic Countries, the United Nations, the World Health Organisation and the World Trade Organisation (the "**WTO**"). The UAE has also entered into a number of bilateral agreements with other countries (such as the UAE's bilateral agreement with the United States for peaceful nuclear co-operation which establishes the legal framework for commerce in civilian nuclear energy between the two countries).

The UAE generally enjoys good relations with the other states in the GCC. However, on 5 June 2017, the Kingdom of Saudi Arabia, the UAE and the Kingdom of Bahrain announced that they would be severing diplomatic relations with the State of Qatar, citing Qatar's alleged support for terrorism and the Qatari violation of a 2014 agreement with the other members of the GCC. The termination of diplomatic relations has included the withdrawal of ambassadors, the imposition of trade and travel bans and the closure of airspace, territorial waters and, in the case of Saudi Arabia only, the closure of its land border with Qatar. Qatari nationals were given 48 hours to leave Saudi Arabia, the UAE and Bahrain, and these countries' nationals were given 14 days to leave Qatar. As at the date of this Base Prospectus, there has been no further material update.

Additionally, the UAE has an ongoing dispute with the Islamic Republic of Iran and continuing discussions with the Kingdom of Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by the Islamic Republic of Iran. The UAE believes that the islands should be returned to the Emirate of Sharjah and the Emirate of Ras al Khaimah (with the Emirate of Sharjah claiming sovereignty over Abu Musa and the Emirate of Ras al Khaimah claiming sovereignty over Greater and Lesser Tunb) and is seeking to resolve the dispute through negotiation.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with the Kingdom of Saudi Arabia on the border between the two countries, which the UAE believes should be substantially amended. In addition, the UAE is involved in discussions with the governments of the Kingdom of Saudi Arabia and the State of Qatar relating to a maritime corridor which the State of Qatar has purported to grant to the Kingdom of Saudi Arabia, from within the State of Qatar's own maritime waters, which crosses part of the route of the gas pipeline constructed by Dolphin Energy Limited. The UAE believes that this grant is in breach of existing agreements between the UAE and the State of Qatar and, in June 2009, the UAE's Ministry of Foreign Affairs stated this position in a letter to the United Nations Secretary General.

The UAE, along with other Arab states, is currently participating in the Saudi Arabian led military intervention in the Republic of Yemen which began in 2015 in response to requests for assistance from the Yemeni government. The UAE is also a member of another Saudi Arabian led military coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State (also known as Daesh, ISIS or ISIL).

THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

SUMMARY

According to data published by the Central Bank, as at 31 December 2017 there were a total of 49 commercial banks (22 locally incorporated commercial banks and 27 foreign commercial banks) licensed to operate in the UAE, to serve a national population of approximately 9.4 million people at the end of 2017 (source: Statistical Yearbook 2017 edition, United Nations Department of Economic and Social Affairs, Statistics Division). As a result, the UAE could be, and has historically been, viewed as an over-banked market, even by regional standards and there has traditionally been little impetus for consolidation. However, following the consummation of the merger of National Bank of Abu Dhabi P.J.S.C. ("**NBAD**") and First Gulf Bank P.J.S.C. ("**FGB**") on 30 March 2017, which created First Abu Dhabi Bank PJSC, one of the largest banks in the Middle East and North Africa region by assets, it is anticipated that this may act as a catalyst for further consolidation amongst locally incorporated banks.

The UAE's membership of the WTO will likely require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to further expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

According to preliminary estimates published by the Statistics Centre (Statistical Yearbook of Abu Dhabi 2017), the financial and insurance sectors in Abu Dhabi contributed approximately AED 71.4 billion (or 9.8 per cent.) to Abu Dhabi's nominal GDP in 2016. Within the UAE as a whole, the financial sector was estimated to have contributed approximately 6.9 per cent. of real GDP in 2015 (according to the FCSA).

As a banking regulator, the Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the Central Bank.

Historically, the Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirs of each Emirate. However, the introduction by the Central Bank in 2014 of the IMLF allows non-Islamic UAE banks to use certain rated or UAE federal government entity issued assets as collateral to access Central Bank liquidity overnight in order to help their liquidity management. See "*– Recent trends in Banking – Liquidity*".

CHARACTERISTICS OF THE BANKING SYSTEM

Historic lack of Consolidation

The UAE may be, and has historically been, seen as being over-banked with 49 different commercial banks (comprising 22 locally incorporated commercial banks and 27 foreign commercial banks) licensed to operate inside the UAE as at 31 December 2017 (excluding the DIFC) (source: Central Bank), serving a population estimated to be in the region of approximately 9.4 million people at the end of 2017 (source: Statistical Yearbook 2017 edition, United Nations Department of Economic and Social Affairs, Statistics Division). Traditionally there has been little impetus for consolidation, with the federal structure of the UAE encouraging, to some extent, the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also historically hampered the process of consolidation. As a result, since the October 2007 merger of Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C. which created Emirates NBD P.J.S.C., there has been very limited merger activity domestically in the sector. However, commentators have suggested that the merger of NBAD and FGB, consummated on 30 March 2017, may stimulate further moves towards greater consolidation amongst UAE banks.

While the anticipated attempts at consolidation would reduce the level of concentration in the domestic banking sector, they would also likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development.

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

Domestic Focus

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross-border business, a trend which is likely to continue in the event of further merger activity in the sector.

With a large number of banks, competing for a limited number of wholesale lending opportunities, most banks historically turned to retail banking, a previously untapped market. However, increasing competition in this area has gradually eroded margins and encouraged a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a consequence, information technology costs have been a prominent feature of many UAE banks' expenses.

Limited Foreign Ownership

In 1987, the UAE federal government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the Central Bank following an agreement to permit market access to banks of GCC state origin in line with continuing efforts in regional integration.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

In 2013, the Government sought to replicate the success of the DIFC by announcing its intention to establish the ADGM in Abu Dhabi, as an international financial free zone with its own legal framework (closely based on English common law). The ADGM became operational in mid-2015 and, as at the date of this Base Prospectus, it is unclear to what extent this will impact the competitive and regulatory landscape in the domestic banking sector.

Exposure to the Oil Sector

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices (see "*Risk Factors – The UAE's economy is highly dependent upon its oil revenue*"). In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements. For example, according to preliminary estimates published by the the Statistics Centre (Statistical Yearbook of Abu Dhabi 2017), the oil and gas industry contributed 27.5 per cent to nominal GDP in Abu Dhabi in 2016 as compared with a contribution of 50.9 per cent. in 2014.

Islamic Banking

Shari'a (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank P.J.S.C., Abu Dhabi Islamic Bank P.J.S.C., Emirates Islamic Bank P.J.S.C., Noor Bank, Al

Hilal Bank P.J.S.C., Ajman Bank, Sharjah Islamic Bank P.J.S.C., Dubai Islamic Insurance & Reinsurance Company (AMAN), Islamic Arab Insurance Co. (P.S.C.) (Salama), Tamweel and Amlak Finance. The number of Islamic banks continues to increase, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer *Shari'a*-compliant products.

Legal Environment

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

Supervision of Banks

The main piece of legislation applicable to the banking system is the Union Law which established the Central Bank. The Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the UAE, although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the UAE federal government would ultimately stand as de facto defender of the currency and the "lender of last resort".

The Union Law grants the Central Bank powers to:

- exercise currency issue, stabilisation, valuation and free convertibility;
- direct credit policy for balanced growth of the economy;
- organise and promote an effective banking system with private banks and institutions;
- advise the UAE federal government on financial and monetary issues;
- maintain the UAE federal government's reserves of gold and foreign currencies;
- act as a bank for the UAE federal government and other banks operating in the UAE; and
- act as the UAE federal government's financial agent with the IMF, the World Bank and other international financial organisations.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the Central Bank to issue UAE federal government debt. However, the Central Bank does issue certificates of deposit ("**CDs**") to UAE banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the Central Bank at any time. In 2007, the Central Bank introduced an auction system which allows U.S. dollar drawings against UAE dirham CD holdings.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in practice, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices. However, see "*Risk Factors – Risks relating to the UAE and the Middle East – Any alteration to, or abolition of, the foreign exchange "peg" of the UAE dirham or other regional currencies at a fixed exchange rate to the U.S. dollar will expose ADCB to U.S. dollar foreign exchange movements against the UAE dirham or other such currencies*".

The Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering. It

has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

The UAE further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the "**NATC**"). The NATC serves as a UAE inter-agency liaison.

Although the Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC, while the ADGM Financial Services Regulatory Authority regulates activity in the financial services sector in the ADGM. The Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

Lack of Developed Capital Markets

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the ADX (both of which were established in 2000), have grown over recent years and have benefitted from the inclusion of the UAE in the MSCI Emerging Markets Index since 2014, they continue to experience bouts of volatility.

Nasdaq Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009 the Dubai Financial Market announced its intention to acquire the Nasdaq Dubai, with completion of the acquisition having occurred in July 2010. The Dubai Financial Market and the ADX were upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014 which could lead to an increase in interest and investment from international institutional investors in the UAE.

Government Involvement

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to manifest in practice. The state and its related entities are together the banking sector's largest customers, in terms of both deposits and project financing.

Expatriate Workforce

An unusual feature of the UAE economy is its reliance on overseas labour, with expatriates making up approximately 81 per cent. of the workforce according to estimates published by the Statistics Centre in mid-2016. The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the UAE has been an increasing concern for the UAE federal government and as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase the percentage of UAE nationals on their payroll by at least 4 per cent. per annum. This policy has now been replaced by the Emiratisation Circular, which has introduced a scoring system which takes into account the employment and progression of Emirati employees in the organisation. The minimum threshold for Emirati employees for each institution is dependent on a number of factors. The Emiratisation Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties to be computed in accordance with a specific formula set out in the Emiratisation Circular.

Accounting Standards

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (IAS)). Although this has led to a

substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

Structure of the Banking System

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as "National" banks, of which there were 22 as at 31 December 2017 (source: Central Bank), are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by UAE nationals. Licensed foreign banks, of which there were 27 as at 31 December 2017 (source: Central Bank), need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the UAE. The Union Law also licenses "financial institutions" (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

RECENT TRENDS IN BANKING

Profitability

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the 2008 global financial crisis, represented a significant risk to the UAE banking system. Equity prices declined generally in the UAE from 2008 to 2011 in response to the global 2008 financial crisis but rebounded between 2012 and 2017, with the ADX's General Index increasing from 2,630.9 at 31 December 2012 to 4,419.9 at 31 December 2017, and the Dubai Financial Market index increasing from 1,662.5 at 31 December 2012 to 3,411.2 at 31 December 2017 (source: Bloomberg).

During 2008 to 2010, a number of banks were also affected by the impact of mark to market accounting rules on their international investment portfolios. Additionally, during the same period, the UAE economy was negatively impacted by the global economic downturn and, in particular, by the sharp correction in the price of oil, which affected a number of key economic sectors including trade, tourism, real estate and commerce. This economic slowdown, along with reduced levels of liquidity in the market, constrained lending and resulted in the majority of UAE banks being less profitable in this period than in previous years.

Liquidity

The Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. According to data made available by the Central Bank, together, these deposits constituted approximately 75.1 per cent. of total deposits of the UAE banking sector as at 31 December 2017. The UAE federal government and the public sector constituted approximately 24.8 per cent. of total deposits within the UAE banking sector as at 31 December 2017. Non-resident and other sources contributed approximately 11.8 per cent. as at the same date (source: Central Bank Statistical Bulletin December 2017).

In response to the global 2008 financial crisis, the Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the Central Bank established an AED 50.0 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit

base. The Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the Central Bank.

In addition to these measures, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the UAE federal government deposits made with them into Tier 2 capital.

During 2008, Government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance) subscribed for, in aggregate, a sum of AED 16.0 billion in subordinated Tier 1 capital notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi P.J.S.C., ADCB, First Gulf Bank P.J.S.C., Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank P.J.S.C.

In 2009, the Department of Finance of the Government of Dubai established a U.S.$20.0 billion funding programme and 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, was issued in its entirety to the Central Bank. In November 2009, 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 requirements, the Central Bank has issued the Liquidity Notice which entered into force in the UAE on 1 July 2015 and which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices. These requirements include the following:

Responsibilities of the board of directors:

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having a detailed understanding of liquidity risk management; and
- to ensure the clear articulation of liquidity risk tolerance in line with the relevant UAE bank's objectives, strategy and risk appetite.

Responsibilities of senior management:

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the board of directors;
- to review the UAE bank's strategy and to report to the board of directors on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

Liquidity risk framework:

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the Central Bank upon request) with limits, warning indicators, communication and escalation procedures;

- regular internal stress testing of the portfolio for a variety of scenarios (both institution specific and market-wide); results being communicated to the board of directors and the Central Bank on request;

- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;

- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;

- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the Central Bank upon request);

- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and

- a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which were intended to apply until the Basel III LCR and NSFR come into effect. These include the following:

	Ratio	**Applicability Period**
Interim ratios:	Liquid Asset Ratio (LAR > = 10%)	1 January 2013 – 30 June 2015
	ELAR (ELAR > = 10%)	1 July 2015 until LCR implementation
	Advances to Stable Resources Ratio (ASRR < 100%)	30 September 1986 until NSFR implementation
Basel III ratios:	LCR (LCR > = 100%)	1 January 2019 onwards
	NSFR (NSFR > = 100%)	2018 onwards

The Central Bank's former liquid assets ratio ("**LAR**") was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the ELAR. Under the ELAR, UAE banks were required to hold an amount equivalent to at least 10 per cent. of their liabilities in high quality liquid assets (including cash held with the Central Bank, the Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also included the option for UAE banks to apply to the Central Bank to move to assessment and reporting of bank liquidity to the Central Bank as against the LCR, in addition to the ELAR, with effect from 1 January 2016. Any UAE banks taking up this option were required to comply only with the ELAR until 1 January 2016, after which date they were required to move to a dual-compliance regime as to liquidity as against the ELAR and the LCR (subject to receipt of Central Bank approval). ADCB chose to take up this option and, after receiving the Central Bank's approval, ADCB manages its liquidity position through compliance with the LCR.

The LCR represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with HQLAs at the minimum LCR determined by the Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible HQLAs for this purpose. See "*Risk Factors – ADCB's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations*" and "*Risk Management – Funding and liquidity risk*" for more information.

As part of the Central Bank's gradual implementation of the Basel III Reforms in the UAE, the Central Bank has introduced LCR in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. by 2019. This graduated approach was

designed to ensure that the LCR could be introduced without disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity in the UAE.

The ASRR wass an interim ratio designed to apply until the NSFR came into effect in the UAE in 2018 (as described below). The ASRR recognised both the actual uses as well as the likely uses of funds in terms of the contractual maturity and behavioural profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

NSFR is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE banks contingent liabilities. The NSFR in the UAE mirrors the Basel III standards. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding ("**ASF**") factors to the sources of funds and required stable funding ("**RSF**") (usage) factors to asset classes and off balance sheet contingent exposures. The assigned 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 standards.

Interim Marginal Lending Facility

On 15 April 2014, the Central Bank introduced the IMLF which allows non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF allows lenders to use certain assets as collateral to obtain one-day overnight loans from the Central Bank. Eligible assets that can be used as collateral must be tradeable and include bonds, sukuk and securities issued by the UAE federal government or government-related entities in individual Emirates, as well as by UAE banks and corporations. Securities issued by foreign governments, banks, corporates and supranational agencies can also be used as collateral, but must carry a minimum 'A' credit rating from one of the three main international rating agencies. Banks accessing the IMLF must borrow a minimum of AED 10 million and will be charged 100 basis points over the official UAE "Repo Rate".

Position of Depositors

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

Prudential Regulations

The Central Bank has supervisory responsibility for banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the Central Bank with more up to date information on credit, market and operational risks within the banking sector.

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of Central Bank Circular Number 27/2009. Since 1993, the Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010.

Thereafter, through its circular dated 17 November 2009 introducing Basel II, the Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital.

As at the date of this Base Prospectus, the Central Bank has adopted a policy of a gradual, phased introduction of the Basel III Reforms. As part of this gradual introduction of Basel III in the UAE, and pursuant to the February 2017 Regulations and the Accompanying Standards, ADCB is required by the Central Bank to maintain a minimum total capital adequacy ratio of 12.75 per cent., effective from 1 January 2018 (increasing to a minimum total capital adequacy ratio of 13.5 per cent., effective from 1 January 2019). Included within this Central Bank prescribed minimum total capital adequacy ratio, ADCB, as a D-SIB, is required from 1 January 2018 to maintain a Common Equity Tier 1 buffer of 0.38 per cent. (increasing to 0.50 per cent. with effect from 1 January 2019).

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent. Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the Central Bank.

The Basel Committee has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued the Basel III Reforms, constituting guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. The implementation of the Basel III reforms began on 1 January 2013. However, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time. The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the "**January 2011 Press Release**") included an additional Basel III requirement (the "**Non-Viability Requirement**") as follows:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

(a) the governing jurisdiction of the bank has in place laws that:

  (a) require such Tier 1 and Tier 2 instruments to be written off upon such event; or

  (b) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;

(b) a peer group review confirms that the jurisdiction conforms with clause (a); and

(c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a).

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as Tier 1 or Tier 2 instruments for regulatory capital purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

As at the date of this Base Prospectus, the UAE has not implemented a law that would require loss absorbency for bank capital instruments on the occurrence of a Non-Viability Event. While the February 2017 Regulations and the Accompanying Standards confirm that the Non-Viability Requirement is a pre-requisite for any capital instruments issued by UAE banks to achieve Regulatory Capital classification from the Central Bank, the Non-Viability Requirement must be provided for contractually in the absence of a statutory loss absorption framework in the UAE as at the date of this Base Prospectus. See "*Risk Factors – Risks relating to Notes generally – Basel III Reforms – Future UAE legislation on loss absorbency at the point of non-viability may have adverse effects for Noteholders*".

On 23 February 2017, the Central Bank published the February 2017 Regulations which are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements, whilst implementing the measures contained in the Central Bank's May 2016 published Consultation Document. The February 2017 Regulations are supported by the Accompanying Standards which were published by the Central Bank on 17 January 2018 and which elaborate on the supervisory expectations of the Central Bank with respect to the relevant Basel III capital adequacy requirements. See "*Risk Factors – ADCB's business, results of operations and financial condition could be adversely affected by regulatory risks – ADCB is a highly regulated entity and changes in applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on ADCB's business, results of operations and financial condition*".

Reserve Requirements

Reserve requirements are used by the Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

Credit Controls

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

The Central Bank's Retail Circular 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 the Mortgage Regulations (which were published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013, superseding Central Bank Notice No. 3871/2012 dated 30 December 2012), which specify that the amount of mortgage loans for non-UAE nationals should not exceed 75 per cent. of the property value for a first purchase of a home (with a value of less than or equal to AED 5 million), 65 per cent. of the property value for a first purchase of a home (with a value greater than AED 5 million) and 60 per cent. of the property value (irrespective of the value of the property) for second and subsequent homes. For UAE nationals, the corresponding limits are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

Large Exposures

The Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) were previously as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;

- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);

- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and

- to board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

On 11 November 2013, the Central Bank published the Large Exposure Notice amending certain of the large exposure limits set out above. The Large Exposure Notice was published in the Official Gazette on 30 December 2013 and entered into force on 30 January 2014. The Large Exposure Notice introduced new limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

	Individual	**New Limit Aggregate**	**Old Limit Individual**	**Aggregate**
UAE federal government and their non-commercial entities	Exempt	Exempt	Exempt	Exempt
UAE local government and their non-commercial entities	No cap for UAE local government; 25% for each non-commercial entity	100%	Exempt	Exempt
Commercial entities of UAE federal government and UAE local government	25%	100%	25%	None
Commercial or other (non-commercial) private sector entities and individuals	25% max	None	7%	None
Shareholders who own 5 per cent. or more of the bank's capital and related entities	20%	50%	7%	None
Exposure to bank's subsidiaries and affiliates	10%	25%	20%	60%
Board members	5%	25%	5%	25%

Provisions for Loan Losses

The Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. 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 addition, pursuant to Circular 28/2010 concerning regulations for classification of loans and their provisions issued by the Central Bank on 11 November 2010, all banks in the UAE are required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. 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 UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and advances to customers and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

Establishing a Credit Bureau in the UAE

AECB is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the UAE Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations. As at the date of this Base Prospectus, ADCB has entered into a data and credit information supply agreement with AECB.

The implementation of regulations for the sharing of credit report data and the commercial operation of the UAE's first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") in effect as at the date of this Base Prospectus. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Book-Entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "**banking organisation**" within the meaning of the New York Banking Law, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no

knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

Book-Entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell,

pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other hand, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following summary of certain United States, Cayman Islands and United Arab Emirates tax consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. Prospective holders should note that neither the Issuer nor the Guarantor are obliged to update this section for any subsequent changes or modification to the applicable taxes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the acquisition, ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as at the date of this Base Prospectus, and of any actual changes in applicable tax laws after such date.

United States Federal Income Taxation

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Notes purchased on original issuance at the offer price;
- Notes held as capital assets; and
- U.S. Holders (as defined below).

This discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

No rulings have been or will be sought from the U.S. Internal Revenue Service (the "**IRS**") with respect to the classification of the Notes in general or with respect to any particular Notes.

This discussion does not describe all of the tax consequences that may be relevant in light of a Noteholder's particular circumstances or to Noteholders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- traders in securities or foreign currencies electing to mark their positions to market;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organisations;
- persons subject to the alternative minimum tax;
- persons holding Notes as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- former citizens or residents of the United States;
- U.S. Holders whose functional currency is not the U.S. dollar; or
- entities or arrangements classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, as of the day hereof, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described below. Persons considering the purchase of the Notes should consult the relevant Final Terms for any additional discussion regarding U.S. federal income taxation and should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations (including the application of the alternative minimum tax, the estate tax, gift tax and the Medicare tax on net investment income) as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

The tax treatment of certain Notes, such as Index Linked Notes, Dual Currency Notes and Notes that are not principal protected, will be specified in the relevant Final Terms. Moreover, this summary does not discuss Bearer Notes. In general, U.S. federal income tax law imposes significant limitations on U.S. Holders of Bearer Notes. U.S. Holders should consult their tax advisors regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Bearer Notes.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partners of such entities or arrangements holding Notes should consult with their tax advisers regarding the tax consequences of an investment in the Notes.

Special Rules Applicable to Certain Accrual Method Taxpayers

Pursuant to recent legislation, for taxable years beginning after 31 December 2017 (or, in the case of Notes issued with original issue discount, taxable years beginning after 31 December 2018), an accrual method taxpayer that reports revenues on an "applicable financial statement" generally must recognise income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in the applicable financial statements of the taxpayer. Thus, this rule could potentially require such a taxpayer to recognise income for U.S. federal income tax purposes with respect to Notes prior to the time such income would be recognised pursuant to the rules described below. U.S. Holders should consult their tax advisors regarding the potential applicability of these rules to their investment in the Notes.

Payments of Stated Interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes, **provided that** the interest is "qualified stated interest" (as defined below).

Interest income (including original issue discount, as discussed below) earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the U.S. Holder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisors about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to original issue discount notes and foreign currency notes are described under "*–Original Issue Discount*," "*–Contingent Payment Debt Instruments*," and "*–Foreign Currency Notes*."

Original Issue Discount

A Note that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued with original issue discount for U.S. federal income tax purposes (and will be referred to as an "original issue discount Note") unless the Note satisfies a *de minimis* threshold (as described below) or is a short-term Note (as defined below). The "issue price" of a Note generally will be the first price at which a substantial amount of the Notes are sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Note generally will equal the sum of all payments required to be made under the Note other than payments of "qualified stated interest."

"Qualified stated interest" is stated interest unconditionally payable (other than in debt instruments of the Issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest. In addition, qualified stated interest includes, among other things, stated interest on a "variable rate debt instrument" that is unconditionally payable (other than in debt instruments of the issuer) at least annually at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of 1 per cent. of the stated redemption price at maturity (or, in the case of a Note that provides for payment of any amount other than qualified stated interest prior to maturity, the weighted average maturity of the Note) multiplied by the number of complete years to maturity, the Note will not be considered to have original issue discount. U.S. Holders of Notes with a *de minimis* amount of original issue discount will include this original issue discount in income, as capital gain, on a *pro rata* basis as principal payments are made on the Note.

A U.S. Holder of original discount Notes will be required to include any qualified stated interest payments in income in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. U.S. Holders of original issue discount Notes that mature more than one year from their date of issuance will be required to include original issue discount in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including stated interest, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and may revoke such election only with the permission of the IRS (a "**constant yield election**").

A Note that matures one year or less from its date of issuance (a "**short-term Note**") will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest. In general, a cash method U.S. Holder of a short-term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. U.S. Holders who so elect and certain other U.S. Holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realized on the sale, exchange, or retirement of the short-term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Notes in an amount not exceeding the accrued discount (which includes interest that is payable but that has not been included in gross income) until the accrued discount is included in income. A U.S. Holder's tax basis in a short-term Note is increased by the amount included in such holder's income on such a Note.

The Issuers may have an unconditional option to redeem, or U.S. Holders may have an unconditional option to require the Issuers to redeem, a Note prior to its stated maturity date. Under applicable regulations, if the Issuers have an unconditional option to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if, by utilizing any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, the yield on the Note would be lower than its yield to maturity. If the U.S. Holders have an unconditional option to require the Issuers to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Note would be higher than its yield to maturity. If this option is not in fact exercised, the Note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date. The adjusted issue price of an original issue discount Note is defined as the sum of the issue price of the Note and the aggregate amount of previously accrued original issue discount, less any prior payments other than payments of qualified stated interest.

Market Discount

If a U.S. Holder purchases a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Note, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an original issue discount Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Note, including disposition in certain non-recognition transactions, as foreign source ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the U.S. Holder to include market discount in income as it accrues, or pursuant to a constant yield election by the U.S. Holder (as described under "– *Original Issue Discount*"). In addition, the U.S. Holder may be required to defer, until the maturity of the Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

If a U.S. Holder makes a constant yield election (as described under "–*Original Issue Discount*") for a Note with market discount, such election will result in a deemed election for all market discount bonds acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies. This election may only be revoked with the consent of the IRS.

Acquisition Premium and Amortisable Bond Premium

A U.S. Holder who purchases a Note for an amount that is greater than the Note's adjusted issue price but less than or equal to the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest will be considered to have purchased the Note at an acquisition premium. Under the acquisition premium rules, the amount of original issue discount that the U.S. Holder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Note for an amount that is greater than the sum of the remaining payments (other than qualified stated interest), or on the earlier call date, in the case of a Note that is redeemable at the relevant Issuer's option, the U.S. Holder will be considered to have purchased the Note with amortisable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The U.S. Holder may elect to amortize this premium as an offset to qualified stated interest, using a constant yield method, over the remaining term of the Note (where the Note is not optionally redeemable prior to its maturity date). If the Note may be optionally redeemed prior to maturity after the U.S. Holder has acquired it, the amount of amortisable bond premium is determined by substituting the call date for the maturity date and the call price for the amount payable at maturity only if the substitution results in a smaller amount of premium attributable to the period before the redemption date. A U.S. Holder who elects to amortize bond premium must reduce his tax basis in the Note by the amount of the premium amortized in any year. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. Holder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under "*–Original Issue Discount*") for a Note with amortisable bond premium, such election will result in a deemed election to amortize bond premium for all of the U.S. Holder's debt instruments with amortisable bond premium.

Sale, Exchange, Retirement or the Taxable Disposition of the Notes

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other taxable disposition and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of OID and market discount included in the U.S. Holder's gross income and decreased by any bond premium or acquisition premium previously amortised and the amount of any payment received from the Issuer other than a payment of qualified stated interest. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid interest on the Note. Amounts attributable to accrued but unpaid interest are treated as interest as described under "*–Payments of Interest*."

Except as described below, gain or loss realized on the sale, exchange, retirement or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition the Note has been held for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the U.S. Holder's taxable income. See "*–Original Issue Discount*" and "*–Market Discount.*" In addition, other exceptions to this general rule apply in the case of foreign currency Notes, and contingent payment debt instruments. See "*–Foreign Currency Notes*" and "*–Contingent Payment Debt Instruments.*" The deductibility of capital losses is subject to limitations.

Contingent Payment Debt Instruments

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including certain Floating Rate Notes with a variable rate or rates that do not qualify as "variable rate debt instruments" for purposes of the original issue discount rules) they will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the Note and the Note's "projected payment schedule" as described below. The comparable yield is determined by the relevant Issuer at the time of issuance of the Notes and equals the greater of: (i) annual yield an issuer would pay, as of the issue date, on a fixed-rate, nonconvertible debt instrument with no contingent payments, but with terms and conditions otherwise comparable to the contingent payment debt instrument; and (ii) the applicable federal rate. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Notes. Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, the Issuer will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuers regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by us in determining interest accruals and adjustments in respect of contingent payment debt instrument, unless the U.S. Holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of the U.S. Holder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment instrument (as set forth below).

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year. As such, a U.S. Holder may be required to include interest in income each year in excess of any stated interest payments actually received in that year, if any:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a Noteholder would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of:
    - the amount of all previous interest inclusions under the contingent payment debt instrument over
    - the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment will not be subject to the two per cent. floor limitation imposed on miscellaneous deductions when miscellaneous deductions become available again to individual U.S. Holders for tax years beginning on or after 1 January 2026. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realized on a sale, exchange or retirement of the contingent payment debt instrument. Where a U.S. Holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange, retirement or other taxable disposition of a contingent payment debt instrument, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other taxable disposition and the U.S. Holder's adjusted basis in the contingent payment debt instrument. A U.S. Holder's adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Holder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations.

A U.S. Holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument including in satisfaction of a conversion right or a call right equal to the fair market value of the property, determined at the time of retirement. The U.S. Holder's holding period for the property will commence on the day immediately following its receipt.

Special rules apply to contingent payment debt instruments that are denominated, or provide for payments, in a currency other than the U.S. dollar ("**Foreign Currency Contingent Debt Instruments**"). Very generally, these instruments are accounted for like a contingent debt instrument, as described above, but in the currency of the Foreign Currency Contingent Debt Instruments. The relevant amounts must then be translated into U.S. dollar equivalents. The rules applicable to Foreign Currency Contingent Debt Instruments are complex and U.S. Holders are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of such instruments.

Foreign Currency Notes

The following discussion summarizes the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in a currency other than the U.S. dollar ("**foreign currency Notes**"). However, the U.S. federal income tax consequences to a U.S.

Holder of the ownership and disposition of currency-linked Notes and non-functional currency contingent payment debt instruments are not discussed herein and, if applicable, will be discussed in the applicable Final Terms issued in connection with the issuance of such Notes and instruments.

The rules applicable to foreign currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterized as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency. A cash method U.S. Holder who receives a payment of qualified stated interest in U.S. dollars pursuant to an option available under such Note will be required to include the amount of this payment in income upon receipt.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a U.S. Holder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue original issue discount or market discount.

An accrual method U.S. Holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount, market discount, acquisition premium and amortisable bond premium on a foreign currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realized with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above.

If an election to amortize bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realized on amortized bond premium with respect to any period by treating the bond premium amortized in the period in the same manner as on the sale, exchange or retirement of the foreign currency Note. Any exchange gain or loss will be ordinary income or loss as described below.

If the election is not made, any loss realized on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortize the premium will be a capital loss to the extent of the bond premium.

A U.S. Holder's tax basis in a foreign currency Note, and the amount of any subsequent adjustment to the U.S. Holder's tax basis (including an increase in basis for any previously accrued original issue discount or market discount and a decrease in basis by any amortised premium and cash payments on the Note other than qualified stated interest), will be based on the U.S. dollar value amount of the foreign currency purchase price of the foreign currency Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a foreign currency Note with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the foreign currency Note on the date of purchase.

Gain or loss realized upon the sale, exchange, retirement or other taxable disposition of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between: (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of; and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note (adjusted, in each case, for any amortised bond premium that has been taken into account prior to the sale of the sale, exchange, retirement or other taxable disposition). Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realized by the U.S. Holder on the sale, exchange, retirement or other taxable disposition of the foreign currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the U.S. Holder or the "qualified business unit" of the U.S. Holder on whose books the Note is properly reflected. Any gain or loss realized by these U.S. Holders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of short-term Note, to the extent of any discount not previously included in the U.S. Holder's income.

U.S. Holders should consult their own tax advisor with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue and with respect to the payment and receipt of amounts in a currency other than U.S. dollars.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes (including any accrued OID) and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle them to a refund, **provided that** the required information is timely furnished to the IRS.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders. In the event the acquisition, ownership or disposition of Notes constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Notes.

U.S. Holders should consult their tax advisors about any additional reporting obligations that may apply as a result of the acquisition, ownership or disposition of the Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a U.S. Holder's particular situation. U.S. Holders should consult their own tax advisors with respect to the tax consequences to them of the ownership and

disposition of the Notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in U.S. federal or other tax laws.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**", a term not defined as at the date of this Base Prospectus) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (IGAs), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and 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 prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register (the "**grandfathering date**") generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that have the same CUSIP or ISIN as the previously issued Notes and are not otherwise distinguishable from previously issued Notes are issued after the expiration of the grandfathering date and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering date, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts or indemnify any person as a result of any FATCA withholding.

Cayman Islands

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation. ADCB Finance Cayman received an undertaking dated 27 May 2008 from the governor-in-cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as revised) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to ADCB Finance Cayman or its operation and in addition, that no tax to be levied on profits, income, gains or appreciations which is in the nature of estate duty or inheritance tax or other duty inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which include the Notes) of ADCB Finance Cayman or by way of the withholding in whole or part of any relevant payment. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Notes. However, an instrument transferring title to such Notes, if brought to or executed in the Cayman Islands or produced before a Cayman Islands court, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by ADCB Finance Cayman to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

United Arab Emirates

The following summary of the anticipated tax treatment in the UAE in relation to the payments on the Notes is based on the taxation law and practice in force at the date of this Base Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of any payments with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Abu Dhabi taxation in respect of payments of interest or principal on debt securities (including the Notes) or payments made under the Guarantee.

The Constitution of the UAE specifically reserves to the UAE federal 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.

With effect from 1 January 2018, the UAE (together with certain of the other GCC states) has implemented a VAT regime at a rate of 5 per cent. The UAE national legislation implementing this framework agreement was published on 23 August 2017 (UAE Federal Decree Law No. 8 of 2017) and, on 28 November 2017, the UAE Ministry of Finance published accompanying VAT implementing regulations.

The UAE has entered into "Double Taxation Arrangements" with certain other countries, but these are not extensive in number.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in 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: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Section 4975 of the Code, prohibit certain transactions involving: (a) employee benefit plans or other plans, including individual retirement accounts or Keogh plans which are subject to Title I of ERISA or as defined in and subject to Section 4975 of the Code ("**Plans**"), or any entities whose underlying assets include "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of such employee benefit plans or other plans for the purposes of Title I of ERISA or Section 4975 of the Code (together with Plans, the "**Benefit Plan Investors**"); and (b) persons who have certain specified relationships to such Plans ("parties in interest" under ERISA and "disqualified persons" under the Code; collectively, "**Parties in Interest**"). A violation of these "prohibited transaction" rules may result in the imposition of an excise tax, the rescission of the transaction or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless relief is available under an applicable statutory or administrative exemption. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA (relating to certain transactions between a plan and a non-fiduciary service provider), Prohibited Transaction Class Exemption (PTCE) 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Employee benefit plans which are not Benefit Plan Investors, including governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b)(4) of ERISA)), may be subject to U.S. federal, state or local, or non-U.S., laws which are substantially similar to the prohibited transaction provisions of ERISA or Section 4975 of the Code ("**Similar Law**"). Fiduciaries of such plans should consult with their counsel before they purchase any of the Notes or any interest therein.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes are acquired by a Benefit Plan Investor with respect to which the Issuer is a Party in Interest. Accordingly, unless otherwise stated in the Final Terms, each purchaser and transferee of any Note will be deemed to represent and agree that either: (i) it is not, is not using the assets of and shall not at any time hold such Note for or on behalf of a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to Similar Law; or (ii) its acquisition, holding and disposition of such Note or of any interest therein, will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any applicable Similar Law. Any purported purchase or transfer of such a Note that does not comply with the foregoing shall be null and void *ab initio*.

A Benefit Plan Investor, or a fiduciary making an investment in Notes: (a) on behalf of a Benefit Plan Investor; or (b) who represents the Benefit Plan Investor with respect to such investment, should also consider the impact of the Department of Labor regulations promulgated at 29 C.F.R. Section 2510.3-21 on 8 April 2016 (81 Fed. Reg. 20,997) (the "**Fiduciary Rule**"). Each Benefit Plan Investor should consider the fact that none of the Issuer, the Guarantor, the Arranger, the Dealers, the Agents, the Registrar or any of their respective affiliates (each a "**Transaction Party**") is acting, or will act, as a fiduciary to any Benefit Plan Investor with respect to the decision to purchase or hold the notes. The Transaction Parties are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the Notes. All communications, correspondence and materials from the Transaction Parties with respect to the Notes are intended to be general in nature and are not directed at any specific purchaser of the notes, and do not constitute advice regarding the advisability of investment in the notes for any specific purchaser. The decision to purchase and hold the Notes must be made solely by each prospective Benefit Plan Investor purchaser on an arm's length basis. The Transaction Parties have a financial interest in an ERISA Plan's purchase and holding of the Notes, which interests may conflict with the interest of such ERISA Plan, as more fully described in this Base Prospectus.

Each Benefit Plan Investor making an investment in Notes, or a fiduciary making an investment in Notes on behalf of a Benefit Plan Investor or who represents the Benefit Plan Investor with respect to such investment, will be deemed to have represented by its investment that: (1) none of the Transaction Parties has provided or will provide advice with respect to the investment in Notes by the Benefit Plan Investor and none of the Transaction Parties shall at any time be relied upon as the Benefit Plan Investor's fiduciary with respect to any decision to acquire, continue to hold or transfer the Notes; (2) with respect to the investment in Notes by the Benefit Plan Investor, the Benefit Plan Investor is represented by a fiduciary (the "**Independent Fiduciary**") that either: (a) is a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the "**Advisers Act**"), or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency; (b) is an insurance carrier that is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Benefit Plan Investor; (c) is an investment adviser registered under the Advisers Act, or, if not registered an as investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (d) is a broker-dealer registered under the Securities Exchange Act of 1934, as amended; or (e) has, and at all times that the Benefit Plan Investor is invested in Notes will have, total assets of at least U.S.$50,000,000 under its management or control (**provided that** this clause (e) shall not be satisfied if such fiduciary is either: (i) the owner or a relative of the owner of an investing individual retirement account; or (ii) a participant or beneficiary of the Benefit Plan Investor investing in Notes in such capacity); (3) the Independent Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including without limitation the investment in Notes by the Benefit Plan Investor; (4) the Independent Fiduciary is a "fiduciary" with respect to the Benefit Plan Investor within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, is "independent" within the meaning of 29 C.F.R. § 2510.3-21(c) and is responsible for exercising independent judgment in evaluating the Benefit Plan Investor's investment in Notes; (5) none of the Transaction Parties has exercised any authority to cause the Benefit Plan Investor to invest in Notes or to negotiate the terms of such investment; and (6) the Independent Fiduciary has been informed by the Transaction Parties: (a) that none of the Transaction Parties has undertaken or will undertake to provide impartial investment advice or has given or will give advice in a fiduciary capacity in connection with the Benefit Plan Investor's investment in Notes; (b) of the existence and nature of the Transaction Parties' fees, compensation arrangements and/or financial interests in the Benefit Plan Investor's investment in Notes as further described in this Base Prospectus; and (c) that no Transaction Party receives a fee or other compensation from the Benefit Plan Investor for the provision of investment advice in connection with the Benefit Plan Investor's investment in Notes.

This Base Prospectus is not directed to any particular purchaser, nor does it address the needs of any particular purchaser. None of the Issuer, the Guarantor or Dealers or any of their respective affiliates shall provide any advice or recommendation with respect to the management of any purchase of Notes or the advisability of acquiring, holding, disposing or exchanging of any Notes.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement (the "**Programme Agreement**") dated 12 March 2018, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer and the Guarantor have agreed to reimburse the Dealers for certain of their expenses in connection with any update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilisation or other transactions. Such transactions, if commenced, may be discontinued at any time. Under United Kingdom laws and regulations, stabilisation activities may only be carried on by the Stabilisation Manager named in the relevant subscription agreement (or persons acting on its behalf) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes who are in the United States or who are U.S. persons are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A; or (b) it is outside the United States and is not a U.S. person;

(ii) that it, and each account for which it is purchasing, will hold and transfer at least the minimum denomination of the Notes;

(iii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and, accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iv) that, unless it holds an interest in a Regulation S Global Note and is a non-U.S. person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so prior to the expiration of the applicable required holding period pursuant to Rule 144A only: (a) to the Issuer or any affiliate thereof; (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs in a transaction meeting

the requirements of Rule 144A; (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(v) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iv) above, if then applicable;

(vi) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(vii) unless otherwise stated in the relevant Global Note: (i) it is not using the assets of, and shall not at any time hold such Note for or on behalf of, an "**employee benefit plan**" within the meaning of, and subject to, Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), a plan as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") ("**Plans**"), an entity whose underlying assets include "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of any such employee benefit plan or other plan for the purposes of Title I of ERISA or Section 4975 of the Code (together with Plans, the "**Benefit Plan Investors**") or a governmental, church or non-U.S. plan which is subject to any U.S. federal, state or local, or non-U.S., law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"); or (ii) its acquisition, holding and disposition of such Note or of any interest therein, will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any applicable Similar Law;

Each Benefit Plan Investor making an investment in Notes, or a fiduciary making an investment in Notes on behalf of a Benefit Plan Investor or who represents the Benefit Plan Investor with respect to such investment, will be deemed to have represented by its investment that: (1) none of the Issuer, the Guarantor, the Arranger, the Dealers, the Agents, the Registrar or any of their respective affiliates (each a "**Transaction Party**") has provided or will provide advice with respect to the investment in Notes by the Benefit Plan Investor and none of the Transaction Parties shall at any time be relied upon as the Benefit Plan Investor's fiduciary with respect to any decision to acquire, continue to hold or transfer the Notes; (2) with respect to the investment in Notes by the Benefit Plan Investor, the Benefit Plan Investor is represented by a fiduciary (the "**Independent Fiduciary**") that either: (a) is a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the "**Advisers Act**"), or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency; (b) is an insurance carrier that is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Benefit Plan Investor; (c) is an investment adviser registered under the Advisers Act, or, if not registered an as investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (d) is a broker-dealer registered under the Securities Exchange Act of 1934, as amended; or (e) has, and at all times that the Benefit Plan Investor is invested in Notes will have, total assets of at least U.S.$50,000,000 under its management or control (provided that this clause (e) shall not be satisfied if such fiduciary is either: (i) the owner or a relative of the owner of an investing individual retirement account; or (ii) a participant or beneficiary of the Benefit Plan Investor investing in Notes in such capacity); (3) the Independent Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including without limitation the investment in Notes by the Benefit Plan Investor; (4) the Independent Fiduciary is a "fiduciary" with respect to the Benefit Plan Investor within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, is "independent" within the meaning of 29 C.F.R. § 2510.3-21(c) and is responsible for exercising independent judgment in evaluating the Benefit Plan Investor's investment in Notes; (5) none of the Transaction Parties has exercised any authority to cause the Benefit Plan Investor to invest in Notes or to negotiate the terms of such investment; and (6) the Independent Fiduciary has been informed by the Transaction Parties: (a) that none of the Transaction Parties has undertaken or will undertake to provide impartial investment advice or has given or will give advice in a

fiduciary capacity in connection with the Benefit Plan Investor's investment in Notes; (b) of the existence and nature of the Transaction Parties' fees, compensation arrangements and/or financial interests in the Benefit Plan Investor's investment in Notes as further described in this Base Prospectus; and (c) that no Transaction Party receives a fee or other compensation from the Benefit Plan Investor for the provision of investment advice in connection with the Benefit Plan Investor's investment in Notes.

(viii) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"NEITHER THIS SECURITY NOR THE GUARANTEE THEREOF HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS, AND, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT: IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) ("**QIB**") PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS IN A MINIMUM PRINCIPAL AMOUNT OF U.S.$200,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND OTHER THAN: (1) TO THE ISSUER OR ANY AFFILIATE THEREOF; (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT; (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY. EACH TRANSFEROR OF THIS SECURITY WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE AGENCY AGREEMENT TO ITS TRANSFEREE.

[THIS SECURITY (OR ANY INTEREST HEREIN) MAY BE PURCHASED BY OR OTHERWISE ACQUIRED BY AN "**EMPLOYEE BENEFIT PLAN**" WITHIN THE MEANING OF AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"); A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"); ANY PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA) (ANY OF THE FOREGOING, A "**BENEFIT PLAN INVESTOR**") OR AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR AND IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL, OR NON-U.S., LAWS WHICH ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), EACH PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR SO LONG AS IT HOLDS THIS SECURITY OR INTEREST THEREIN THAT EITHER IT IS NOT: (A) A BENEFIT PLAN INVESTOR OR AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR AND IS SUBJECT TO ANY SIMILAR LAW; OR (B) THE PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR, IN

THE CASE OF ANY EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR AND IS SUBJECT TO SIMILAR LAW, WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY SIMILAR LAW. ANY PURPORTED PURCHASE OR TRANSFER OF A SECURITY OR INTEREST THEREIN THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID *AB INITIO*.]

EACH BENEFIT PLAN INVESTOR MAKING AN INVESTMENT IN NOTES, OR A FIDUCIARY MAKING AN INVESTMENT IN NOTES ON BEHALF OF A BENEFIT PLAN INVESTOR OR WHO REPRESENTS THE BENEFIT PLAN INVESTOR WITH RESPECT TO SUCH INVESTMENT, WILL BE DEEMED TO HAVE REPRESENTED BY ITS INVESTMENT THAT: (1) NONE OF THE ISSUER, THE GUARANTOR, THE ARRANGER, THE DEALERS, THE AGENTS, THE REGISTRAR OR ANY OF THEIR RESPECTIVE AFFILIATES (EACH A "**TRANSACTION PARTY**") HAS PROVIDED OR WILL PROVIDE ADVICE WITH RESPECT TO THE INVESTMENT IN NOTES BY THE BENEFIT PLAN INVESTOR AND NONE OF THE TRANSACTION PARTIES SHALL AT ANY TIME BE RELIED UPON AS THE BENEFIT PLAN INVESTOR'S FIDUCIARY WITH RESPECT TO ANY DECISION TO ACQUIRE, CONTINUE TO HOLD OR TRANSFER THE NOTES; (2) WITH RESPECT TO THE INVESTMENT IN NOTES BY THE BENEFIT PLAN INVESTOR, THE BENEFIT PLAN INVESTOR IS REPRESENTED BY A FIDUCIARY (THE "**INDEPENDENT FIDUCIARY**") THAT EITHER: (A) IS A BANK AS DEFINED IN SECTION 202 OF THE INVESTMENT ADVISERS ACT OF 1940 (THE "**ADVISERS ACT**"), OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A STATE OR FEDERAL AGENCY; (B) IS AN INSURANCE CARRIER THAT IS QUALIFIED UNDER THE LAWS OF MORE THAN ONE STATE TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF A BENEFIT PLAN INVESTOR; (C) IS AN INVESTMENT ADVISER REGISTERED UNDER THE ADVISERS ACT, OR, IF NOT REGISTERED AN AS INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE STATE IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS; (D) IS A BROKER-DEALER REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED; OR (E) HAS, AND AT ALL TIMES THAT THE BENEFIT PLAN INVESTOR IS INVESTED IN NOTES WILL HAVE, TOTAL ASSETS OF AT LEAST U.S.$50,000,000 UNDER ITS MANAGEMENT OR CONTROL (**PROVIDED THAT** THIS CLAUSE (E) SHALL NOT BE SATISFIED IF SUCH FIDUCIARY IS EITHER: (I) THE OWNER OR A RELATIVE OF THE OWNER OF AN INVESTING INDIVIDUAL RETIREMENT ACCOUNT; OR (II) A PARTICIPANT OR BENEFICIARY OF THE BENEFIT PLAN INVESTOR INVESTING IN NOTES IN SUCH CAPACITY); (3) THE INDEPENDENT FIDUCIARY IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH RESPECT TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, INCLUDING WITHOUT LIMITATION THE INVESTMENT IN NOTES BY THE BENEFIT PLAN INVESTOR; (4) THE INDEPENDENT FIDUCIARY IS A "FIDUCIARY" WITH RESPECT TO THE BENEFIT PLAN INVESTOR WITHIN THE MEANING OF SECTION 3(21) OF ERISA, SECTION 4975 OF THE CODE, OR BOTH, IS "INDEPENDENT" WITHIN THE MEANING OF 29 C.F.R. § 2510.3-21(C) AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING THE BENEFIT PLAN INVESTOR'S INVESTMENT IN NOTES; (5) NONE OF THE TRANSACTION PARTIES HAS EXERCISED ANY AUTHORITY TO CAUSE THE BENEFIT PLAN INVESTOR TO INVEST IN NOTES OR TO NEGOTIATE THE TERMS OF SUCH INVESTMENT; AND (6) THE INDEPENDENT FIDUCIARY HAS BEEN INFORMED BY THE TRANSACTION PARTIES: (A) THAT NONE OF THE TRANSACTION PARTIES HAS UNDERTAKEN OR WILL UNDERTAKE TO PROVIDE IMPARTIAL INVESTMENT ADVICE OR HAS GIVEN OR WILL GIVE ADVICE IN A FIDUCIARY CAPACITY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S INVESTMENT IN NOTES; (B) OF THE EXISTENCE AND NATURE OF THE TRANSACTION PARTIES' FEES, COMPENSATION ARRANGEMENTS AND/OR FINANCIAL INTERESTS IN THE BENEFIT PLAN INVESTOR'S INVESTMENT IN NOTES AS FURTHER DESCRIBED IN THE BASE PROSPECTUS; AND (C) THAT NO TRANSACTION PARTY RECEIVES A FEE OR OTHER COMPENSATION FROM THE

BENEFIT PLAN INVESTOR FOR THE PROVISION OF INVESTMENT ADVICE IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S INVESTMENT IN NOTES.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(ix) that the Notes in registered form which are registered in the name of a nominee of DTC will bear an additional legend to the following effect unless otherwise agreed to by the Issuer:

"UNLESS THIS GLOBAL SECURITY IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, ("**DTC**"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED SECURITY ISSUED IN EXCHANGE FOR THIS GLOBAL SECURITY OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.";

(x) if it holds an interest in a Regulation S Global Note, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only: (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (ii) to a QIB in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"NEITHER THIS SECURITY NOR THE GUARANTEE THEREOF HAS BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT."; and

(xi) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall

promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or its foreign currency equivalent) of Registered Notes.

Selling Restrictions

United States

The Notes and the Guarantee thereof have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or, in the case of Bearer Notes, deliver such Notes: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons other than in offshore transactions pursuant to Regulation S or pursuant to Rule 144A, and such Dealer will have sent to each dealer to which it sells any Notes during the distribution compliance period 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Notes comprising any Tranche, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or an available exemption from registration under the Securities Act.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Dealers may also arrange for the resale of Registered Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent thereof in any other currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

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

In respect of Bearer Notes where TEFRA D is specified in the applicable Final Terms the relevant Dealer will be required to represent and agree that:

(a) except to the extent permitted under U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D) (or any substantially identical successor U.S. Treasury Regulations section including, without limitation, substantially identical successor regulations issued in accordance with Internal

Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**"): (i) it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person; and (ii) it has not delivered and it will not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;

(b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6) (or any substantially identical successor U.S. Treasury Regulations section including, without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010);

(d) with respect to each affiliate that acquires Bearer Notes from it for the purpose of offering or selling such Notes during the restricted period, it repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf; and

(e) it will obtain from any distributor (within the meaning of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(4)(ii)) (or any substantially identical successor U.S. Treasury Regulations section including, without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) that purchases any Bearer Notes from it pursuant to a written contract with such Dealer (other than a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of sub-paragraphs (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and U.S. Treasury regulations promulgated thereunder, including the D Rules.

In respect of Bearer Notes where TEFRA C is specified in the applicable Final Terms, the relevant Dealer will be required to represent and agree that:

(a) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions in connection with the original issuance of the Bearer Notes; and

(b) in connection with the original issuance of the Bearer Notes it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of the Bearer Notes.

Prohibition of Sales to EEA Retail Investors

Unless the applicable Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", 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, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression an "offer" includes 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.

If the applicable Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) ***Qualified investors***: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) ***Fewer than 150 offerees***: at any time to fewer than 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 Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU and includes any relevant implementing measure in the Relevant Member State).

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) 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, as amended (the "**FSMA**") by the Issuer;

(ii) 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 or the Guarantor; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). 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 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, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to agree, that no offer or invitation to subscribe for the Notes has been or will be made to the public of the Cayman Islands.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

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 any person in the Dubai International Financial Centre unless such offer is:

(i) an "**Exempt Offer**" in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

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 11 or Article 12 of the "Offers 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 3-151-2016 dated 21 December 2016 (the "**KSA Regulations**"), made through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under 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 11 of the KSA Regulations or by way of a limited offer under Article 12 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 18 of the KSA Regulations places restrictions on secondary market activity with respect to the Notes, including as follows:

(a) a Saudi Investor (referred to as a "**transferor**") who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:

  (i) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

  (ii) the Notes are offered or sold to a sophisticated investor; or

  (iii) the Notes are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;

(b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of Notes to one transferee; and

(d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Notes.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(ii) 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

(iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (excluding the Qatar 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, delivered or sold, and will not offer, deliver or sell at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar. This Base Prospectus has not been reviewed or approved by the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

Singapore

Each Dealer has acknowledged and each further Dealer appointed under the Programme will be required to acknowledge that this Base Prospectus has not been and will not be registered as a prospectus with the

Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this 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 (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA")) 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 Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or

(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) 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

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than: (i) to "**professional investors**" within the meaning of the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CO**") or which do not constitute an offer to the public within the meaning of the CO; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do

so under the securities laws of Hong Kong) other than with respect to any Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" within the meaning of the SFO and any rules made under the SFO.

Malaysia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) 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 ("**CMSA**"); and

(ii) accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has 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 falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b), and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

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.

State of Kuwait

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree the following:

No Notes have been licensed for offering in the State of Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The Notes have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of the Notes is being made in the State of Kuwait, and no agreement relating to the sale of the Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in the State of Kuwait.

The PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) as part of the initial distribution of the Notes.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor or the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer, the Guarantor and the relevant Dealer shall agree and as shall be set out in the relevant subscription agreement.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes by the Issuer have been duly authorised by a resolution of the Board of Directors of the Issuer dated 18 February 2018 and a resolution of the Management Executive Committee of ADCB dated 18 February 2018. The giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of ADCB dated 27 May 2008 read with the resolution of the Board of Directors dated 10 December 2017.

Listing and admission to trading

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Main Securities 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 Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market. The approval of the Programme in respect of Notes is expected to be granted on or about 12 March 2018. Prior to the official listing and admission to trading, however, dealings will be permitted. Unlisted Notes may be issued pursuant to the Programme.

Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Documents Available

For the period of 12 months following the date of this Base Prospectus, physical copies of the following documents will, when published, be available for inspection from the registered office of ADCB and from the specified office of the Principal Paying Agent for the time being in London:

(i) the Memorandum and Articles of Association of the Issuer and the Memorandum and Articles of Association (with an English translation thereof) of ADCB;

(ii) the audited consolidated financial statements (in English) of ADCB in respect of the financial years ended 31 December 2017 and 31 December 2016, in each case together with the auditor's reports prepared in connection therewith. ADCB Finance Cayman is not required by Cayman Islands law, and does not intend, to publish audited financial statements;

(iii) the Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(iv) a copy of this Base Prospectus; and

(v) any future base prospectuses, information memoranda, applicable Final Terms (save that the applicable Final Terms relating to a Note which is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a Base Prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) and supplements to this Base Prospectus and any other documents incorporated herein or therein by reference.

The English language translations of the Memorandum and Articles of Association of ADCB are accurate and direct translations of the original foreign language documents. In the event of a discrepancy between the English language translation and the foreign language version, the foreign language version will prevail.

This Base Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the Main Securities Market will be published on the website of the Central Bank of Ireland (*http://www.centralbank.ie*).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy L-1885 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Guarantor and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

Save as disclosed on page 141 of this Base Prospectus under the heading "*Description of ADCB Finance Cayman*", there has been no significant change in the financial or trading position, and no material adverse change in the prospects of ADCB Finance Cayman, since the date of its incorporation.

There has been no significant change in the financial or trading position of ADCB and its subsidiaries taken as a whole (the "**ADCB Group**") since 31 December 2017. There has been no material adverse change in the prospects of ADCB since 31 December 2017.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ADCB Finance Cayman is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on ADCB Finance Cayman and/or the ADCB Group's financial position or profitability.

Save as disclosed on page 158 of this Base Prospectus under "*Description of ADCB – Litigation*", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ADCB is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on ADCB and/or the ADCB Group's financial position or profitability.

Auditors

The current auditors of ADCB are Deloitte & Touche (M.E.). There is no professional body of auditors in the UAE and, accordingly, the auditors of ADCB are not a member of any professional body in the UAE. However, the auditors of ADCB are registered under the Register of Practicing Accountants at the UAE Ministry of Economy and Planning as required by the UAE Federal Law No. 22 for the year 1995. The auditors of ADCB have no material interest in ADCB.

Dealers transacting with the Issuer and the Guarantor

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, the Guarantor and their respective affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of

the Issuer, the Guarantor and their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer, the Guarantor and their affiliates routinely hedge their credit exposure to the Issuer, the Guarantor and their affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

ISSUER

ADCB Finance (Cayman) Limited
c/o Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

GUARANTOR

Abu Dhabi Commercial Bank PJSC
P.O. Box 939
Abu Dhabi
United Arab Emirates

ISSUING AND PRINCIPAL PAYING AGENT AND EXCHANGE AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

EURO REGISTRAR, PAYING AGENT AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A.
2 boulevard Konrad Adenauer
L-1115 Luxembourg

U.S. REGISTRAR, PAYING AGENT AND TRANSFER AGENT

Deutsche Bank Trust Company Americas
Trust and Agency Services
60 Wall Street, 16th Floor, MS: NYC60-1630
New York 10005
United States of America

LEGAL ADVISERS

To ADCB as to English law and UAE law

Clifford Chance LLP
9th Floor
Al Sila Tower
Abu Dhabi Global Market Square
P.O. Box 26492
Abu Dhabi, United Arab Emirates

To ADCB as to United States law

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ
United Kingdom

To ADCB Finance Cayman as to Cayman Islands law

Walkers (Dubai) LLP
5th Floor, The Exchange Building
Dubai International Financial Centre
P.O. Box 506513
Dubai
United Arab Emirates

To the Dealers as to English and UAE law

Latham & Watkins LLP
Level 3, Precinct Building 1
Dubai International Financial Centre
P.O. Box 506698
Dubai
United Arab Emirates

To the Dealers as to United States law

Latham & Watkins LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

AUDITORS

To ADCB

Deloitte & Touche (M.E.)
P.O. Box 990
Abu Dhabi
United Arab Emirates

DEALERS

Abu Dhabi Commercial Bank PJSC
P.O. Box 939
Abu Dhabi
United Arab Emirates

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

ING Bank N.V.
Foppingadreef 7
1102 BD Amsterdam
The Netherlands

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Standard Chartered Bank
P.O. Box 999
Dubai
United Arab Emirates

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
England

LISTING AGENT

Walkers Listing Services Limited
The Anchorage
17-19 Sir John Rogerson's Quay
Dublin 2
Ireland

بنك أبوظبي التجاري
ADCB