

## BASE PROSPECTUS



### NOOR SUKUK COMPANY LTD.

(an exempted company incorporated with limited liability in the Cayman Islands)

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

### Trust Certificate Issuance Programme

Under the U.S.\$3,000,000,000 trust certificate issuance programme (the **Programme**) described in this Base Prospectus (the **Base Prospectus**), Noor Sukuk Company Ltd. (in its capacity as issuer and trustee, the **Trustee**), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the **Certificates**) denominated in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below). Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$3,000,000,000 (or its equivalent in other currencies, calculated as provided for in the Programme Agreement described herein), subject to increase as described herein.

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

**An investment in Certificates issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the ability of the Trustee to fulfil its obligations under the Certificates, see "Risk Factors".**

The Certificates to which this Base Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Certificates offered should conduct their own due diligence on the Certificates. If you do not understand the contents of this Base Prospectus you should consult an authorised financial adviser.

Each Series (as defined herein) of Certificates will be constituted by: (i) an amended and restated master trust deed (the **Master Trust Deed**) dated 5 April 2018 entered into by the Trustee, the Bank and BNY Mellon Corporate Trustee Services Limited as delegate of the Trustee (in such capacity, the **Delegate**); and (ii) a supplemental trust deed (each a **Supplemental Trust Deed**) in relation to the relevant Tranche (as defined in the Conditions). Certificates of each Series confer on the holders of the Certificates from time to time (the **Certificateholders**) the right to receive payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the **Trust**).

This Base Prospectus has been approved by the Dubai Financial Services Authority (the **DFSA**) under Rule 2.6 of the DFSA's Markets Rules (the **Markets Rules**) and is therefore an Approved Prospectus for the purposes of Article 14 of the DIFC Law No.1 of 2012 (the **Markets Law**). Application has also been made to the DFSA for Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of securities (the **DFSA Official List**) maintained by the DFSA and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai. References in this Base Prospectus to Certificates being listed (and all related references) shall mean that such Certificates have been admitted to trading on Nasdaq Dubai and have been admitted to the DFSA Official List.

The Programme provides that Certificates 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 Trustee, the Bank and the relevant Dealer. The Trustee may also issue unlisted Certificates and/or Certificates not admitted to trading on any market.

Notice of the aggregate face amount of the Certificates, periodic distribution amounts (if any) payable in respect of the Certificates, the issue price of the Certificates and certain other information which is applicable to each Series will be set out in a final terms document (the **applicable Final Terms**) which, with respect to Certificates to be listed on Nasdaq Dubai, will be delivered to the DFSA and Nasdaq Dubai.

The DFSA does not accept any responsibility for the content of the information included in this Base Prospectus, including the accuracy or completeness of such information. The liability for the content of this Base Prospectus lies with the Trustee and the Bank. The DFSA has also not assessed the suitability of the Certificates to which this Base Prospectus relates to any particular investor or type of investor and has not determined whether they are *Shari'a* compliant. If you do not understand the contents of this Base Prospectus or are unsure whether the Certificates to which this Base Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

Each Series of Certificates will initially be represented by a global certificate in registered form (a **Global Certificate**). Global Certificates will be deposited on the relevant issue date with, and registered in the name of a nominee for, a common depositary (the **Common Depositary**) on behalf of Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**). The provisions governing the exchange of interests in Global Certificates for definitive Certificates are described in "Summary of Provisions relating to the Certificates while in Global Form".

The Bank has been assigned long term ratings of "A-" with a "stable outlook" by Fitch Ratings Limited (**Fitch**). The United Arab Emirates 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 Investors Services Ltd (**Moody's**) in accordance with the CRA Regulation. Each of Fitch and Moody's is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch and Moody'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. A Series of Certificates to be issued under the Programme may be rated or unrated. Where a Series of Certificates is rated, such rating will be disclosed in the applicable Final Terms and 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.

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Fatwa and Shari'a Supervisory Board of the Bank, the Shari'ah Supervisory Committee of Standard Chartered Bank and by Dr. Hussein Hamed Sayed Hassan. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari'a* principles.

#### Global Co-ordinators

Citigroup

Standard Chartered Bank

Citigroup

Deutsche Bank

Arrangers

Noor Bank

Standard Chartered Bank

Citigroup  
Emirates NBD Capital

Dealers

Deutsche Bank  
Noor Bank

Dubai Islamic Bank  
Sharjah Islamic Bank

Standard Chartered Bank

The date of this Base Prospectus is 5 April 2018

This Base Prospectus complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Markets Rules and comprises a base prospectus for the purpose of giving information with regard to the Trustee, the Bank and the Certificates which, according to the particular nature of the Trustee, the Bank and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and the Bank.

The Trustee and the Bank accept responsibility for the information contained in this Base Prospectus and the applicable Final Terms for each Tranche of Certificates issued under the Base Prospectus. To the best of the knowledge of the Trustee and the Bank (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. The Base Prospectus should be read and construed together with any amendments or supplements hereto and, in relation to any Tranche of Certificates, should be read and construed together with the applicable Final Terms.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the Programme or the issue or sale of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, the Delegate, the Agents, the Bank, the Arrangers or any of the Dealers. Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Trustee or the Bank since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Trustee or the Bank since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering or sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Trustee, the Delegate, the Agents, the Bank, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**). Subject to certain exceptions, Certificates may not 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**)). For a description of certain restrictions on offers and sales of Certificates and on distribution of this Base Prospectus, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Trustee, the Delegate, the Agents, the Bank, the Arrangers or the Dealers to subscribe for, or purchase, any Certificates.

The Arrangers, the Dealers, the Delegate and the Agents have not separately verified the information contained or incorporated by reference into this Base Prospectus. No representation, warranty or undertaking, express or implied is made by the Arrangers, the Dealers, the Delegate or the Agents, or any director, officer, employee, agent or affiliate of any such person, to the accuracy or completeness of any of the information contained or incorporated by reference into this Base Prospectus, and none of the Arrangers, the Dealers, the Delegate or the Agents accept any responsibility for any acts or omissions of the Trustee or the Bank or any other person (other than the relevant Dealers) in connection with the Programme. To the fullest extent permitted by law, none of the Delegate, the Agents, the Arrangers or the Dealers accepts any responsibility for the contents of this Base Prospectus or for any other statement made, or purported to be made, by an Arranger or a Dealer or on their behalf in connection with the Trustee, the Bank or the issue and offering of the Certificates. Each of the Delegate, each Agent, each Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement, including in relation to the information contained in this Base Prospectus or any other information provided by the Trustee or the Bank in connection with the Programme or the issue or offering of Certificates thereunder. Neither this Base Prospectus nor any other such statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Trustee, the Delegate, the Agents, the Bank, the Arrangers or the Dealers that any recipient of this Base

Prospectus or any other such statements should purchase the Certificates. Each potential purchaser of Certificates should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Certificates should be based upon such investigation as it deems necessary. None of the Delegate, the Agents, the Arrangers or the Dealers undertakes to review the financial condition or affairs of the Trustee or the Bank during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Arrangers or the Dealers.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Base Prospectus.

### SUITABILITY OF INVESTMENT

The Certificates may not be a suitable investment for all investors. Each potential investor in any Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisors, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Certificates, the merits and risks of investing in the relevant Certificates and the information contained in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Certificates and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Certificates, including where any Dissolution Distribution Amount or Periodic Distribution Amount (each as defined herein) payments are payable in one or more currencies, or where the currency for Dissolution Distribution Amount or Periodic Distribution Amount payments are different from the potential investor's currency;
- (iv) understands thoroughly the terms of the relevant Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments and such instruments may be purchased 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 Certificates which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to 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) Certificates are legal investments for it; (ii) Certificates can be used as collateral for various types of borrowing or raising of finance; and (iii) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

No comment is made or advice given by the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents (as defined under the terms and conditions of the Certificates (the **Conditions**)) in respect of taxation matters relating to any Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY CERTIFICATES.**

#### **STABILISATION**

**In connection with the issue of any Tranche of Certificates, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the *Stabilisation Manager(s)*) (or any person acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the issue date of the relevant Series 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 the Certificates and 60 days after the date of the allotment of the relevant Tranche of the Certificates. Any stabilisation action must be conducted by the relevant Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

#### **BENCHMARKS REGULATION**

**Amounts payable under the Certificates may be calculated or otherwise determined by reference to an index (such as LIBOR or EURIBOR) or a combination of indices. Any such index may constitute a benchmark for the purposes of the Benchmarks Regulation (Regulation (EU) 2016/1011 (the *Benchmarks Regulation*)). The European Securities and Markets Authority (*ESMA*) established and maintains pursuant to Article 36 of the Benchmarks Regulation the register of administrators and benchmarks. Not every index will fall within the scope of the Benchmarks Regulation. As far as the Trustee is aware, transitional provisions in Article 51 of the Benchmarks Regulation apply, such that an administrator of a particular benchmark is not currently required to obtain authorisation/registration (or, if registered in the European Union, recognition, endorsement or equivalence).**

#### **VOLCKER RULE**

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund", and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisors and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, the Bank, the Arrangers, the Delegate, the Agents or the Dealers, or any of their respective affiliates makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

#### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

This Base Prospectus contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address the Bank's expected future business and financial performance, and often contain words such as "expect", "anticipate", "intend", "may", "plan", "believe", "seek" or "will". Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For the Bank, particular uncertainties that could adversely affect its future results include: the behaviour of financial markets and macro-economic conditions, including fluctuations in interest, profit and exchange rates, commodity and equity prices and the value of financial assets; continued volatility and further deterioration of the capital markets; the commercial and consumer credit environment including credit risks and,

in particular, the impact of a higher level of credit defaults arising from adverse economic conditions, the impact of provisions and impairments and concentration of the Bank's portfolio of financing and investment assets; liquidity risks, including the ability of the Bank to meet its contractual and contingent cash flow obligations or the inability to fund its operations; the impact of laws and regulation (including any change thereto) and regulatory, investigative and legal actions; strategic actions, including acquisitions and future integration of acquired businesses and government policy affecting the Bank's business activities; future financial performance of the banking, financial services and Islamic finance industries; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause the Bank's actual future results to be materially different than those expressed in its forward-looking statements. Although the Bank believes that the expectations, estimates and projections reflected in the Bank's forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise including those which the Bank has identified in this Base Prospectus, or if any of the Bank's underlying assumptions prove to be incomplete or inaccurate, the Bank's actual future results may be materially different than those expressed in its forward-looking statements.

The forward-looking statements in this Base Prospectus speak only as at the date of this Base Prospectus. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Without prejudice to any requirements under applicable laws and regulations, the Bank expressly disclaims any obligation 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 forward-looking statement is based.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

### **PRESENTATION OF FINANCIAL INFORMATION**

#### ***Historical financial statements***

The financial statements relating to the Bank and incorporated by reference in this Base Prospectus are:

- (a) the audited consolidated financial statements as at and for the year ended 31 December 2017 (the **2017 Financial Statements**); and
- (b) the audited consolidated financial statements as at and for the year ended 31 December 2016 (the **2016 Financial Statements**) and, together with the 2017 Financial Statements, the **Financial Statements**).

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (the "IASB").

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

The Trustee is a special purpose company established in the Cayman Islands. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint an auditor.

#### ***Independent Auditors***

The Financial Statements have been audited by PricewaterhouseCoopers, Dubai Branch (**PricewaterhouseCoopers**), independent auditors, in accordance with International Standards on Auditing. PricewaterhouseCoopers have issued unqualified reports on the Financial Statements.

#### ***Comparability of information***

##### ***Reclassifications to 2016 comparatives and related amendments in 2015 figures: Statement of financial position***

The comparative figures for 2016 relating to certain line items in the statement of financial position in the 2017 Financial Statements were reclassified to conform to the presentation adopted in the 2017 Financial Statements.

Hence these line items differ from those included in the 2016 Financial Statements. The reclassifications are summarised below and included in note 30 to the 2017 Financial Statements.

	<b>Previously reported 2016 AED'000</b>	<b>Reclassification 2016 AED'000</b>	<b>After reclassification 2016 AED'000</b>
<b>Assets</b>			
Other Assets	324,554	8,888	333,442
<b>Liabilities</b>			
Customer deposits	29,834,161	31,662	29,802,499
Other liabilities	1,007,946	40,550	1,048,496

The 2015 figures for line items "customer deposits" and "other liabilities" included in this Base Prospectus have been amended to reflect the reclassifications discussed above (see table below), and differ from the figures included, for comparative purposes, in the 2016 Financial Statements. Other than amendments related to "customer deposits" and "other liabilities", the 2015 figures and related ratios and calculations are extracted or derived from the 2016 Financial Statements.

	<b>Reported in 2016 Financial Statements (AED million)</b>	<b>Amendment (AED million)</b>	<b>Reported in Base Prospectus (AED million)</b>
<b>Liabilities</b>			
Customer deposits.....	32,148.7	(32.9)	32,115.8
Other liabilities .....	1,045.6	32.9	1,078.5

*Reclassifications to 2016 comparatives: Income Statement*

The Bank has also made certain reclassifications to the income statement comparative figures for 2016 included in the 2017 Financial Statements to conform to the presentation in the 2017 Financial Statements, as summarised below:

- (i) Reclassification of swap costs amounting to AED 30.7 million from net fee and other income to net income from Islamic financing.
- (ii) Reclassification of AED 0.7 million staff related costs from General and administrative expenses to staff costs.

However these reclassifications are not reflected in the 2015 comparative figures included in this Base Prospectus from the 2016 Financial Statements.

***Alternative Performance Measures***

This Base Prospectus includes certain references to non-IFRS financial measures which has not been prepared in accordance with IFRS and which would be considered alternative performance measures ("APMs") as defined in the European Securities and Markets Authority's Guidelines on Alternative Performance Measures.

For the Bank these measures include:

- Net profit margin
- Financing/total assets
- Customers' deposits/ total funding
- Financing/customer deposits
- Liquid assets ratio
- Cost to income ratio
- Return on average equity

- Return on average assets
- Impaired financings ratio
- Impairment provisions/impaired financings
- Capital adequacy ratio
- Tier I risk assets ratio
- Average balances of Investments in Islamic financing instruments and Investments in Islamic sukuk
- Average income earning assets
- Average funding
- Average yield
- Average cost of funding

None of this financial information is subject to any audit or review by independent auditors.

The Bank believes that the APMs included in this document are helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, none of these ratios is a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of the Bank's results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the Bank's industry, may calculate these ratios differently from the Bank. As all companies do not calculate these ratios in the same manner, the Bank's presentation of any ratio may not be comparable to other similarly titled measures of other companies.

## PRESENTATION OF OTHER INFORMATION

### Certain defined terms

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

- references to **Abu Dhabi** are to the Emirate of Abu Dhabi;
- references to the **Bank** include, where the context permits, references to its four special purpose entities which are identified in note 1 to the 2017 Financial Statements;
- references to **Dubai** are to the Emirate of Dubai;
- references to the **GCC** are to the Gulf Co-Operation Council (which comprises the Kingdom of Bahrain (**Bahrain**), the State of Kuwait (**Kuwait**), the Sultanate of Oman (**Oman**), the State of Qatar (**Qatar**), the Kingdom of Saudi Arabia (**Saudi Arabia**) and the United Arab Emirates (the **UAE**));
- references to a **Member State** are references to a Member State of the European Economic Area;
- references to the **MENA region** are to the Middle East and North Africa region;
- references to **U.S. dollars** and **U.S.\$** are to the lawful currency of the United States of America;
- references to **AED** and **dirham** are to the lawful currency of the United Arab Emirates;
- references to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; and
- references to a **billion** are to a thousand million.

### Certain conventions

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments. For the purposes of calculating certain figures and percentages, the underlying numbers used have been extracted from the relevant financial statements rather than the rounded numbers contained in this Base Prospectus.

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.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The current mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00. All U.S. dollar translations of dirham amounts appearing in this Base Prospectus have been translated at this fixed exchange rate. Such translations should not be construed as representations that dirham amounts have been or could be converted into U.S. dollars at this or at any other rate of exchange.

Unless otherwise indicated, the financial information contained in this Base Prospectus has been expressed in dirham. The Bank's functional currency is dirham and the Bank prepares its financial statements in dirham.

### ***Certain publicly available information***

Certain information under the headings "Risk factors", "Financial review", "Overview of the UAE and Dubai" and "The UAE banking sector and regulations" has been extracted from information provided by:

- in the case of "*Risk factors*", the International Monetary Fund (the **IMF**), the Central Bank of the UAE (the **Central Bank**) and the Organisation of Oil Exporting Countries (**OPEC**);
- in the case of "*Financial review*", the IMF;
- in the case of "*Overview of the United Arab Emirates*", the IMF, the UAE Federal Competitiveness and Statistics Authority (the **FCSA**) and OPEC; and
- in the case of "*The UAE banking sector and regulations*", the FCSA, the IMF and the Central Bank,

and, in each case, the relevant source of such information is specified where it appears under those headings. None of the Dealers, the Trustee or the Bank accepts responsibility for the factual correctness of any such statistics or information but both the Trustee and the Bank accept responsibility for accurately reproducing such statistics and, so far as the Trustee and the Bank are aware and have been able to ascertain from such statistics, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Statistical information relating to the UAE and Dubai included in this Base Prospectus has been derived from official public sources. All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Bank to investors who have purchased any Certificates.

Where information has not been independently sourced, it is the Bank's own information.

### ***No incorporation of website information***

The Bank's website is [www.noorbank.com](http://www.noorbank.com). The information on this website or any other website mentioned in this Base Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Base Prospectus, and investors should not rely on it.

## **NOTICE TO RESIDENTS OF THE UNITED KINGDOM**

**Any Certificates to be issued under the Programme which do not constitute "alternative finance investment bonds" (AFIBs) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000, as amended (the FSMA)) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.**

**The distribution in the United Kingdom of this Base Prospectus, any Final Terms and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the Certificates**

are AFIBs and the distribution is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Financial Promotion Order), (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the Promotion of CISs Order), (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any Final Terms or any other marketing materials in relation to any Certificates.

Potential investors in the United Kingdom in any Certificates which are not AFIBs are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in any investment described in this Base Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

#### MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Certificates may include a legend entitled *MiFID II Product Governance* which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a *distributor*) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, *MiFID II*) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each 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 Certificates is a manufacturer in respect of such Certificates, 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.

#### NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside 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 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 document may not be distributed in the Kingdom except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Saudi Arabian Capital Market Authority (the *CMA*).

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

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

This Base Prospectus does not and is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar. The Certificates are not and will not be traded on the Qatar Stock Exchange.

#### **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 Certificates 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 Certificates.

#### **NOTICE TO RESIDENTS OF MALAYSIA**

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia (*CMSA*), as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or the Bank and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

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## **RISK FACTORS**

*Each of the Trustee and the Bank believes that the following factors may affect both the Trustee's ability to pay amounts owing under Certificates issued under the Programme and the Bank's ability to satisfy its obligations under the Transaction Documents. All of these factors are contingencies which may or may not occur and neither the Trustee nor the Bank is in a position to express a view on the likelihood of any such contingency occurring. However, should any of these factors occur, it would have the potential to materially adversely affect the Bank's business, results of operations, financial condition and prospects and thereby affect its ability to perform its obligations in respect of the Transaction Documents.*

*Factors which each of the Trustee and the Bank believes may be material for the purpose of assessing the market risks associated with Certificates issued under the Programme are also described below.*

*Each of the Trustee and the Bank believes that the non-exhaustive list of factors described below represent the material risks inherent in investing in Certificates, but the inability of the Trustee to pay Periodic Distribution Amounts, Dissolution Distribution Amounts or other amounts on or in connection with any Certificates may occur for other reasons which may not be considered significant risks by the Trustee and/or the Bank based on information currently available to them or which they may not currently be able to anticipate. Neither the Trustee nor the Bank represents that the statements below regarding the risks of holding any Certificates are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **RISKS RELATED TO THE TRUSTEE**

#### **The Trustee has no material assets and will depend on receipt of payments from the Bank to make payments to Certificateholders**

The Trustee was incorporated under the laws of the Cayman Islands on 2 March 2015 as an exempted company with limited liability. The Trustee has not engaged, and will not engage, in any business activity other than the issuance of Certificates under the Programme, the acquisition of Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other related activities as required under the Transaction Documents. Because the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets in respect of each Series of Certificates issued, including the obligation of the Bank to make payments to the Trustee under the Transaction Documents relating to each Series. Therefore, the Trustee is subject to the same risks that affect the Bank to the extent that those risks limit the Bank's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

The ability of the Trustee to pay amounts due on Certificates is dependent upon receipt by the Trustee from the Bank of amounts to be paid pursuant to the relevant Transaction Documents, which may not be sufficient to meet all claims under the Certificates and the relevant Transaction Documents. See "*—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents*".

### **RISKS RELATING TO THE BANK AND ITS ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE TRANSACTION DOCUMENTS**

#### **The majority of the Bank's business operations and assets are located in the UAE, which exposes it to UAE and MENA region economic and political risks**

Almost all of the Bank's business operations and assets are located in the UAE. Accordingly, its results of operations are generally affected by financial, economic and political developments in or affecting the UAE and the MENA region and, in particular, the Bank is, and expects to continue to be, affected by the level of economic activity in the UAE.

The UAE has seen significant economic growth and relative political stability since it was founded in 1971. However, there can be no assurance that such growth or stability will continue and events such as the global financial crisis and lengthy periods of relatively low international oil prices (for example from mid-2008 to 2010 and from mid-2014 to 2017) have resulted in recessionary conditions in the UAE and other regional economies. The Bank commenced operations in January 2008, and was significantly negatively impacted by the global financial crisis which commenced later that year. In particular, like most other UAE banks, the Bank was affected by the liquidity squeeze and increased impairments. In common with other UAE banks, the Bank accepted UAE Ministry of Finance and Central Bank support funding. The Bank later converted the funding into Tier II capital in accordance with its terms and, during 2014, the Bank repaid the funding in full. See "*—The UAE authorities are under no obligation to support the Bank and there is no assurance that the Bank will receive future support that is commensurate with the support that it has received in the past*" below.

Although economic conditions in the UAE here generally improved since 2010, the significant decline in international oil and gas prices since mid-2014 significantly negatively impacted the UAE economy. See "*—The UAE's economy is highly dependent on its oil revenue*" below. In addition, a general downturn or instability in certain sectors of the UAE economy or the regional economy, particularly if it is sustained or combined with other shocks, such as a significant fall in oil and gas prices, house prices or stock market valuations, could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Investors should also note that the Bank's business and financial performance could be adversely affected by political, economic or related developments both within and outside the MENA region because of inter-relationships within the global financial markets. Moreover, while the UAE government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. No assurance can be given that the Dubai government or the UAE government will not implement restrictive fiscal or monetary policies or regulations, including changes with respect to interest/profit rates, new legal interpretations of existing regulations or the introduction of taxation (such as, for example, the introduction of VAT at a rate of 5.0 per cent. in the UAE from 1 January 2018) or exchange controls, any of which could have a material adverse effect on the Bank's business, financial condition and results of operations.

The Bank's business may also be negatively affected if there are regional or geo-political events that prevent it from delivering its services. While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the MENA region are not. Instability in the MENA region 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 number of countries in the Middle East, including Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and the overthrow of existing leadership and has given rise to increased political uncertainty across the region. The MENA region is currently subject to a number of armed conflicts including those in Yemen (in which the UAE armed forces, along with a number of other Arab states, are involved), Syria, Iraq and Palestine as well as the multinational conflict with the Islamic State. There can be no assurance that extremists or terrorist groups will not escalate violent activities in the MENA region or that the governments of the MENA region will be successful in maintaining the prevailing levels of domestic order and stability. Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of the MENA region 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. It is not generally 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 Bank would be able to sustain the profitable operation of its business if adverse political events or circumstances that impacted the UAE were to occur.

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

The UAE's economy is highly dependent upon oil revenue. According to OPEC data, as at 31 December 2016, the UAE had 7.0 per cent. of proven global oil reserves and 3.0 per cent. of proven global gas reserves.

Crude oil prices fluctuate in the future in response to changes in many factors over which the Bank has no control. Factors that may affect the price of crude 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.

During the second half of 2014, international oil prices declined significantly. For example, the OPEC Reference Basket price for a barrel of crude oil (the **Reference Basket Price**) fell by approximately 75 per cent. from a monthly average of U.S.\$105.61 in July 2014 to a monthly average of U.S.\$26.50 in January 2015. The annual average Reference Basket price was U.S.\$96.29 in 2014. Crude oil prices remained low in both 2015 and 2016, with the annual average Reference Basket Price being U.S.\$49.49 in 2015 and U.S.\$40.76 in 2016. During 2017, crude oil prices began to recover, resulting in an annual average Reference Basket Price of U.S.\$52.43 in 2017. In March 2018, the monthly average Reference Basket Price was U.S.\$66.05.

The comparatively low prices in 2015, 2016 and 2017 have had a significant negative effect on the UAE's economy, with the UAE's nominal GDP falling by 11.2 per cent. in 2015 and by 2.6 per cent. in 2016, although the IMF in its October 2017 World Economic Database estimates that the UAE's nominal GDP will have grown by 8.6 per cent. in 2017 and will grow by 5.9 per cent. in 2018. The recessionary conditions in the UAE in 2015 and 2016 negatively impacted the Bank. In particular, in 2016 and 2017, the Bank recorded significantly increased impairment charges (of AED 645 million and AED 838 million, respectively, compared to AED 198 million in 2015). Future periods of economic recession in the UAE, whether caused by falling oil prices or other factors are likely to negatively impact the Bank's business in a similar manner, including through increased impairment charges in future periods as weaker economic conditions impact its customers.

### **The Bank is exposed to significant credit risk which could result in significant credit losses in future periods**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial exposure or instrument fails to meet its contractual obligations. Credit risks arising from adverse changes in the credit quality and recoverability of financings and amounts due from counterparties are inherent in a wide range of the Bank's businesses. Credit risks could arise from a deterioration in the credit quality of specific counterparties, from a general deterioration in local or global economic conditions or from systemic risks within the financial system in which the Bank operates, all of which could affect the recoverability and value of the Bank's assets and require an increase in its impairment provisions which could have a material adverse effect on its business, results of operations, financial condition and prospects. See "*Risk management—Credit risk management*" for a description of the Bank's exposure to, and the policies, systems and procedures it has in place to manage, credit risk.

### **The Bank's customer financing portfolio is subject to significant concentration risks**

The Bank's customer financing portfolio (which comprises its investments in Islamic financing instruments) constituted AED 27.4 billion, or 64.3 per cent. of its total assets, as at 31 December 2017. Of this, 96.0 per cent was made to customers located in the UAE and the Bank envisages that it will retain such concentration over the short to medium term. In addition, the Bank's customer financing portfolio is concentrated in particular industry sectors. For example, as at 31 December 2017, personal financings comprised 35.0 per cent. of its total gross customer financing portfolio, with construction and real estate; financial institutions and investment companies;

trade; and transport, storage and communications accounting for 15.9 per cent., 11.4 per cent., 8.7 per cent. and 7.0 per cent., respectively.

The Bank's customer financing portfolio also has significant individual concentrations, with the Bank's 20 largest customer financings representing 23.0 per cent. of its total assets as at 31 December 2017. In addition, government and government related entities (**GREs**) constituted 12.8 per cent. of the Bank's customer financing portfolio as at 31 December 2017, see "*Financial review—Analysis of certain statement of financial position items—Investments in Islamic financing instruments*".

Concentrations in the Bank's financing portfolio subject it to enhanced risks arising from any default by one or more of its larger obligors and from negative developments affecting particular sectors of the UAE economy (including the retail and construction and real estate sectors) to which it is significantly exposed. See "*Financial review—Analysis of certain statement of financial position items—Investments in Islamic financing instruments*" for tables showing the industry sector breakdown of the Bank's gross customer financing portfolio.

### **The Bank's non-performing financings may increase, which would have an adverse effect on its profitability**

The Bank's non-performing financings (**NPFs**) as at 31 December 2017 represented 4.3 per cent. of its total gross financings. The Bank follows Central Bank guidelines to determine NPFs. These guidelines specify that a financing should be classified as an NPF where any payment in respect of it is more than 90 days past due. In addition, in instances where negative information is available, the Bank may classify a financing as an NPF irrespective of whether the account is more than 90 days past due or not. The Bank continues to actively manage and monitor its financing portfolio. Factors which may contribute to an increase in the amount of the Bank's NPFs include growth in its customer financing portfolio, negative changes in the economic environment in the UAE and adverse political and economic conditions in the countries with which the Bank's obligors trade. Should the Bank's NPFs increase, its impairment charges in respect of its financing portfolio are also likely to increase which would have a material adverse effect on its business, results of operations, financial condition and prospects.

### **The Bank has significant credit-related contingent liabilities and commitments that may lead to potential losses**

As part of its normal banking business, the Bank issues guarantees and letters of credit (**LCs**) which are accounted for off the Bank's statement of financial position until such time as they are actually funded or cancelled. In addition, the Bank makes revocable and irrevocable commitments to advance credit to its customers. Although these commitments are contingent, they nonetheless subject the Bank to both credit and liquidity risks. As at 31 December 2017, the Bank had AED 8,932 million in such contingent liabilities and commitments outstanding, equal to 24.6 per cent. of its combined customer financing portfolio and contingent liabilities.

Although the Bank anticipates that only a portion of its obligations in respect of these commitments will be triggered and funds itself accordingly, the Bank may need to make payments in respect of a greater portion of such commitments, particularly in cases where there has been a general deterioration in market conditions. This would result in the Bank needing to obtain additional funding, potentially at relatively short notice, which may not be readily available or may be significantly more expensive, which would reduce the Bank's margins and adversely impact its operating income and profitability.

### **The Bank is exposed to reputational risks related to its operations and industry**

All financial institutions depend on the trust and confidence of their customers to succeed in their business. The Bank is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Bank's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it has extended financing or in which it has invested. For example, if one of the Bank's customers becomes associated with financial scandals or widely publicised improper behaviour, the Bank's own reputation may be affected. In common with other banks, the Bank is also exposed to adverse publicity relating to the financial services industry as a whole. Financial scandals unrelated to the Bank or questionable ethical conduct by a competitor, particularly an Islamic

bank, may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. Any damage to the Bank's reputation could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Bank.

**The Bank 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 potentially higher cost of funds in the interbank financing market, and given the high level of interdependence between financial institutions that became most evident following the bankruptcy of Lehman Brothers in 2008, the Bank 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 counterparty may lead to market-wide liquidity problems and losses or defaults by the Bank or other institutions. This risk, often referred to as "systemic risk", may also adversely affect other financial intermediaries, such as clearing agencies, securities firms and exchanges, with whom the Bank interacts on a daily basis. Systemic risk, should it materialise, could have a material adverse effect on the Bank's ability to raise new funding and on its business generally.

**The Bank is subject to liquidity risk which could materially adversely affect its results of operations and, in an extreme case, could threaten its solvency**

Liquidity risk is the risk that the Bank will not be able to honour its obligations when they fall due or will only be able to secure funding at excessive cost which then adversely impacts its profitability. Liquidity risk arises from the inability to manage unplanned decreases or changes in funding sources.

The Bank's customer deposits amounted to AED 30.3 billion, or 82.4 per cent. of its total liabilities, as at 31 December 2017 compared to AED 29.8 billion, or 84.6 per cent. of its total liabilities, as at 31 December 2016 and AED 32.1 billion, or 89.4 per cent. of its total liabilities, as at 31 December 2015. As is the normal practice in the UAE banking industry, the deposits which the Bank accepts from its customers are short-term in nature. However, it is also normal in the UAE banking industry for these short-term deposits to be rolled over on maturity such that, in practice, a significant portion have actual maturities of a longer duration. Accordingly, there is a risk that, if a significant number of the Bank's customers choose not to roll over their deposits at any time or withdraw their deposits at a rate faster than the rate at which obligors repay financing provided by the Bank, the Bank could experience difficulties in funding those lost deposits. The risk of this happening is likely to increase at times of poor economic performance when the Bank's customers are more likely to need cash and it may be more expensive for the Bank to fund those withdrawals from other sources.

As at 31 December 2017, the Bank's 20 largest depositors accounted for 33.0 per cent. of its customer deposits. Any withdrawal of a significant portion of these large deposits may have an adverse effect on the Bank's financial condition and results of operations as well as on its ability to meet the Central Bank's target ratio for financings to stable resources of 100 per cent. and other ratios under Basel III guidelines introduced by the Central Bank.

Liquidity risk in Islamic banks is heightened by the fact that less *Shari'a*-compliant liquidity products are available to them than is the case for conventional banks. Cash and cash equivalent balances and a portfolio of Islamic sukuk investments which together aggregated AED 8.3 billion as at 31 December 2017 compared to AED 7.4 billion as at 31 December 2016 are available for short-term liquidity management. There is no assurance that the Bank will not experience significant liquidity constraints in the future and any such constraints could have a material adverse effect on its business, results of operations, financial condition or prospects. See "*Risk management—Liquidity risk management*" for a description of the Bank's exposure to, and the policies, systems and procedures it has in place to manage, liquidity risk.

**The Bank is exposed to market risks which could have a negative impact on its equity or profitability**

Market risk is the risk that changes in financial market prices and rates, in particular profit rates and foreign exchange rates, will cause fluctuations in the fair value or future cash flows of the financial instruments to which the Bank is a party. The risk arises from imbalances in the Bank's balance sheet as well as from open positions in profit rate and currency products, each of which is exposed to general and specific market movements (such as profit rates, credit spreads and foreign exchange rates) and changes in the level of volatility of market rates or prices. For example, the Bank's principal profit earning assets are its investments in Islamic financing instruments and its investments in Islamic sukuk whilst its principal profit paying liabilities are its depositors' accounts. As most of the Bank's liabilities are short-term floating rate products which re-price on a regular basis where its floating rate assets generally have longer re-pricing terms, the Bank's net profit income tends to be adversely affected in a falling profit rate environment. See "*Risk management—Market risk management*" for a description of the Bank's exposure to, and the policies, systems and procedures it has in place to manage, market risk.

The Bank maintains its accounts, and reports its results, in dirham. The dirham, along with the currencies of most of the other GCC countries, is pegged at a fixed exchange rate to the U.S. dollar. In the case of the UAE, this currency peg has existed since 22 November 1980. However, there can be no assurance that the UAE government will not de-peg the dirham in the future or that the existing peg will not be adjusted in a manner that materially adversely affects the Bank's results of operations and financial condition. Any such de-pegging or adjustment could have a material adverse effect on the Bank's business, results of operation, financial condition and prospects.

**The Bank is exposed to operational and legal risk which could result in damage to its reputation as well as financial losses**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems (including as a result of external events). Operational risks and losses can result from fraud, malicious interference with systems or processes as a result of cybercrime or other causes, error by employees (including failure to document transactions properly or to obtain proper internal authorisation), failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems or equipment and external systems (such as those of the Bank's counterparties or vendors) and the occurrence of natural disasters. Although the Bank has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures (including operational manuals, internal controls and periodic reviews and audits), it is not possible to entirely eliminate operational risk. Accordingly, there is no assurance that the Bank will not experience significant lapses in operational controls in the future and any such lapses could have a material adverse effect on its reputation, business, results of operations, financial condition or prospects. See "*Risk management—Operational risk management*" for a description of the Bank's exposure to, and the policies, systems and procedures it has in place to manage, operational risk.

The Bank may also face legal risk from private and regulatory actions brought against it. Generally, as a participant in the financial services industry, it is likely that the Bank may experience, from time to time, both litigation and enhanced regulatory scrutiny related to its businesses and operations. The Bank seeks to mitigate this risk through the use of standardised documentation and related policies, systems and procedures (including similar steps to those taken to mitigate operational risk as outlined above), together with internal and external legal advice, as appropriate. Should the Bank fail to identify and adequately control any legal or regulatory risk this could have a material adverse effect on its reputation, business, results of operations, financial condition or prospects.

**The Bank is subject to risks relating to its information technology systems, including the risk of cyber attack, and loss of business continuity**

The Bank depends on its information technology (IT) systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of its business and operating data. The proper functioning of the Bank's financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main

data processing centres, are critical to the Bank's business and ability to compete effectively. The Bank's business activities would be materially disrupted if there is a partial or complete failure of any of its IT systems or communications networks.

In common with other financial institutions based in the GCC and elsewhere in the world, the threat to the security of the Bank's information and customer data from cyber-attacks is real and continues to increase. 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-attacks, it is possible that future attacks may lead to significant breaches of security.

In addition, the Bank's IT systems and communications networks can fail for other reasons, including many which are outside the Bank's control, such as natural disasters and extended power outages. The proper functioning of the Bank's IT systems also depends on accurate and reliable data and other system input, which are subject to human error. Any failure or delay in recording or processing the Bank's transaction data could subject it to claims for losses and regulatory fines and penalties. The Bank has implemented and tested detailed business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective.

Further, any failure or delay in recording or processing the Bank's transaction data could subject it to claims for losses and regulatory fines and penalties. The Bank has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective at all times or that they will protect the Bank from all losses that could occur.

**The Bank's risk management policies, systems and procedures may not prove effective in all circumstances**

In the course of its business activities, the Bank is exposed to a wide variety of banking risks. While the Bank believes that it has implemented appropriate policies, systems and procedures to control and mitigate these risks, its risk management techniques may not be fully effective in mitigating its exposure in all market environments or against all types of risk, including risks that are currently unidentified or not anticipated, particularly in view of its relatively limited operating history.

The Bank's methods of managing risk include the use of historical market behaviour and setting appropriate risk appetite and maximum tolerance levels to determine and monitor risk exposures. In addition, stress testing using forward-looking scenarios is designed to assist the Bank in analysing the impact of possible future events on its capital, profitability, liquidity and funding position, which in turn helps to shape the Bank's strategy. The Bank's risk management methods are intended to assist it in predicting possible impacts on its risk exposures, but actual outcomes may prove to be significantly different from those which its risk management models predict and could be significantly greater than historical measures indicate.

Investors should note that any failure by the Bank to adequately control the risks to which it is exposed, including as a result of any failure to successfully implement new risk management systems in the future, could have a material adverse effect on the Bank's reputation, business, results of operations, financial condition or prospects.

**The Bank's internal compliance systems might not be fully effective in all circumstances**

The Bank's ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. Although the Bank is subject to oversight by regulatory authorities, including regular examination activity, performs regular internal audits and has its internal control systems periodically reviewed by external auditors, the Bank cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against it. In the case of actual or alleged non-compliance with applicable regulations, the Bank could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages.

### **The Bank could be adversely affected by a negative change in its credit rating**

The Bank's credit rating is important to its business. The Bank has been assigned a long-term rating of "A-" with a "stable outlook" by Fitch. This rating is driven by Fitch's assessment that there is an extremely high probability of support from the UAE authorities, if needed. Any negative change in this assessment, or in any other aspects of the Bank's business identified by the rating agencies as significant, could adversely affect the rating agency's perception of the Bank's credit and cause it to take negative ratings actions. Any downgrade in the Bank's credit ratings or the threat of a potential downgrade could:

- adversely affect its liquidity and competitive position;
- undermine confidence in the Bank;
- increase its funding costs;
- limit its access to the sukuk funding market; and/or
- limit the range of counterparties willing to enter into transactions with the Bank, as many institutions require their counterparties to satisfy minimum ratings requirements.

In addition, the credit rating assigned to the Bank may not reflect the potential impact of all risks related to an investment in Certificates, the market, additional factors discussed in this Base Prospectus and other factors that may affect the value of the Certificates. A security rating is not a recommendation to buy, sell or hold securities. The Bank's credit ratings are subject to change and could be downgraded as a result of many factors, including the failure of the Bank to successfully implement its strategies. A downgrade of the Bank's credit ratings could also lead to a loss of customers and counterparties which could have a material adverse effect on its business, results of operations and financial condition.

### **The Bank may not be able to raise capital as and when needed on commercially attractive terms**

As at 31 December 2017, the Bank's common equity tier 1 capital adequacy ratio (calculated according to Basel III standards) was 11.39 per cent., its tier 1 capital ratio was 16.77 per cent. and its total capital adequacy ratio was 17.90 per cent., in each case above the levels required by the Central Bank of 8.25 per cent., 9.75 per cent. and 11.75 per cent., respectively. These required ratios all include a capital conservation buffer of 1.25 per cent. To date, the Bank has not been designated as a domestic systemically important bank, or D-SIB.

A variety of factors affect the Bank's capital adequacy levels. For example, a significant increase in its customer financing portfolio in 2018 and beyond would be likely to reduce the Bank's capital adequacy ratios and any losses experienced by it in future periods would have a similar effect. In addition, regulatory requirements in relation to the calculation of capital adequacy and required levels of capital adequacy may change from time to time, including as a result of new guidelines issued by the Basel Committee on Banking Supervision. The Bank may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies.

As a result, the Bank is likely to need to obtain additional capital in the future to support the planned growth of its business. Such capital, whether in the form of debt financing or additional equity, may not be available on commercially favourable terms, or at all. Moreover, should the Bank's capital ratios fall close to regulatory minimum levels or the Bank's own internal minimum levels, the Bank may need to adjust its business practices, including reducing the risk and leverage of certain activities or undertaking asset disposals. If the Bank is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase and it may suffer regulatory sanctions.

### **There are fewer *Shari'a*-compliant hedging instruments available to the Bank as compared to those available to conventional banks**

The Bank's status as an Islamic bank means that its assets and liabilities are not fully comparable to those of a conventional bank. In particular, the Bank does not have a range of hedging products available to it to manage certain credit, market and liquidity risks that is comparable to those available to conventional banks. There can

be no assurance that the limited availability of hedging products will be sufficient to manage all risks that the Bank faces, and any failure to manage specific risks effectively may have a material adverse effect on the Bank's business, results of operations, financial condition or prospects.

**The Bank cannot be certain that it will continue to grow or that it will be able to manage its growth effectively**

The Bank's growth strategy is predicated on organic growth opportunities (including those resulting from increased consumer demand for Islamic banking services and *Shari'a*-compliant banking products), supplemented by strategic sectoral growth, if management identifies appropriate opportunities. The Bank cannot give any assurance that it will be successful in expanding into any other jurisdictions or business areas in which it may identify growth opportunities. Management of growth requires, among other things, stringent control of financial systems and operations, including increased risk management and internal control policies and procedures as well as credit analysis and reporting, the continued development of such controls, policies and procedures, the hiring and training of new personnel and continued access to funds to finance growth. It also significantly increases costs, including the cost of recruiting, training and retaining a sufficient number of suitably qualified personnel and the cost of compliance arising from exposure to additional activities and jurisdictions. Any failure on the Bank's part to manage its future growth efficiently and effectively or to successfully implement any expansion opportunities management may identify could have a material adverse effect on the Bank's business, results of operations, financial condition or prospects.

**The Bank faces competition in all of its business areas**

The Bank faces competition in all of its business areas from domestic and foreign banks operating in the UAE. The Bank faces competition from both Islamic banks and conventional banks. According to the Central Bank's December 2017 Monthly Statistical Bulletin – Banking and Monetary Statistics, there were 61 banks (22 domestic and 39 foreign, of which 27 were fully fledged commercial banks and 12 were licensed wholesale banks) with head offices in the UAE. As at the same date, there were seven UAE-based Islamic banks and a number of other financial institutions offering Islamic products and services in the UAE. Additional financial institutions may consider offering *Shari'a*-compliant products in the future. A number of the other banks operating in the UAE have significantly larger operations than the Bank, which may make it difficult for the Bank to compete with those banks on certain financing opportunities.

The Bank believes that, in order to compete effectively, it will need to successfully implement its strategy, including by diversifying its wholesale banking operations, refocusing its SME activities and realigning its retail business. See "*Description of the Bank—Strategy*".

The banking market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation, the GCC or any other similar entities, it is likely to lead to a more competitive environment for the Bank and other domestic financial institutions. Recent changes that have affected the UAE banking system include:

- new Central Bank liquidity requirements which are in line with Basel III requirements came into force in the UAE on 1 July 2015, see "*The United Arab Emirates banking sector and regulations—Recent trends in banking—Liquidity*"; and
- the implementation by the Central Bank of Basel III capital requirements from February 2017, see "*The United Arab Emirates banking sector and regulations—Recent trends in banking—Capital adequacy*".

Increased competition could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects, particularly if it is less successful in adapting to new developments than certain of its competitors.

**The Bank may be negatively affected by future regulatory changes**

The Bank is subject to the laws, regulations, administrative actions and policies of the UAE which are applicable to banks generally and those of any other jurisdiction in which it may operate in the future. These

regulations may limit the Bank's activities and changes in supervision and regulation could materially adversely affect the Bank's business, the products or services it is able to offer and the value of its assets, as well as its results of operations, financial condition and prospects. In addition, in order to carry out and expand its businesses, it is necessary for the Bank to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits, approvals and consents are often lengthy, complex, unpredictable and costly. If the Bank is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

The Bank is also required to comply with applicable know-your-customer, anti-money laundering and counter-terrorism financing laws and regulations in the UAE and other jurisdictions where it operates, including those related to countries subject to sanctions by the United States Office of Foreign Assets Control (**OFAC**), similar regulations of other jurisdictions, and applicable anti-corruption laws in the jurisdictions in which it conducts business. To the extent that the Bank fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged and it could be subject to fines or other monetary penalties, which could materially adversely impact its cash flow and profitability

Further, any future changes in regulatory, fiscal or other policies affecting the Bank's business, the products or services it is able to offer and the value of its assets cannot always be predicted and are beyond the control of the Bank. Such changes may require the expenditure of significant amounts to enable compliance, which may impact the Bank's profitability. A description of the legal and regulatory environment applicable to banks generally in the UAE is set out under "*The UAE banking sector and regulations*".

#### **The Bank is dependent on key personnel**

The Bank's revenue depends, in part, on its ability to continue to attract, retain and motivate qualified and skilled personnel. The Bank relies on its senior management for the implementation of its strategy and its day-to-day operations. There is intense competition in the UAE for skilled personnel, especially at the senior management level, due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. If the Bank is unable to retain key members of its senior management and/or hire new qualified personnel in a timely manner, this could have a material adverse effect on its operations.

The loss of one or more members of the Bank's senior management team may result in:

- a loss of organisational focus;
- poor execution of operations; and/or
- an inability to identify and execute potential strategic initiatives.

These adverse results could, among other things, reduce potential revenue, which could materially adversely affect the Bank's business, results of operations, financial condition and prospects.

#### **The Bank's accounting policies and methods are critical to how it reports its financial condition and results of operations and require management to make estimates about matters that are uncertain**

Accounting policies and methods are fundamental to how the Bank records and reports its financial condition and results of operations. Management must exercise judgement in selecting and applying many of these accounting policies and methods so they comply with IFRS.

Management has identified the most significant judgements and estimates made by it in note 2.4 to the 2017 Financial Statements. These judgements and estimates include, for example, the determination of when its Islamic financing investments may be impaired and the amount of any provisions for impairment losses, the classification of investments in Islamic sukuk as held to maturity and the measurement of the fair value of investment properties and buildings under property and equipment.

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. The Bank has established policies and control procedures

that are intended to ensure that its significant accounting estimates and judgements 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 the Bank's judgements and the estimates pertaining to these matters, the Bank cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

IFRS 9 (Financial Instruments) is effective for annual periods beginning on or after 1 January 2018. The Bank has adopted this new standard on the required effective date. IFRS 9 addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (**ECL**) rather than the incurred credit losses basis as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through comprehensive income (**FVOCI**), contract assets under IFRS 15 (Revenue from Contracts with Customers), lease receivables, financing commitments and certain financial guarantee contracts. The Bank's transition adjustment to comply with IFRS 9 amounts to a reduction of AED 278.5 million in the Bank's opening equity at 1 January 2018, equal to 0.65 per cent. of its total assets as at the same date.

The Bank continues to refine the impairment model and related processes. The new standard also introduces expanded disclosure requirements which may change the nature and extent of the Bank's disclosures about its financial instruments in 2018.

**The UAE authorities are under no obligation to support the Bank and there is no assurance that the Bank will receive future support that is commensurate with the support that it has received in the past**

The UAE authorities have in the past supported the domestic banking industry, including in the period following the global financial crisis, see "*The majority of the Bank's business operations and assets are located in the UAE, which exposes it to UAE and MENA region economic and political risks*". However, there can be no assurance that they will continue to provide support to the domestic banking industry in the future. An investment in Certificates will not be covered by any compensation or insurance scheme of any UAE government agency, and the Certificates do not have the benefit of any government guarantee. Certificateholders must solely look to the Trustee and the Bank for the performance of their respective obligations under the Certificates and the Transaction Documents. In the event of the Bank's insolvency, a Certificateholder may lose all or some of its investment in the Certificates.

**The interests of the Bank's majority shareholder may conflict with those of the Certificateholders**

The Government of Dubai, members of the Ruling Family of Dubai and a select group of Government of Dubai nominated UAE nationals own an aggregate of 88.3 per cent. of the shares of the Bank, see "*Description of the Bank—Shareholders and share ownership*". By virtue of their shareholding, these investors, to the extent that they act together, have the ability to influence the Bank's business significantly through their ability to control actions that require shareholder approval and also have the ability to approve the election of all members of the Bank's board of directors (the **Board**) and thus influence Board decisions.

The interests of these investors may be different from those of Certificateholders. For example, decisions made by these investors and the Board may be influenced by the need to consider the wider interests of the group of companies of which the Bank forms part and may result in decisions (including decisions to pay significant dividends to shareholders) that are less commercially beneficial to Certificateholders than those that might otherwise have been made.

**The Certificates are not guaranteed by the Bank or any third party**

Investors should be aware that no guarantee is given in relation to the Certificates or any of the Transaction Documents by the Bank, its shareholders or any other person.

## **RISKS RELATED TO THE CERTIFICATES**

### ***The Certificates are limited recourse obligations of the Trustee***

The Certificates are not debt obligations of the Trustee, instead, each Certificate represents an undivided ownership interest in the Trust Assets relating to that Series. Recourse to the Trustee is limited to the Trust Assets of the relevant Series and the proceeds of the Trust Assets of the relevant Series are the sole source of payments on the Certificates of that Series. Upon the occurrence of a Dissolution Event, the sole rights of the Trustee and/or the Delegate (acting on behalf of the Certificateholders of the relevant Series of Certificates) will be against the Bank to: (i) pay the Exercise Price in accordance with the Purchase Undertaking in respect of such Series; and (ii) otherwise perform its obligations under the Transaction Documents to which it is a party.

Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets), the Delegate or (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is party) the Bank in respect of any shortfall in the expected amounts due on the Certificates. The Bank is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against the Bank to recover such payments due to the Trustee pursuant to the Transaction Documents.

After enforcing or realising the rights in respect of the Trust Assets in respect of a Series of Certificates and distributing the net proceeds of such Trust Assets in accordance with Condition 5(b) and the Master Trust Deed, the obligations of the Trustee and/or the Delegate in respect of that Series of Certificates shall be satisfied and neither the Trustee nor the Delegate nor any Certificateholder may take any further steps against the Trustee or the Bank to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets other than as contemplated in the Transaction Documents. The sole right of the Trustee, the Delegate and the Certificateholders against the Bank shall be to enforce the obligation of the Bank to perform its obligations under the Transaction Documents.

### ***The Certificates may be subject to early redemption***

If the amount payable in respect of the Certificates of any Series is required to be increased to include additional amounts and/or the Bank is required to pay additional amounts pursuant to the Transaction Documents, in each case as a result of certain changes affecting taxation in the Cayman Islands, the United Arab Emirates or the Emirate of Dubai (as the case may be), or in each case any political subdivision or any authority thereof or therein having power to tax, the Bank may be entitled to require the Trustee to redeem all but not some only of the Certificates upon giving notice in accordance with Condition 8(b). In addition, if so provided in the applicable Final Terms, a Series may also be redeemed early at the option of the Bank pursuant to Condition 8(c). Any such early redemption feature of any Certificate is likely to limit its market value.

During any period when the Bank may elect to require the Trustee to redeem the Certificates (whether pursuant to Condition 8(b) or Condition 8(c)), the market value of those Certificates generally will not rise substantially above the Dissolution Distribution Amount payable. This may also be true prior to any other Dissolution Date.

### ***Investors must make their own determination as to Shari'a compliance***

The Fatwa and Shari'a Supervisory Board of the Bank, the Shariah Supervisory Committee of Standard Chartered Bank and Dr. Hussein Hamed Sayed Hassan have confirmed that the Transaction Documents are, in its view, in compliance with *Shari'a* principles. However, there can be no assurance that the Transaction Documents or any issue and trading of Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of the Trustee, the Bank, the Delegate, the Agents (as defined in the Conditions), the Arrangers or the Dealers makes any representation as to the *Shari'a* compliance of any Series and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Potential investors should obtain their own independent *Shari'a* advice as to whether the Transaction Documents and any issue of Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradeability of the Certificates on any secondary market. Questions as to the

*Shari'a* permissibility of the Transaction Documents or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents would be, if in dispute, either the subject of arbitration under English law or court proceedings under the laws of Dubai, the UAE or England and Wales. In such circumstances, the arbitrator or judge (as applicable) will apply the governing law of the relevant Transaction Document in determining the obligations of the parties.

***There can be no assurance as to the impact of a change in the laws governing the Certificates or the Transaction Documents***

The structure of each issue of Certificates under the Programme is based on English law, the laws of the Emirate of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE and administrative practices 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, UAE or Dubai law or administrative practices in any such jurisdiction after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Bank to make payments under the Transaction Documents to which it is a party and/or the Trustee to make payments under any Series of Certificates or the ability of the Trustee or the Bank to otherwise comply with their respective obligations under the Transaction Documents to which they are a party.

***Certificates are subject to modification by a majority of the Certificateholders of a Series without the consent of all of the Certificateholders***

The Master Trust Deed contains provisions for calling meetings of the Certificateholders of one or more Series to consider matters affecting their interests. In addition, the Master Trust Deed contains provisions for obtaining written resolutions on matters relating to the Certificates from holders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates of the relevant Series for the time being outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Certificates are held in global form in the clearing systems, the Trustee, the Bank and the Delegate (as the case may be) will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, the Bank and the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates of the relevant Series for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, the Bank and the Delegate (as the case may be) by accountholders in the clearing systems with entitlements to such global certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Trustee, the Bank and the Delegate (as the case may be) have obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/ instruction and prior to effecting such resolution.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Certificateholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Certificateholders satisfying the special quorum in accordance with the provisions of the Master Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held.

These provisions permit defined majorities to bind all of the Certificateholders of the relevant Series (including Certificateholders who did not attend or vote at the relevant meeting as well as Certificateholders who voted in a manner contrary to the majority).

The Master Trust Deed also provides that the Delegate may, without the consent or sanction of Certificateholders, (i) agree to any modification of any of the provisions of the Master Trust Deed, the Transaction Documents or the Trustee's memorandum and articles of association that is of a formal, minor or technical nature or is made to correct a manifest error, or (ii) (a) agree to any other modification of any provisions of the Trust Deed, the Transaction Documents or the Trustee's memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Master Trust Deed or the Transaction Documents or (b) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such provided that such modification, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the outstanding aggregate face amount of the relevant Series and, in the case of modifications referred to in paragraph (ii) (a) above, other than in respect of a matter which requires a special quorum resolution (as defined in the Master Trust Deed). Any such modification, authorisation, determination or waiver shall be binding on the Certificateholders and, unless the Delegate agrees otherwise, such modification shall be notified by the Trustee to the Certificateholder as soon as practicable thereafter.

***Credit ratings assigned to the Bank and/or the Certificates are subject to ongoing evaluations and there can be no assurance that the ratings currently assigned to the Bank and/or the Certificates will not be downgraded***

The Bank has been assigned long term ratings of "A-" with a "stable outlook" by Fitch. The Certificates of each Series may be unrated or may be rated by one or more independent credit rating agencies who may also assign credit ratings to the Certificates. Any ratings of either the Bank or the Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. Nevertheless, real or anticipated changes in the Bank's credit ratings or the ratings of the Certificates generally may affect the market value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

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

#### ***Interest or profit rate risks***

Investment in Fixed Rate Certificates involves the risk that if market interest or profit rates subsequently increase above the rate paid on the Fixed Rate Certificates, this will adversely affect the value of the Fixed Rate Certificates.

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

***The Certificates may be subject to exchange rate risks and exchange controls***

Neither the Trustee nor the Bank 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 volatility between such currencies or with other currencies may be expected in future.

The Trustee will pay all amounts due on any Certificates, and the Bank will make any payments pursuant to the Transaction Documents, in the Specified Currency. If an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency, such investor may therefore bear certain exchange rate risks. These include the risk that: (i) exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency); and (ii) 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: (a) the Investor's Currency-equivalent yield on the Certificates; (b) the Investor's Currency-equivalent value of the Dissolution Distribution Amount payable in respect of the Certificates; and (c) the Investor's Currency-equivalent market value of the Certificates.

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 any amounts on a Certificate. As a result, investors may receive less than expected, or no payment at all. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Certificate would not be available at such Certificate's maturity.

***A secondary market may not develop or be maintained for the Certificates***

There is no assurance that a market for the Certificates of any Series will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of such Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates easily or at prices that will provide a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in Certificates must be prepared to hold the relevant Certificates for an indefinite period of time or until their maturity. Whilst an application has been made for the listing of certain Series to be issued under the Programme on the DFSA Official List, there can be no assurance that any such listing will occur or will enhance the liquidity of the Certificates of the relevant Series.

***Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade***

In relation to any issue of Certificates which have a denomination consisting of the minimum Specified Denomination (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Certificates may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a face amount of Certificates at or in excess of the minimum Specified Denomination such that its holding amounts to one or more Specified Denomination. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

A Certificateholder who 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 Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a definitive Certificate. If definitive Certificates are issued, holders should be aware that definitive Certificates

which have a denomination that is not an integral multiple of the minimum Specified Denomination may also be illiquid and difficult to trade.

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

Each Series of Certificates issued under the Programme will be represented on issue by a Global Certificate that may be deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Certificate held through it. While the Certificates of each Series are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants and the Trustee will discharge its payment obligations under the relevant Series of Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the relevant Series of Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Certificates 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.

***European Monetary Union may cause Certificates denominated in certain currencies to be re-denominated in euro***

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

**RISKS RELATING TO THE WAKALA ASSETS**

***Ownership of Wakala Assets***

In order to comply with the requirements of *Shari'a*, an interest in the Wakala Assets of each Series will pass to the Trustee under the relevant Supplemental Purchase Contract. The Trustee will declare a trust in respect of its interest in such Wakala Assets and the other relevant Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the relevant Supplemental Trust Deed. Accordingly, Certificateholders will have beneficial interests in the relevant Wakala Assets unless transfer of such interests in the Wakala Assets is prohibited by, or ineffective under, any applicable law (see"—*Transfer of the Wakala Assets*" below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Wakala Assets. The Wakala Assets will be selected by the Bank in its absolute discretion (subject to the provisions contained in the Transaction Documents) and the Certificateholders, the Trustee and the Delegate will have no ability to influence such selection. Only limited representations will be obtained from the Bank in respect of the Wakala Assets of a Series. In particular, the precise terms of such Wakala Assets or the nature of the assets leased, sold, originated or otherwise held will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by the Bank to give effect to the transfer of the ownership interest in the Wakala Assets). No steps will be taken to perfect the transfer of the ownership interest in any Wakala Assets or otherwise to give notice to any lessee or obligor in respect thereof. Obligors and lessees may have rights of set off or counterclaim against the Bank in respect of such Wakala Assets.

If and to the extent that a third party is able to establish a direct claim against the Trustee, the Delegate or any relevant Certificateholders in relation to any Wakala Assets, the Bank has agreed in the Master Trust Deed to indemnify the Trustee, the Delegate and the Certificateholders against any liabilities in connection with such claim. If the Bank is unable to satisfy any such claims or meet its indemnity obligations then the relevant Certificateholders may suffer losses in excess of the original face amount invested.

### ***Transfer of the Wakala Assets***

No investigation has been or will be made as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if any Supplemental Purchase Contract will have the effect of transferring an interest in the relevant Wakala Assets.

However, the Bank has undertaken in the Purchase Undertaking and the Master Trust Deed that if the Wakala Assets Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the rights, benefits and entitlements of the Trustee in, to and under the Wakala Assets or any of them, or for any other reason, the Bank shall (as an independent, severable and separately enforceable obligation and without double counting) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Wakala Assets Exercise Price.

The Bank has agreed under the terms of the Transaction Documents (other than the Master Purchase Agreement and the Master Lease Agreement) to submit to the exclusive jurisdiction of, at the option of the Delegate, the courts of England or the courts of the Dubai International Financial Centre (the **DIFC Courts**) in respect of any dispute, claim, difference or controversy arising out of or in connection with the Master Trust Deed, subject to the right of the Trustee (or the Delegate on behalf of the Certificateholders) to elect to bring proceedings in any other court or courts of competent jurisdiction. Dubai Law No. 16 of 2011 on Amending Some Provisions of Law No. 12 of 2004 Concerning the Dubai International Financial Centre Courts (**Law No. 16 of 2011**) came into force in the Emirate of Dubai on 31 October 2011 and extended the jurisdiction of the DIFC Courts to include all civil and commercial disputes where the parties to the relevant dispute have expressly agreed to submit to the jurisdiction of the DIFC Courts, even where such parties are unconnected to the DIFC. None of the Trustee, the Bank or the Delegate are connected to the DIFC.

If the Bank fails to purchase the Wakala Assets in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out in Condition 12 and the terms of the Master Trust Deed, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Master Trust Deed against the Bank by commencing proceedings in the DIFC Courts. The DIFC Courts should respect the choice of English law as the governing law of the Purchase Undertaking and the Master Trust Deed.

Under Article 7 of Law No. 16 of 2011, any final and unappealable judgment, order or award made by the DIFC Courts in favour of the Delegate (on behalf of the Certificateholders) must, upon application by the Delegate to the Dubai Court of Execution, be enforced against the Bank by the Dubai Court of Execution without that court being able to reconsider the merits of the case.

Investors should note however that, as at the date of this Base Prospectus, Law No. 16 of 2011 remains relatively untested and there is therefore no certainty as to how the DIFC Courts intend to exercise their jurisdiction under the new law should any party dispute the right of the DIFC Courts to hear a particular dispute where any party is unconnected to the DIFC.

## **RISKS RELATING TO ENFORCEMENT**

### **The Bank may have insufficient assets located outside the UAE to satisfy any court judgment obtained outside the UAE**

Investors should note that the Bank is a UAE company and is incorporated, and the significant majority of its operations and assets are located, in the UAE. Accordingly, the Bank is unlikely to have sufficient assets located outside the UAE to satisfy in whole or part any judgment obtained from any court, including an English court, outside the UAE relating to amounts owing in connection with any Certificates. In addition, if investors were to

seek enforcement of an English judgment in the UAE or to bring proceedings in relation to any Certificates in the UAE, then certain limitations would apply, see "*Investors may experience difficulty in enforcing arbitration awards and foreign judgments in Dubai*" below.

### **Compliance with UAE bankruptcy law may affect the Bank's ability to perform its obligations under the Transaction Documents**

In the event of the Bank's insolvency, UAE bankruptcy laws may adversely affect the Bank's ability to perform its obligations under the Transaction Documents and, in turn, may adversely affect the Trustee's ability to perform its obligations in respect of any Certificates issued under the Programme. There is little precedent to predict how claims by or on behalf of Certificateholders, the Trustee and/or the Delegate would be resolved, and therefore there can be no assurance that Certificateholders will receive payment of their claims in full or at all in these circumstances.

### **Change of law**

The structure of the issue of the Certificates is based on English law, the laws of the Emirate of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE, the laws of the DIFC and administrative practices 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, the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE, the laws of the DIFC or administrative practices in any such jurisdiction after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of the Bank to make payments under the Transaction Documents or the ability of the Trustee or the Bank to otherwise comply with their respective obligations under the Transaction Documents.

### **Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Dubai**

Ultimately the payments under the Certificates are dependent upon the Bank making payments to the Trustee in the manner contemplated under the Transaction Documents. If the Bank fails to do so, it may be necessary for an investor to bring an action against the Bank to enforce its obligations (subject to the provisions of Condition 12) and/or to claim damages, as appropriate, which could be both time consuming and costly.

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

The parties to the Transaction Documents have agreed to refer any unresolved dispute in relation to the Transaction Documents to arbitration under the LCIA Rules with an arbitral tribunal with its seat in London. In addition, subject to the exercise of an option to litigate given to certain parties, the courts of England and Wales or the courts of the Dubai International Financial Centre, at the option of the Delegate, are stated to have jurisdiction to settle any disputes in respect of the Transaction Documents (other than the Master Purchase Agreement and the Master Lease Agreement). Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that the Bank has, or would at the relevant time have, assets in the United Kingdom against which such arbitral award or judgment could be enforced, and it is therefore likely that proceedings would need to be commenced for the enforcement of any such award or judgment in Dubai (where the substantial majority of the Bank's assets are located).

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

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

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the **New York Convention**) entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Dubai 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 Dubai 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.

In practice, however, whether the Dubai courts will enforce a foreign arbitration award in accordance with the terms of the New York Convention has yet to be tested. 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.

The uncertainty regarding the interpretation and application of the New York Convention provisions by the courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and because of the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Dubai courts will take the same approach in similar proceedings in the future. In practice, therefore, how the New York Convention provisions would be interpreted and applied by the Dubai courts, and whether the Dubai courts will enforce a foreign arbitration award in accordance with the New York Convention, remains largely untested.

#### **Considerations relating to the non-recognition of trusts under UAE law**

UAE law does not recognise the concept of trust or beneficial interests. Accordingly, if a UAE court were to consider the merits of a claim in respect of the Master Trust Deed and apply UAE law principles in doing so, there is no certainty that all of the terms of the Master Trust Deed (which is governed by English law) would be enforced by the UAE courts and the trust arrangements set out therein may be re-characterised as an agency arrangement by the UAE courts.

#### **A court may not grant an order for specific enforcement**

If the Bank fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of the Bank's obligations or a claim for damages.

There is no assurance that a court will provide an order for specific enforcement, which is a discretionary matter. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of such breach. No assurance is provided as to the level of damages which a court may award if the Bank fails to perform its obligations set out in the Transaction Documents.

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

The Bank has waived its rights in relation to sovereign immunity under the Transaction Documents to which it is a party. 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 Transaction Documents to which it is a party are valid and binding under the laws of Dubai and, to the extent applicable therein, the federal laws of the UAE.

### **RISKS RELATING TO THE UAE AND DUBAI**

#### **Emerging markets such as the UAE and Dubai are subject to greater risks than more developed markets**

Emerging markets such as the UAE and Dubai are subject to greater risks than more developed markets, including in some cases greater levels of legal, economic and political risks. See, for example, "*Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The majority of the Bank's*

*business operations and assets are located in the UAE, which exposes it to UAE and MENA region economic and political risks" and "Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The UAE's economy is highly dependent upon its oil revenue" above.*

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

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

Any of the foregoing could have an adverse effect on the Bank's business, financial condition and results of operations. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment in any Certificates is appropriate. Generally, investment in emerging markets (such as an investment in any Certificates) is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

#### **Tax changes in the UAE may have an adverse effect on the Bank**

As at the date of this Base Prospectus, the Bank 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 value added tax (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 the Bank's business, results of operations and financial condition. However, it is possible that, as a result of the introduction of VAT in the UAE, the Bank'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 the Bank's business, results of operations and financial condition.

## **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (a) the independent auditors' report and audited consolidated financial statements of the Bank as at and for the financial year ended 31 December 2017 (available at: [https://www.noorbank.com/content/NB\\_Financials\\_2017\\_\\_en.pdf](https://www.noorbank.com/content/NB_Financials_2017__en.pdf)); and
- (b) the independent auditors' report and audited consolidated financial statements of the Bank as at and for the financial year ended 31 December 2016 (available at: [https://www.noorbank.com/content/NB\\_Financials\\_2016.pdf](https://www.noorbank.com/content/NB_Financials_2016.pdf)).

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

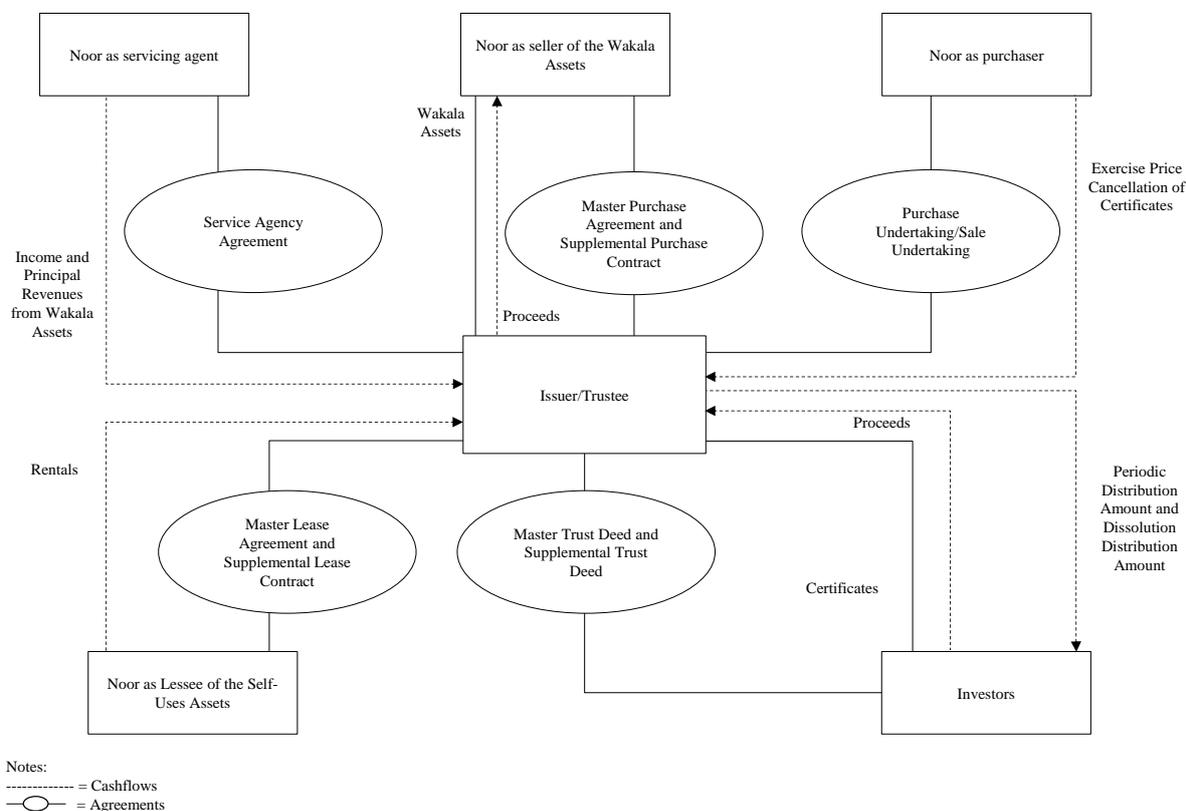
Following the publication of this Base Prospectus, a supplementary prospectus may be prepared by the Trustee and the Bank and approved by the DFSA in accordance with the Markets Law and the Markets Rules. Statements contained in any such supplementary prospectus (or contained in any document incorporated by reference therein) shall, to the extent applicable, 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.

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

The Trustee and the Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Certificates, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Certificates.

## STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series issued. Potential investors are referred to the terms and conditions of the Certificates set out in "Terms and Conditions of the Certificates" and the detailed descriptions of the relevant Transaction Documents set out in "Summary of the Principal Transaction Documents" for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.



### Principal cash flows

#### Payments by the Certificateholders and the Trustee

On the Issue Date of the first Tranche of each Series, the Certificateholders will pay the issue price in respect of the Certificates (the **Issue Proceeds**) to the Trustee and the Trustee will pay the Issue Proceeds in full to or to the order of the Bank (as Seller) as the purchase price payable under the relevant Supplemental Purchase Contract for the purchase of an initial portfolio (the **Initial Wakala Portfolio**). On the Issue Date of any further Tranche of a Series, the Certificateholders will pay the Issue Proceeds to the Trustee and the Trustee will pay the Issue Proceeds in full to or to the order of the Bank (as Seller) as the purchase price payable under the relevant Supplemental Purchase Contract for the purchase of an additional portfolio (the **Additional Wakala Portfolio**). Both the Initial Wakala Portfolio and, where relevant the Additional Wakala Portfolio will consist of:

- any plot of land or other real estate related asset which is either: (i) to be developed in accordance with a development plan; or (ii) already developed but not externally leased to third parties (each such asset, a **Self-use Asset**), each of which shall be leased (each a **Leased Asset**) by the Trustee to the Bank;
- real estate assets and non-real estate assets together with the related *ijara* contracts and receivables thereunder (the **Ijara Finance Assets**);
- other income generating assets (including, without limitation, any *sukuk* or trust certificates) that have underlying tangible assets and which are originated, held or owned by the Bank in accordance

with *Shari'a* principles laid down by the Bank's Fatwa and Shari'a Supervisory Board (including any agreements or documents relating to such asset) (each such asset, an **Other Tangible Asset** and each Ijara Finance Asset, Other Tangible Asset and Leased Asset a **Tangible Asset**); and

- (d) receivables under *murabaha* or other contracts involving the sale of commodities or goods on a deferred payment basis together with the payments of the related profit amounts and the contracts in respect thereof (the **Murabaha Receivables**) and other *Shari'a* compliant income generating assets that do not have associated with them underlying tangible assets (the **Other Intangible Assets**) (each Murabaha Receivable and Other Intangible Asset an **Intangible Asset**),

and each Tangible Asset and Intangible Asset, a **Wakala Asset**.

In the case of any subsequent Tranche of Certificates of a Series, the relevant Certificateholders will pay the issue price (as set out in the applicable Final Terms) in respect of the issuance of additional Certificates to the Trustee, and the Trustee will use such proceeds to purchase from the Bank the relevant Additional Wakala Portfolio pursuant to the terms of the Master Purchase Agreement.

### **Periodic Distribution Payments**

On the Business Day prior to each Periodic Distribution Date the Servicing Agent (as defined in the Service Agency Agreement) will pay amounts reflecting the returns (excluding any amounts in the nature of principal) generated in respect of the relevant Wakala Portfolio (the **Wakala Portfolio Income Revenues**) into the relevant Transaction Account, which amount is intended to be sufficient to fund the Periodic Distribution Amounts payable by the Trustee under the Certificates of the relevant Series (the **Required Amount**) and shall be applied by the Trustee for that purpose.

If the Wakala Portfolio Income Revenues are greater than the Required Amount, such excess returns shall be credited to a separate account by the Servicing Agent, (such account, in the case of a Wakala Portfolio being the **Wakala Income Reserve Collection Account**).

If, in respect of any period, the Wakala Portfolio Income Revenues are insufficient to fund the Required Amount, the Servicing Agent shall apply amounts standing to the credit of the Wakala Income Reserve Collection Account towards such shortfall by paying an amount equal to the same into the Transaction Account. If, having applied such amounts from the Wakala Income Reserve Collection Account there remains a shortfall between the amount standing to the credit of the Transaction Account and the Required Amount, the Servicing Agent may make *Shari'a* compliant funding available (or may procure its availability, as applicable) to the Trustee in the amount of the shortfall remaining on terms that such funding is repayable: (i) from Wakala Portfolio Income Revenues received in respect of a subsequent period; or (ii) on a Dissolution Date on which all (but not some only) of the Certificates of a Series are to be redeemed (a **Liquidity Facility**).

### **Payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date**

In respect of the Scheduled Dissolution Date in relation to each Series the Trustee or the Delegate (as applicable) will have the right under the Purchase Undertaking to require the Bank to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprising the Wakala Portfolio for payment of the relevant Exercise Price into the Transaction Account on the Business Day immediately preceding the Scheduled Dissolution Date and such amounts are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates.

### **Payment of the Dissolution Distribution Amount in the event of early redemption**

The Trust in relation to any Series may be dissolved prior to the relevant Scheduled Dissolution Date for the following reasons: (a) following a Dissolution Event; (b) for tax reasons; (c) if so specified in the applicable Final Terms, at the option of the Bank; and (d) if so specified in the applicable Final Terms, at the option of the Certificateholders.

In respect of an early redemption following a Dissolution Event or at the option of Certificateholders, on a Dissolution Date the Trustee or the Delegate (as applicable) will have the right under the Purchase Undertaking to require the Bank to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under all (in the case of redemption following a Dissolution Event or where all Certificates are to be redeemed

on such Dissolution Date) or (where some only of the Certificates are to be redeemed on such Dissolution Date) a portion of the Wakala Assets comprising the Wakala Portfolio for payment of the relevant Exercise Price into the Transaction Account on the Dissolution Event Redemption Date (in the case of redemption following a Dissolution Event) or the Business Day immediately preceding the relevant Dissolution Date (in all other cases) and such amount is intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates on the relevant Dissolution Date.

*Early redemption for tax reasons or early redemption at the option of the Bank*

In respect of an early redemption for tax reasons or an early redemption at the option of the Bank the Bank will have the right under the Sale Undertaking to require the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under all or (where some only of the Certificates are to be redeemed on such Dissolution Date) a portion of the Wakala Assets comprising the Wakala Portfolio for payment of the relevant Exercise Price into the Transaction Account on the Business Day immediately preceding the relevant Dissolution Date and such amount is intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates on the relevant Dissolution Date.

**Purchase and Cancellation of Certificates**

Pursuant to Condition 8(f) and 8(g), the Bank and its subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank elects to cancel any Certificates so purchased the Bank may exercise its right under the Sale Undertaking to require the Trustee to transfer all of its rights, title, interests, benefits and entitlements in, to and under all or a specified portion (as applicable) of the Wakala Assets comprising the Wakala Portfolio to the Bank against surrender of the relevant Certificates and in each case on the relevant date specified by the Bank for cancellation.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche, the applicable Final Terms. The Trustee and any relevant Dealer(s) may agree that Certificates shall be issued in a form other than that contemplated in the Conditions, in which event, in the case of listed Certificates only and, if appropriate, a supplemental prospectus will be published.*

Words and expressions defined in the Conditions, "Summary of Provisions relating to the Certificates while in Global Form" and "Summary of Principal Transaction Documents" shall have the same meanings in this overview.

**Seller, Obligor, Servicing Agent and Lessee:** Noor Bank PJSC, incorporated in Dubai on 26 March 2007 as a public joint stock company under UAE Federal Law No. 8 of 1984 (as amended) in its capacity as Seller pursuant to the Master Purchase Agreement, Obligor pursuant to the Purchase Undertaking, Servicing Agent pursuant to the Service Agency Agreement and Lessee Pursuant to the Master Lease Agreement.

**Trustee:** Noor Sukuk Company Ltd., as issuer of the Certificates and as trustee for and on behalf of the Certificateholders, an exempted company with limited liability incorporated on 2 March 2015 in accordance with the Companies Law (as amended) of the Cayman Islands with company registration number 297119 and with its registered office at Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.

**Ownership of the Trustee:** The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held on trust by Walkers Fiduciary Limited under the terms of a trust for charitable purposes.

**Administration of the Trustee:** The affairs of the Trustee are managed by Walkers Fiduciary Limited, a licensed trust company in the Cayman Islands (the **Trustee Administrator**), with its registered office at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands, who will provide, amongst other things, corporate administrative services, director services and act as share trustee for and on behalf of the Trustee pursuant to a corporate services agreement dated 3 April 2018 made between, amongst others, the Trustee and the Trustee Administrator (the **Corporate Services Agreement**).

**Arrangers:** Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Noor Bank PJSC and Standard Chartered Bank.

**Dealers:** Citigroup Global Markets Limited, Emirates NBD Capital, Deutsche Bank AG, London Branch, Noor Bank PJSC, Dubai Islamic Bank PJSC, Sharjah Islamic Bank PJSC and Standard Chartered Bank and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Tranche of Certificates.

<b>Delegate:</b>	BNY Mellon Corporate Trustee Services Limited (the <b>Delegate</b> ). In accordance with the Master Trust Deed, the Trustee will, <i>inter alia</i> , unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain present and future duties, powers, rights, authorities and discretions vested in the Trustee by certain provisions of the Master Trust Deed in accordance with the terms of the Master Trust Deed. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction, be obliged to) take enforcement action in the name of the Trustee against the Bank (in any capacity) following a Dissolution Event.
<b>Principal Paying Agent:</b>	The Bank of New York Mellon, London Branch.
<b>Registrar and Transfer Agent:</b>	The Bank of New York Mellon SA/NV, Luxembourg Branch
<b>Initial Programme Size:</b>	Up to U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The size of the Programme may be increased in accordance with the terms of the Programme Agreement.
<b>Method of Issue:</b>	The Certificates may be issued on a syndicated or non-syndicated basis. The Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The specific terms of each Series will be recorded in a final terms document (the <b>applicable Final Terms</b> ).
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, Certificates may be denominated in any currency (each a <b>Specified Currency</b> ) agreed between the Trustee, the Bank and the relevant Dealer.
<b>Maturities:</b>	The Certificates will have such maturities as may be agreed between the Trustee, the Bank 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 Trustee, the Bank or the Specified Currency.
<b>Issue Price:</b>	Certificates may be issued at any price on a fully paid basis, as specified in the applicable Final Terms. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, the Bank and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Denomination of Certificates:</b>	The Certificates will be issued in such denominations as may be agreed between the Trustee, the Bank and the relevant Dealer(s), as specified in the applicable Final Terms, save that (i) the minimum denomination of each Certificate 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 Specified Currency, (ii) the minimum face amount of each Certificate listed on the DFSA Official List will be U.S.\$100,000 (or, if the Certificates are issued in a currency other than United States dollars, the equivalent amount in such currency, as calculated on the Issue Date of such Series); and (iii) unless otherwise permitted by such current laws and regulations, Certificates (including Certificates denominated in sterling) which have a maturity of less than one year

and in respect of which the issue proceeds are to be accepted by the Trustee in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or, if the Certificates are denominated in a currency other than sterling, the equivalent amount in such currency, as calculated on the Issue Date of such Tranche).

**Status of the Certificates:**

The Certificates will represent an undivided beneficial ownership interest in the Trust Assets of the relevant Series and will be limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* and without any preference or priority with all other Certificates of the relevant Series.

The payment obligations of the Bank (in any capacity) to the Trustee under the Transaction Documents in respect of each Series of Certificates will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 6(b)) unsecured obligations of the Bank and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6(b), at all times rank at least equally with all other unsecured and unsubordinated monetary obligations of the Bank, present and future.

**Trust Assets:**

The Trust Assets of the relevant Series will be (i) the cash proceeds of the issue of the relevant Series of Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (ii) the Trustee's rights, title, interest, benefits and entitlements, present and future, in, to and under the Wakala Portfolio; (iii) the Trustee's rights, title, interest, benefits and entitlements, present and future, in, to and under the Transaction Documents (other than in relation to the Excluded Representations (as defined in the Conditions) and the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed); and (iv) all moneys standing to the credit of the relevant Transaction Account from time to time; and all proceeds of the foregoing listed (i) to (iv) (the **Trust Assets**).

**Periodic Distribution Amounts:**

Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.

**Fixed Rate Certificates:**

Fixed Rate Certificates will bear profit on their outstanding face amount at such fixed rate per annum and on such date or dates as may be agreed between the Trustee, the Bank and the relevant Dealer(s), calculated in accordance with such Day Count Fraction as may be agreed between the Trustee, the Bank and the relevant Dealer(s), each as more particularly described in Condition 7(a).

**Floating Rate Certificates:**

Floating Rate Certificates will bear profit on their outstanding face amount at such floating rate per annum as may be determined:

- (i) on the same basis as the floating rate under a notional profit 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 relevant Series of Certificates) plus or minus the

applicable margin; or

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

The margin (if any) relating to such floating rate will be agreed between the Trustee, the Bank and the relevant Dealer(s) for each Series of Floating Rate Certificates.

Such profit will be paid on such date or dates as may be agreed between the Trustee, the Bank and the relevant Dealer(s) and will be calculated on the basis of such Day Count Fraction as may be agreed between the Trustee, the Bank and the relevant Dealer(s).

Floating Rate Certificates may also have a maximum profit rate, a minimum profit rate or both.

See Condition 7(b).

**Negative Pledge:**

The Certificates will have the benefit of a negative pledge granted by the Bank, as described in Condition 6(b).

**Cross Acceleration:**

The Certificates will have the benefit of a cross-acceleration provision in respect of the Bank, as described in Condition 12 and subparagraph (iii) of the definition of "Obligor Event" corresponding thereto.

**Dissolution on the Scheduled  
Dissolution Date:**

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the relevant Dissolution Distribution Amount on the relevant Scheduled Dissolution Date specified in the applicable Final Terms for such Series and the Trust in relation to the relevant Series will be dissolved by the Trustee following the payment of all such amounts in full.

**Dissolution Distribution Amount:**

In relation to each Certificate of a Series, either:

- (i) the sum of:
  - (a) the outstanding face amount of such Certificate; and
  - (b) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
- (ii) such other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date.

**Early Dissolution of the Trust:**

The Trust may only be dissolved (in whole or in part) prior to the Scheduled Dissolution Date upon the:

- (i) occurrence of a Dissolution Event;
- (ii) exercise of an Optional Dissolution Right (if applicable to the relevant Series);
- (iii) exercise of a Certificateholder Put Right (if applicable to the relevant Series); or
- (iv) occurrence of a Tax Event.

In each case, the Certificates of a Series will be redeemed pursuant to the exercise of the Purchase Undertaking or the Sale Undertaking (as applicable) and the Service Agency Agreement whereupon the Bank will pay the relevant Exercise Price to the Trustee. The relevant

Exercise Price payable under the Purchase Undertaking or the Sale Undertaking, as the case may be will be used to fund the redemption of the Certificates of the relevant Series at an amount equal to the relevant Dissolution Distribution Amount.

**Dissolution Events:**

The Dissolution Events are described in Condition 12. Following the occurrence and continuation of a Dissolution Event in respect of a Series of Certificates, the Certificates may be redeemed in full at an amount equal to the relevant Dissolution Distribution Amount in the manner described in Condition 12.

**Early Dissolution for Tax Reasons:**

Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 10 or the Bank has or will become obliged to pay any additional amounts in respect of amounts payable to the Trustee pursuant to the terms of any Transaction Document as a result of a change in, or amendment to, the laws or regulations of the Cayman Islands (in the case of a payment by the Trustee) or the United Arab Emirates or the Emirate of Dubai (in the case of a payment by the Bank) or in each case, any political subdivision or any authority therein or thereof having power to tax or any change in the application or official interpretation of such laws or regulations, and such obligation cannot be avoided by the Trustee or the Bank, as applicable, taking reasonable measures available to it, the Bank may in its sole discretion require the Trustee to redeem the Certificates in whole, but not in part, on a Periodic Distribution Date (in the case of a Floating Rate Certificate) or at any time (in the case of a Fixed Rate Certificate) at the relevant Dissolution Distribution Amount, as more particularly described in Condition 8(b).

**Optional Dissolution Right:**

If so specified in the applicable Final Terms, the Bank may, in accordance with Condition 8(c), require the Trustee to redeem all or some of the Certificates of the relevant Series at the relevant Dissolution Distribution Amount on any Optional Dissolution Date.

If applicable to the relevant Series, the Optional Dissolution Date(s) will be specified in the applicable Final Terms.

**Certificateholder Put Right:**

If so specified in the applicable Final Terms, Certificateholders may elect to redeem their Certificates on any Certificateholder Put Right Date(s) specified in the applicable Final Terms at an amount equal to the relevant Dissolution Distribution Amount in accordance with Condition 8(d).

**Cancellation of Certificates held by the Bank and/or any of its subsidiaries:**

Pursuant to Condition 8(f), the Bank and/or any of its subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank wishes to cancel such Certificates purchased by it and/or any of its subsidiaries, the Bank may do so in accordance with Condition 8(g).

**Wakala Asset Substitution**

The Servicing Agent may substitute Wakala Assets in accordance with the relevant provisions of the Service Agency Agreement and the Sale Undertaking, provided that the value of any substitute assets shall have an aggregate value which is not less than the aggregate value of the Wakala Assets to be so substituted.

**Limited Recourse:**

Each Certificate of a particular Series will represent an undivided

beneficial ownership interest in the Trust Assets for such Series. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.

Certificateholders have no recourse to any assets of the Trustee (and/or its directors or officers in their capacity as such) (other than the relevant Trust Assets) or the Delegate or any Agent or any of their respective directors, officers, employees, shareholders or affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished.

See further Condition 4(b).

**Form and Delivery of the Certificates:**

The Certificates will be issued in registered form only. The Certificates of each Tranche will be represented on issue by beneficial interests in a Global Certificate (the **Global Certificate**), which will be deposited with, and registered in the name of a nominee for, a common depositary (the **Common Depositary**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Individual Certificates evidencing holdings of Certificates will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances described under "*Summary of Provisions relating to the Certificates while in Global Form*".

**Clearance and Settlement:**

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

**Withholding Tax:**

All payments by the Trustee in respect of the Certificates are to be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or the United Arab Emirates or the Emirate of Dubai or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Trustee has agreed to pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by it had no such withholding or deduction been required, subject to and in accordance with Condition 10. If the Trustee is required to pay any additional amounts as aforesaid, the Bank has undertaken in the Purchase Undertaking, to pay such additional amounts as may be necessary so that the full amount due and payable by the Trustee in respect of the Certificates is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of Condition 10.

In addition, all payments by the Bank under the Transaction Documents to which it is a party are to be made without any deduction or withholding for, or on account of, any present or future

taxes, levies, duties, fees, assessments or other charges of whatever nature unless required by law and without set-off or counterclaim of any kind. If any deduction or withholding is required by law, the Bank has undertaken to pay such additional amounts as shall result in receipt by the Trustee of such amounts as would have been received by it under the relevant Transaction Document had no such deduction or withholding been made.

**Listing:**

Application has been made to the DFSA for Certificates issued under this Programme during the period of 12 months after the date hereof to be admitted to the DFSA Official List and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai.

Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, the Bank and the relevant Dealer in relation to the Series. Certificates 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 Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Certificateholder Meetings:**

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 14.

**Tax Considerations:**

See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.

**Governing Law:**

The Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by English law.

Each of the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Programme Agreement, any Subscription Agreement, the Service Agency Agreement, the Sale Undertaking, the Purchase Undertaking and any non-contractual obligations arising out of or in connection with the same will be governed by and construed in accordance with English law.

The Master Lease Agreement and any Supplemental Lease Contract, the Master Purchase Agreement and any Supplemental Purchase Contract and any sale and/or transfer agreement (as applicable) entered into pursuant to the Purchase Undertaking or the Sale Undertaking, as the case may be, will be governed by, and construed in accordance with, the laws of the Emirate of Dubai and, to the extent applicable in Dubai, the federal laws of the United Arab Emirates.

The Corporate Services Agreement and the Share Declaration of Trust (as defined in "*Description of the Trustee – The Administrator*") will be governed by the laws of the Cayman Islands.

**Waiver of Immunity:**

To the extent that the Bank may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, the Bank will agree in the Transaction Documents not to claim and will irrevocably and

unconditionally waive such immunity in relation to any legal proceedings.

Further, the Bank will irrevocably and unconditionally consent to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal proceedings. See Condition 20(h).

**Transaction Documents:**

The Transaction Documents in respect of a Series shall comprise the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Certificates, the Service Agency Agreement, the Master Lease Agreement and any Supplemental Lease Contract, the Sale Undertaking, the Purchase Undertaking, any sale and/or transfer agreement (as applicable) entered into pursuant to the Purchase Undertaking or the Sale Undertaking, as the case may be, the Master Purchase Agreement and any Supplemental Purchase Contract.

**Rating:**

The Bank has been assigned long term ratings of "A-" with a "stable outlook" by Fitch. The United Arab Emirates 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 the CRA Regulation. The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch and Moody's is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch and Moody'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.

A Series of Certificates to be issued under the Programme may be rated or unrated. Where a Series of Certificates is to be rated, its rating will be specified in the applicable Final Terms and will not necessarily be the same as the rating assigned 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.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Certificates, including in the United States of America, the Public Offer Selling Restriction under the Prospectus Directive, the United Kingdom, the Cayman Islands, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Bahrain, Saudi Arabia, Qatar, Japan, Hong Kong, Malaysia and Singapore. See "*Subscription and Sale*".

**United States Selling Restrictions:**

Regulation S, Category 2.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following is the text of the terms and conditions that, subject to completion and amendment and as varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Certificates in definitive form (if any) issued in exchange for the Global Certificate representing each Tranche. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such definitive Certificates. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Certificates. References in the Conditions to "Certificates" are to the Certificates of one Series only, not to all Certificates that may be issued under the Programme.*

Noor Sukuk Company Ltd. (in its capacity as issuer and in its capacity as trustee, the **Trustee**) has established a programme (the **Programme**) for the issuance of trust certificates (the **Certificates**) in a maximum aggregate face amount of U.S.\$3,000,000,000 (or the equivalent in other currencies calculated as described in the amended and restated programme agreement between the Trustee, Noor Bank PJSC (the **Obligor**) and the Dealers named therein dated April 2018 (the **Programme Agreement**)), or such other maximum aggregate face amount as increased in accordance with the terms of the Dealer Agreement.

The Certificates are constituted by an amended and restated master trust deed dated 5 April 2018 between the Trustee, the Obligor and BNY Mellon Corporate Trustee Services Limited as the Trustee's delegate (the **Delegate**, which expression shall include all persons for the time being the delegate or delegates under the Trust Deed) (the **Master Trust Deed**) as supplemented by a supplemental declaration of trust entered into on or before the date of issue of the relevant Certificates (the **Issue Date**) in respect of the relevant Series (the **Supplemental Trust Deed** and, together with the Master Trust Deed, the **Trust Deed**).

An amended and restated agency agreement (the **Agency Agreement**) dated 5 April 2018 has been entered into in relation to the Certificates between the Trustee, the Obligor, The Bank of New York Mellon, London Branch as initial principal paying agent, The Bank of New York Mellon SA/NV, Luxembourg Branch as initial registrar and transfer agent and the other agents named in it. The principal paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the **Principal Paying Agent**, the **Paying Agents** (which expression shall include the Principal Paying Agent), the **Registrar**, the **Transfer Agents** (which expression shall include the Registrar) and the **Calculation Agent(s)**, and together the **Agents**.

These terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of Certificates referred to below, the Agency Agreement and the remaining Transaction Documents (as defined below). The Certificateholders are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents.

Copies of the Transaction Documents are available for inspection during usual business hours at the principal office of the Delegate and at the specified office of the Principal Paying Agent.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the Series (the **Proceeds**) in full to purchase the Initial Wakala Portfolio (as defined herein) from the Obligor; (b) to act as Purchaser pursuant to the Master Purchase Agreement and any Supplemental Purchase Contract; (c) to act as Lessor pursuant to the Master Lease Agreement and any Supplemental Lease Contract; and (d) to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Trust Deed and these Conditions.

### 1 Interpretation

Unless defined herein or the context otherwise requires, capitalised words and expressions used but not defined herein or hereon shall have the meaning given to them in the Trust Deed and the Agency

Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

**Additional Wakala Portfolio** has the meaning given to it in the Supplemental Purchase Contract;

**Authorised Signatory** has the meaning given to it in the Trust Deed;

**Broken Amount** means the amount specified as such hereon;

**Business Day** has the meaning given to it in Condition 7(i);

**Calculation Amount** means the amount specified as such hereon;

**Cancellation Notice** means a cancellation notice given pursuant to the terms of the Sale Undertaking;

**Certificateholder** or **holder** has the meaning given to it in Condition 2;

**Certificateholder Put Exercise Notice** has the meaning given to it in Condition 8(d);

**Certificateholder Put Right** means the right specified in Condition 8(d);

**Certificateholder Put Right Date** means, in relation to any exercise of the Certificateholder Put Right, the date(s) specified as such hereon and which must (if this Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;

**Corporate Services Agreement** means the corporate services agreement entered into between, amongst others, the Trustee and the Trustee Administrator dated 3 April 2018;

**Day Count Fraction** has the meaning given to it in Condition 7(i);

**Delegation** has the meaning given to it in Condition 15(a);

**Dispute** has the meaning given to it in Condition 20(b);

**Dissolution Date** means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;
- (d) any Certificateholder Put Right Date;
- (e) any Dissolution Event Redemption Date; or
- (f) such other date as specified hereon for the redemption of Certificates and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;

**Dissolution Distribution Amount** means:

- (a) the sum of:
  - (i) the outstanding face amount of such Certificate; and
  - (ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
- (b) such other amount specified hereon as being payable upon any Dissolution Date;

**Dissolution Event** means a Trustee Event or an Obligor Event;

**Dissolution Event Redemption Date** has the meaning given to it in Condition 12(a);

**Dissolution Notice** has the meaning given to it in Condition 12;

**Early Tax Dissolution Date** has the meaning given to it in Condition 8(b);

**Excluded Representations** means any representations given by the Obligor to the Trustee and/or the Delegate pursuant to the Transaction Documents;

**Exercise Notice** means an exercise notice given pursuant to the terms of the Purchase Undertaking and/or the Sale Undertaking (as the case may be);

**Extraordinary Resolution** has the meaning given to it in the Trust Deed;

**Fixed Amount** means the amount specified as such hereon;

**Fixed Rate Certificates** means a Series in respect of which Fixed Periodic Distribution Amounts are specified as applicable hereon;

**Floating Rate Certificates** means a Series in respect of which Floating Periodic Distribution Amounts are specified as applicable hereon;

**Full Reinstatement Value** has the meaning given to it in the Service Agency Agreement;

**Initial Wakala Portfolio** has the meaning given to it in the Supplemental Purchase Contract;

**ISDA Definitions** means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

**LCIA** means the London Court of International Arbitration;

**LCIA Rules** means the Arbitration Rules of the London Court of International Arbitration;

**Liability** means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to **Liabilities** shall mean all of these;

**Master Lease Agreement** means the amended and restated master lease agreement dated 5 April 2018 between the Trustee (in its capacity as lessor, the **Lessor**) and the Obligor (in its capacity as lessee, the **Lessee**);

**Master Purchase Agreement** means the amended and restated master purchase agreement dated 5 April 2018 between the Trustee (in its capacity as purchaser) and the Obligor (in its capacity as seller);

**Material Subsidiary** means at any relevant time a Subsidiary of the Obligor:

- (i) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total income (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated total assets, or, as the case may be, the consolidated total income of the Obligor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated financial statements of the Obligor, provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Obligor relate for the purpose of applying each of the foregoing tests, the reference to the Obligor's latest audited consolidated financial statements shall be deemed to be a reference to such financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the auditors of the Obligor for the time being after consultation with the Obligor; or
- (ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (A) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (B) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above; and

a Certificate addressed to the Delegate signed by two Directors of the Obligor certifying that in their opinion a Subsidiary is or is not or was or was not at any particular time or during a particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties and the Delegate shall be entitled to rely on such certificate without liability to any person;

**Maximum Optional Dissolution Amount** means the amount specified as such hereon;

**Minimum Optional Dissolution Amount** means the amount specified as such hereon;

**Obligor Event** means any of the following events:

- (i) **Non-payment:** the Obligor (acting in any capacity) fails to pay an amount in the nature of profit (corresponding to the Periodic Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to the Transaction Documents to which it is a party and the failure continues for a period of 14 days, or the Obligor (acting in any capacity) fails to pay an amount in the nature of principal (corresponding to the Dissolution Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to the Purchase Undertaking and the failure continues for a period of seven days; or
- (ii) **Breach of Other Obligations:** the Obligor (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations under the Master Trust Deed to which it is a party which default is incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not in the opinion of the Delegate remedied within 30 days after written notice of such default shall have been given to the Obligor by the Trustee or the Delegate; or
- (iii) **Cross-Acceleration:** (A) any other present or future indebtedness of the Obligor or any Material Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default (howsoever described); or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or (C) the Obligor or any Material Subsidiary fails to pay when due or, as the case may be, within any originally applicable grace period any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this subparagraph (iii) shall have occurred and be continuing equals or exceeds U.S.\$10,000,000 (or its equivalent in any currency or currencies); or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Obligor or any Material Subsidiary and is not discharged or stayed within 30 days; or
- (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Obligor or any Material Subsidiary and securing an amount which equals or exceeds U.S.\$10,000,000 (or its equivalent in any currency or currencies) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or
- (vi) **Insolvency:** the Obligor or any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting any of such debts; or
- (vii) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Obligor or any Material Subsidiary, or the Obligor or any Material Subsidiary shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or
- (viii) **Illegality:** (A) the Obligor or any liquidator of the Obligor repudiates or disclaims responsibility under any Transaction Document to which the Obligor is a party; or (B) at any time it is or it becomes unlawful for the Obligor (acting in any capacity) to perform or comply with any or all of its obligations under or in respect of the Transaction Documents to which it is a party, or (C) any of the obligations of the Obligor

(acting in any capacity) under or in respect of the Transaction Documents are not, or cease to be, legal, valid, binding and enforceable; or

- (ix) **Authorisations and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (A) to enable the Obligor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Transaction Documents to which it is a party; or (B) to ensure that those obligations are legally binding and enforceable, is not taken, fulfilled or done; or
- (x) **Analogous Effect:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (v) and (vi),

provided that, in the case of paragraph (ii) only, the Delegate shall have certified that in its opinion such event is materially prejudicial to the interests of the Certificateholders.

References in paragraph (iii) (*Cross-Acceleration*) and (v) (*Insolvency*) above to **indebtedness** and **debts**, respectively, shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari'a*, whether entered into directly or indirectly by the Obligor;

**Optional Dissolution Date** means, in relation to any exercise of the Optional Dissolution Right, the date(s) specified as such hereon and which must (if the Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;

**Optional Dissolution Right** means the right specified in Condition 8(c);

**outstanding** shall have the meaning given to it in the Trust Deed;

**Periodic Distribution Amount** has the meaning given to it in Condition 7;

**Periodic Distribution Date** means the date or dates specified as such hereon;

**Periodic Distribution Period** means the period beginning on and including the Profit Commencement Date and ending on but excluding the first Periodic Distribution Date and each successive period beginning on and including a Periodic Distribution Date and ending on but excluding the next succeeding Periodic Distribution Date;

**Potential Dissolution Event** means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing) would constitute a Dissolution Event;

**Proceedings** has the meaning given to it in Condition 20(e)(iii);

**Profit Amount** means:

- (i) in respect of a Return Accumulation Period, the amount of profit payable per Calculation Amount for that Return Accumulation Period and which, in the case of Fixed Rate Certificates, and unless otherwise specified hereon, shall mean the Fixed Amount or Broken Amount specified hereon as being payable on the Periodic Distribution Date ending the Periodic Distribution Period of which such Return Accumulation Period forms part; and
- (ii) in respect of any other period, the amount of profit payable per Calculation Amount for that period;

**Profit Commencement Date** means the Issue Date or such other date as may be specified hereon;

**Profit Period Date** means each Periodic Distribution Date unless otherwise specified hereon;

**Profit Rate** means the profit rate payable from time to time in respect of this Certificate and that is either specified hereon or calculated in accordance with the provisions hereof;

**Profit Rate Determination Date** means, with respect to a Profit Rate and Return Accumulation Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Return Accumulation Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency

prior to the first day of such Return Accumulation Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Return Accumulation Period if the Specified Currency is euro;

**Purchase Agreement** means the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Contract;

**Purchase Undertaking** means the amended and restated purchase undertaking dated 5 April 2018 and granted by the Obligor for the benefit of the Trustee and the Delegate;

**Purchaser** means the Trustee in its capacity as such pursuant to the Master Purchase Agreement;

**Record Date** has the meaning given to it in Condition 9(a);

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

**Reference Rate** means one of the following benchmark rates (specified hereon) in respect of the currency and period specified hereon:

- (i) LIBOR;
- (ii) EURIBOR;
- (iii) KIBOR;
- (iv) SHIBOR;
- (v) HIBOR;
- (vi) KLIBOR;
- (vii) TRLIBOR or TRYLIBOR;
- (viii) SIBOR;
- (ix) EIBOR;
- (x) TIBOR; and
- (xi) SAIBOR;

**Register** has the meaning given to it in Condition 2;

**Relevant Date** has the meaning given to it in Condition 10;

**Relevant Financial Centre** means the financial centre specified as such hereon, and if no such financial centre is specified, the financial centre most closely connected with the relevant Reference Rate;

**Relevant Indebtedness** means any present or future indebtedness which is in the form of, or represented or evidenced by, 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;

**Relevant Powers** has the meaning given to it in Condition 15(a);

**Relevant Screen Page** means such page, section, caption, column or other part of a particular information service as may be specified hereon;

**Relevant Sukuk Obligation** means any present or future undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind, 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;

**Relevant Time** means the time specified as such hereon;

**Return Accumulation Period** means the period beginning on (and including) the Profit Commencement Date and ending on (but excluding) the first Profit Period Date and each successive period beginning on (and including) a Profit Period Date and ending on (but excluding) the next succeeding Profit Period Date;

**Sale Undertaking** means the amended and restated sale undertaking dated 5 April 2018 and granted by the Trustee for the benefit of the Obligor;

**Scheduled Dissolution Date** means the date specified as such hereon;

**Self-Use Asset** means any plot of land or other asset which is either: (i) to be developed in accordance with a development plan; or (ii) already developed but not externally leased to third parties, which is to form part of the Wakala Portfolio;

**Series** means a Tranche (as defined below) of Certificates together with any additional Tranche or Tranches of Certificates which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts (as defined herein) thereon and the date from which Periodic Distribution Amounts start to accrue;

**Service Agency Agreement** means the amended and restated service agency agreement dated 5 April 2018 between the Trustee and the Obligor (in its capacity as servicing agent);

**Servicing Agent** means the Obligor in its capacity as such pursuant to the Service Agency Agreement;

**Specified Currency** means the currency specified as such hereon or, if none is specified, the currency in which the Certificates are denominated;

**Specified Denominations** means the amount(s) specified as such hereon;

**Subsidiary** means any entity:

- (i) which is then directly or indirectly controlled by the Obligor; or
- (ii) more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the Obligor; or
- (iii) whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Obligor.

for the purposes of this definition, for an entity to be **controlled** by the Obligor means that the Obligor (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) 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 that entity or otherwise controls, or has the power to control, the affairs and policies of that entity;

**Supplemental Lease Contract** means a supplemental lease contract entered into between the Lessor and the Lessee under the Master Lease Agreement;

**Supplemental Purchase Contract** means the supplemental purchase contract to be dated the Issue Date of the relevant Series between the Trustee and the Obligor for purchase of the Initial Wakala Portfolio;

**TARGET Business Day** has the meaning given to it in Condition 7(i);

**TARGET2 System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System;

**Tranche** means Certificates which are identical in all respects (including as to listing and admission to trading);

**Transaction Account** means, in relation to each Series, the account in London in the Trustee's name held with The Bank of New York Mellon, London Branch and into which the Obligor will deposit all amounts due to the Trustee under the Transaction Documents, details of which are specified hereon;

**Transaction Documents** means, in relation to each Series:

- (i) the relevant Certificates;
- (ii) the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed;
- (iii) the Agency Agreement;
- (iv) the Master Lease Agreement and any Supplemental Lease Contract;
- (v) the Master Purchase Agreement as supplemented by the relevant Supplemental Purchase Contract;
- (vi) the Service Agency Agreement;
- (vii) the Sale Undertaking (together with each relevant sale agreement or transfer agreement executed upon exercise of the Sale Undertaking); and
- (viii) the Purchase Undertaking (together with each relevant sale agreement or transfer agreement executed upon exercise of the Purchase Undertaking),  
each as may be amended, restated and/or supplemented from time to time;

**Trust** means, in respect of a Series, the trust created by the Trustee over the Trust Assets pursuant to the Trust Deed;

**Trust Assets** has the meaning given to it in Condition 5(a);

**Trustee Administrator** means Walkers Fiduciary Limited;

**Trustee Event** means any of the following events:

- (i) **Non-Payment:** default is made for more than seven days in the payment of any Dissolution Distribution Amount on the date fixed for payment thereof or default is made for more than 14 days in the payment of any Periodic Distribution Amount on the due date for payment thereof; or
- (ii) **Breach of Other Obligations:** the Trustee does not perform or comply with any one or more of its other obligations under the Certificates or the Master Trust Deed; or
- (iii) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Trustee and is not discharged or stayed within 30 days; or
- (iv) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Trustee becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or
- (v) **Insolvency:** the Trustee is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or
- (vi) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or
- (vii) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (x) to enable the Trustee lawfully to enter into,

exercise its rights and perform and comply with its obligations under the Certificates and the Transaction Documents; (y) to ensure that those obligations are legally binding and enforceable; or (z) to make the Certificates and the Transaction Documents admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done; or

- (viii) **Illegality:** it is or will become unlawful for the Trustee to perform or comply with any one or more of its obligations under any of the Certificates or the Transaction Documents or any obligations of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (ix) **Repudiation:** the Trustee repudiates any Transaction Document or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document; or
- (x) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (v) and (vi) above.

For the purpose of paragraph (i) (*Non-payment*) above, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts calculated as being payable under Condition 7 (*Periodic Distribution Amounts*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts;

**Wakala Assets** has the meaning given to it in the Master Purchase Agreement; and

**Wakala Portfolio** has the meaning given to it in the Service Agency Agreement.

All references to the **face amount** of a Certificate shall be deemed to include the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 and any other amount in the nature of face amounts payable pursuant to these Conditions.

All references to **Periodic Distribution Amounts** shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

All references to **U.S.\$, U.S. dollars** and **\$** are to the lawful currency of the United States of America.

All references to **ISDA** and related terms are only included for the purposes of benchmarking.

## **2 Form, Denomination and Title**

The Certificates are issued in registered form in the Specified Denomination(s) shown hereon. The Certificates may be Fixed Rate Certificates, Floating Rate Certificates or a combination of the foregoing, depending upon the profit basis specified hereon.

Certificates are represented by registered certificates and, save as provided in Condition 3(c), each Certificate shall represent the entire holding of Certificates by the same holder.

Title to the Certificates shall pass by registration in the register that the Trustee shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the **Register**). Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the registered holder of any Certificate shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

In these Conditions, **Certificateholder** or **holder** means the person in whose name a Certificate is registered and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Certificates.

*Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. The Conditions are modified by certain provisions contained in the Global Certificate.*

*Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See "Summary of Provisions Relating to the Certificates while in Global Form".*

### **3 Transfers**

- (a) **Transfer of Certificates:** Subject to Condition 3(e), one or more Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee) duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of part only of a holding of Certificates represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new certificate representing the enlarged holding shall only be issued against surrender of the certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.
- (b) **Exercise of Options or Partial Dissolution in Respect of Certificates:** In the case of an exercise of the Obligor's or the Certificateholders' option in respect of, or a partial redemption of, a holding of Certificates represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.
- (c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 3(a) or 3(b) shall be available for delivery within five business days of receipt of the form of transfer or Certificateholder Put Exercise Notice and surrender of the Certificate for exchange. Delivery of the new Certificate shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificateholder Put Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or Certificateholder Put Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance or takaful as it may specify. In this Condition 3(c), **business day** means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (d) **Transfers Free of Charge:** Transfers of Certificates on registration, transfer, exercise of an option or partial dissolution shall be effected without charge by or on behalf of the Trustee, the Registrar

or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Trustee, the Registrar or the relevant Transfer Agent may require).

- (e) **Closed Periods:** No Certificateholder may require the transfer of a Certificate to be registered: (i) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due; (ii) during the period of 15 days prior to any date on which Certificates may be called for redemption pursuant to Condition 8(c); (iii) after any such Certificate has been called for redemption; or (iv) during the period of seven days ending on (and including) any Record Date.

#### 4 Status

- (a) **Status of Certificates:** The Certificates represent an undivided beneficial ownership interest in the relevant Trust Assets and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* and without any preference or priority with all other Certificates of the relevant Series.

The payment obligations of the Obligor (in any capacity) to the Trustee under the Transaction Documents in respect of each Series of Certificates are direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 6(b)) unsecured obligations of the Obligor and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6(b), at all times rank at least equally with all other unsecured and unsubordinated monetary obligations of the Obligor, present and future.

- (b) **Limited Recourse and Agreement of Certificateholders:** Save as provided in this Condition 4(b), the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Obligor, any of the Agents or any of their respective affiliates.

The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Certificates. Certificateholders, by subscribing for or acquiring the Certificates, acknowledge and agree that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (ii) the Trustee may not sell, transfer, assign or otherwise dispose of the Wakala Portfolio to a third party, and may only realise its rights, title, interest, benefits and entitlements, present and future, in, to and under the Wakala Portfolio in the manner expressly provided in the Transaction Documents;
- (iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services providers in their capacity as such) (other than the relevant Trust Assets) or the Delegate or the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in respect of any shortfall or otherwise;

- (iv) no Certificateholders will be able to petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Trust Deed and the Certificates by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent, director or corporate services provider of the Trustee in their capacity as such. The obligations of the Trustee and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee and/or the Delegate and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee/and or the Delegate (in their capacity as such), save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and
- (vi) it shall not be entitled to claim or exercise 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 Certificate. No collateral is or will be given for the payment obligations under the Certificates (without prejudice to the negative pledge provisions described in Condition 6(b)).

Pursuant to the terms of the Transaction Documents, the Obligor is obliged to make payments under the relevant Transaction Documents to which it is a party directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4(b). Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 6(b)) constitute an unsecured claim against the Obligor. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

## 5 The Trust

- (a) **Trust Assets:** Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Certificateholders of such Series *pro rata* according to the face amount of Certificates held by each holder. The term **Trust Assets** in respect of each Series means the following:
  - (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
  - (ii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio;
  - (iii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (excluding the Excluded Representations and the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed);
  - (iv) all moneys standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

*See "Summary of Principal Transaction Documents" appearing elsewhere in this Base Prospectus for more information on the Trust Assets and the Transaction Documents.*

- (b) **Application of Proceeds from Trust Assets:** On each Periodic Distribution Date and on any Dissolution Date the Principal Paying Agent shall apply the moneys standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):
- (i) **first**, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed;
  - (ii) **second**, only if such payment is due on a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and *pari passu* (i) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement and the Registered Office Agreement in its capacity as trustee administrator; and (ii) the Agents in respect of all amounts owing to them under the Transaction Documents in their capacities as Principal Paying Agent, Registrar, Transfer Agent and Calculation Agent;
  - (iii) **third**, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
  - (iv) **fourth**, only if such payment is due on a Dissolution Date, in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and
  - (v) **fifth**, only on the Scheduled Dissolution Date (or any earlier date on which the Certificates are redeemed in full) and provided that all amounts required to be paid in respect of the Certificates hereunder have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Servicing Agent as an incentive payment for its performance as managing agent under the Service Agency Agreement.
- (c) **Transaction Account:** The Trustee will establish a Transaction Account in respect of each Series by no later than the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee for the benefit of Certificateholders and shall be the account into which the Obligor will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents.

## 6 Covenants

- (a) **Trustee Covenants:** The Trustee covenants that for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):
- (i) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of *Shari'a* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
  - (ii) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
  - (iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;

- (iv) except as provided in Condition 14, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
  - (v) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
  - (vi) have any subsidiaries or employees;
  - (vii) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
  - (viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
  - (ix) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
  - (x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
    - (A) as contemplated, provided for or permitted in the Transaction Documents;
    - (B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
    - (C) such other matters which are incidental thereto.
- (b) **Obligor Negative Pledge:** The Obligor undertakes that, for so long as any Certificate remains outstanding, it will not and will ensure that none of its Material Subsidiaries will create or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without (i) at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is party (in whatever capacity) or (ii) providing such other security for those obligations as either (A) the Delegate (on behalf of the Trustee) shall in its absolute discretion deem not materially less beneficial to the interests of Certificateholders; or (B) shall be approved by an Extraordinary Resolution of the holders of the Certificates.

## 7 Periodic Distribution Amounts

- (a) **Fixed Rate Certificates:** Each Fixed Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be determined in accordance with Condition 7(e). Each such amount of profit is referred to in these Conditions as a **Periodic Distribution Amount**. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 9.
- (b) **Floating Rate Certificates:**
  - (i) *Periodic Distribution Amounts and Periodic Distribution Dates:* Each Floating Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be determined in accordance with Condition 7(e). Each such amount of profit is referred to in

these Conditions as a **Periodic Distribution Amount**. Such Periodic Distribution Date(s) is/are either shown hereon as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown hereon, Periodic Distribution Date shall mean each date which falls the number of months or other period shown hereon as the Periodic Distribution Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 9.

- (ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Profit Rate for Floating Rate Certificates*: The Profit Rate in respect of Floating Rate Certificates for each Return Accumulation Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Certificates

Where ISDA Determination is specified hereon as the manner in which the Profit Rate is to be determined, the Profit Rate for each Return Accumulation Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A) **ISDA Rate** for a Return Accumulation Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Return Accumulation Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity, Reset Date** and **Swap Transaction** have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Certificates

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Profit Rate is to be determined, the Profit Rate for each Return Accumulation Period will, subject as provided below, be either:
  - (1) the offered quotation; or
  - (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) at the Relevant Time on the Profit Rate Determination Date in question as determined by the Calculation 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 Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations;

- (y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above 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 Calculation Agent shall request the principal office in the Relevant Financial Centre of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Profit Rate Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Profit Rate for such Return Accumulation Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
  - (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Profit Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation 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 Profit Rate 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 inter-bank 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, at approximately the Relevant Time, on the relevant Profit Rate Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Financial Centre inter-bank market, provided that, if the Profit Rate cannot be determined in accordance with the foregoing provisions of this paragraph (z), the Profit Rate shall be determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin or Maximum or Minimum Profit Rate is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Return Accumulation Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Return Accumulation Period).
- (c) **Entitlement to Profit:** Profit shall cease to accumulate in respect of each Certificate on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall, subject to the terms of the Transaction Documents, continue to accumulate

(both before and after judgment) at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date.

(d) **Margin, Maximum Profit Rates/Minimum Profit Rates and Rounding:**

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Return Accumulation Periods), an adjustment shall be made to all Profit Rates, in the case of (x), or the Profit Rates for the specified Return Accumulation Periods, in the case of (y), calculated in accordance with Condition 7(b) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
- (ii) If any Maximum Profit Rate or Minimum Profit Rate is specified hereon, then any Profit Rate shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes **unit** means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

- (e) **Calculations:** The amount of profit payable per Calculation Amount in respect of any Certificate for any Return Accumulation Period shall be equal to the product of the Profit Rate, the Calculation Amount specified hereon and the Day Count Fraction for such Return Accumulation Period, unless a Profit Amount (or a formula for its calculation) is specified hereon as being applicable to such Return Accumulation Period, in which case the amount of profit payable per Calculation Amount in respect of such Certificate for such Return Accumulation Period shall equal such Profit Amount (or be calculated in accordance with such formula). Where any Periodic Distribution Period comprises two or more Return Accumulation Periods, the amount of profit payable per Calculation Amount in respect of such Periodic Distribution Period shall be the sum of the Profit Amounts payable in respect of each of those Return Accumulation Periods. In respect of any other period for which profit is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which profit is required to be calculated.

(f) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of a Periodic Distribution Period in the applicable Final Terms, the Profit Rate for such Periodic Distribution 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 as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Periodic Distribution Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Periodic Distribution Period provided however that if there is no rate available for a 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.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

- (g) **Determination and Publication of Profit Rates, Profit Amounts and Dissolution Distribution Amounts:** The Calculation Agent shall, as soon as practicable on each Profit Rate Determination

Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Profit Amounts for the relevant Return Accumulation Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Profit Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount, to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Certificateholders and any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information. If the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, the Calculation Agent shall notify such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Periodic Distribution Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Profit Amount, or (ii) in all other cases, the fourth Business Day after such determination. To the extent that the Calculation Agent is unable to notify a stock exchange or other relevant authority (other than the stock exchange or other relevant authority in each of the United Kingdom, Luxembourg and the Republic of Ireland), the Calculation Agent shall notify the Obligor who shall perform such obligation. In the event that the Calculation Agent becomes aware that any benchmark or substitute benchmark is not in compliance with the European Union Benchmark Regulation, the Calculation Agent shall not be required to perform its duties until such time as the Obligor has identified an acceptable replacement benchmark and instructed the Calculation Agent accordingly. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 7(b)(ii), the Profit Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Periodic Distribution Period. If the Certificates become due and payable under Condition 12, the accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to be calculated as previously in accordance with this Condition 7 but no publication of the Profit Rate or the Profit Amount so calculated need be made unless the Delegate otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of wilful default, fraud or manifest error) be final and binding upon all parties.

- (h) **Determination or Calculation by the Delegate:** If the Calculation Agent does not at any time for any reason determine or calculate the Profit Rate for a Return Accumulation Period or any Profit Amount or Dissolution Distribution Amount, the Delegate may do so (or may appoint an agent on behalf of the Trustee to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Delegate or, as the case may be, such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (i) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

**Business Day** means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET2 System is open (a **TARGET Business Day**); and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such

currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

**Day Count Fraction** means, in respect of the calculation of an amount of profit on any Certificate for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Periodic Distribution Period or a Return Accumulation Period, the **Calculation Period**):

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

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

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

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

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

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

- (viii) if **Actual/Actual-ICMA** is specified hereon,
- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (B) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
  - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

**Determination Period** means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

**Determination Date** means the date(s) specified as such hereon or, if none is so specified, the Periodic Distribution Date(s).

- (j) **Calculation Agent:** The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Certificate is outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Profit Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee or the Obligor, as the case may be, shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.
- (k) **Notifications, etc. to be final:** All notifications, opinion, determinations, certificates, calculations, quotations and decisions given expressed, made or obtained for the purposes of provisions of this Condition 7 by the Calculation Agent will (in the absence of wilful default, fraud or manifest error) be binding on the Trustee, the Obligor, the Delegate, the Agents and all Certificateholders. In the absence of wilful default, fraud or manifest error, no liability to the Trustee, the Obligor, the Delegate, any Agent of the Certificateholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 7.

## 8 Redemption and Dissolution of the Trust

- (a) **Dissolution on the Scheduled Dissolution Date:** Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount and the Trust shall be dissolved by the Trustee on the Scheduled Dissolution Date specified hereon following the payment of all such amounts in full.
- (b) **Early Dissolution for Taxation Reasons:** If:
  - (i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or, in each case, any authority thereof or therein having power to tax, 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 relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
  - (ii) (A) the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates, the Emirate of Dubai or any political subdivision or, in each case, any authority thereof or therein having power to tax, 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 relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

(the occurrence of an event described in Condition 8(b)(i) or (ii) being a **Tax Event**), the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Delegate and the Certificateholders (which notice shall be irrevocable) redeem the Certificates in whole, but not in part, on any Periodic Distribution Date (if this Certificate is a Floating Rate Certificate) or at any time (if this Certificate is a Fixed Rate Certificate) (such dissolution date being an **Early Tax Dissolution Date**), at their Dissolution

Distribution Amount, provided that no such notice of dissolution may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or to the Trustee pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8(b), the Trustee or the Obligor, as the case may be, shall deliver to the Delegate:

- (aa) a certificate signed by one Director and/or Authorised Signatories of the Trustee (in the case of Condition 8(b)(i)) or the Obligor (in the case of Condition 8(b)(ii)) stating that the obligation referred to in Condition 8(b)(i) or 8(b)(ii), as the case may be, has arisen and cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it; and
- (bb) an opinion of independent legal advisers of recognised standing to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept and rely on such certificate and legal opinion as sufficient evidence of the satisfaction of the conditions precedent set out in Condition 8(b)(i) or, as the case may be, Condition 8(b)(ii) above (without liability to any person), in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 8(b) and payment in full of the Dissolution Distribution Amount to Certificateholders the Trustee shall be bound to dissolve the Trust.

- (c) **Dissolution at the Option of the Obligor (Optional Dissolution Right):** If Optional Dissolution Right is specified as applicable hereon, the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Final Terms to the Delegate and the Certificateholders redeem all or, if so specified in the relevant Exercise Notice, some of the Certificates on any Optional Dissolution Date. Any such redemption of Certificates shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed specified hereon and no greater than the Maximum Optional Dissolution Amount to be redeemed specified hereon.

All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8(c). If all (and not some only) of the Certificates are to be redeemed on any Optional Dissolution Date in accordance with this Condition 8(c), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

In the case of a partial redemption, the notice to Certificateholders shall also specify the face amount of Certificates drawn and the holder(s) of such Certificates to be redeemed, which shall have been drawn in such place and in such manner as the Trustee deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (d) **Dissolution at the Option of Certificateholders (Certificateholder Put Right):** If Certificateholder Put Right is specified as applicable hereon, the Trustee shall, at the option of the holder of any Certificate, upon the holder of such Certificate giving not less than the minimum period nor more than the maximum period of notice to the Trustee, redeem such Certificate on the Certificateholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Certificates are to be

redeemed on any Certificateholder Put Right Date in accordance with this Condition 8(d), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

To exercise such option the holder must deposit the certificate representing such Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed exercise notice (**Certificateholder Put Exercise Notice**) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No certificate so deposited and right exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

- (e) **Dissolution following a Dissolution Event:** Upon the occurrence and continuation of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trustee may be required to dissolve the Trust, in each case subject to and as more particularly described in Condition 12, as the case may be.
- (f) **Purchases:** Each of the Obligor and the Obligor's subsidiaries may at any time purchase Certificates in the open market or otherwise at any price.
- (g) **Cancellation:** Any Certificates purchased by or on behalf of the Obligor or any of the Obligor's subsidiaries may, at the option of the Obligor, be surrendered for cancellation by surrendering the certificate representing such Certificates to the Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Sale Undertaking. Any Certificates so surrendered and all Certificates that are redeemed in accordance with this Condition 8 and/or Condition 12 shall be cancelled forthwith and may not be reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 8(g), the Trustee shall be bound to dissolve the Trust.
- (h) **No other dissolution:** The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 8 and Condition 12. Upon payment in full of all amounts due in respect of the Certificates of any Series and the subsequent dissolution of the Trust as provided in this Condition 8 and/or Condition 12 (as the case may be), the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

## 9 Payments

- (a) **Method of Payment:** Payments of the Dissolution Distribution Amount shall be made against presentation and surrender of the relevant Certificate at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided below.

Payments of Periodic Distribution Amounts in respect of each Certificate shall be paid to the person shown on the Register (or, in the case of a Certificate held by two or more persons, to the person whose name appears first in the Register) at the close of business on the fifteenth day before the due date for payment thereof (the **Record Date**).

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be made in the Specified Currency by transfer to an account in the Specified Currency maintained by the payee with a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET2 System, as notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.

- (b) **Payments subject to Laws:** Payments will be subject in all cases to: (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any

official interpretations thereof, or (without prejudice to the provisions of Condition 10) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

- (c) **Appointment of Agents:** The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Trustee and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Trustee and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the prior written approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent (which may be the Principal Paying Agent) located in a jurisdiction within Europe, and (vi) such other agents as may be required by any stock exchange on which the Certificates may be listed.

Notice of any such change or any change of any specified office shall promptly be given by the Trustee to the Certificateholders.

- (d) **Non-Business Days:** If any date for payment in respect of any Certificate is not a business day, the holder shall not be entitled to payment until the next following business day nor to any profit or other sum in respect of such postponed payment. In this Condition 9(d), **business day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets settle payments and are open for business in the place in which the specified office of the Registrar is located, in such jurisdictions as shall be specified as **Financial Centres** hereon and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, on which foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency; or
  - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

## 10 Taxation

All payments in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or the United Arab Emirates or the Emirate of Dubai or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Certificate:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Certificate by reason of his having some connection with the Cayman Islands or, in the case of payments by the Obligor, the United Arab Emirates or the Emirate of Dubai other than the mere holding of the Certificate; or
- (b) **Surrender more than 30 days after the Relevant Date:** if the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate for payment on the last day of such period of 30 days irrespective of whether that day is a business day (as defined in Condition 9(d)); or

- (c) **Payment by another paying agent:** surrendered for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by surrendering the relevant Certificate to another paying agent in a Member State of the European Union.

As used in these Conditions, **Relevant Date** in respect of any Certificate means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders that, upon further presentation of the Certificate being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to **Periodic Distribution Amounts** and the **Dissolution Distribution Amount** shall be deemed to include any additional amounts that may be payable under this Condition 10 or any undertaking given in addition to or in substitution for it under the Trust Deed.

*The Transaction Documents provide that payments thereunder by the Obligor shall be made without any deduction or withholding for, or on account of, any present or future taxes, levies, duties, fees, assessments or other charges of any nature, unless such withholding or deduction is required by law and without set-off or counterclaim of any kind. If withholding or deduction is required by law, the Transaction Documents provide for the payment by the Obligor of all additional amounts as will result in the receipt by the Trustee, the Delegate or the relevant Agent, as applicable, of such amounts as would have been received by it if no withholding or deduction had been made.*

*Further, in accordance with the terms of the Master Trust Deed, the Obligor has undertaken to pay such additional amounts as may be necessary pursuant to this Condition 10 so that the full amount due and payable by the Trustee in respect of the Certificates to the Certificateholders is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of this Condition 10.*

## 11 Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount, or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

## 12 Dissolution Events

- (a) **Dissolution Event:** If a Dissolution Event occurs and is continuing:
- (i) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise upon becoming aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, if required by the Delegate in the circumstances) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed and the Trust to be dissolved; and
  - (ii) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series of Certificates outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a **Dissolution Notice**) to the Trustee, the Obligor and the Certificateholders that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this Condition 12(a)(ii) whether or not notice has been given to Certificateholders as provided in Condition 12(a)(i).

Upon receipt of such Dissolution Notice, the Trustee (or the Delegate in the name of the Trustee) shall deliver an Exercise Notice to the Obligor under the Purchase Undertaking and thereafter execute the relevant sale agreement for purchase of the Wakala Portfolio. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof to redeem

the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant **Dissolution Event Redemption Date**) and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

- (b) **Enforcement and Exercise of Rights:** Upon the occurrence and continuation of a Dissolution Event, to the extent that any amount payable in respect of the Certificates of the relevant Series has not been paid in full (notwithstanding the provision of Condition 12(a)), the Trustee or the Delegate (in each case subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) may (acting for the benefit of the Certificateholders) take one or more of the following steps:
  - (i) enforce the provisions of the Transaction Documents against the Obligor; and/or
  - (ii) take such other actions, steps or proceedings as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

### **13 Realisation of Trust Assets**

- (a) Neither the Trustee or the Delegate shall be bound in any circumstances to take any action, step or proceeding to enforce or to realise the relevant Trust Assets or take any action or steps or proceedings against the Obligor or (in the case of the Delegate) against the Trustee under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the Series of Certificates and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate or the Trustee, as the case may be, having become bound so to proceed, (i) fails to do so within a reasonable period, or (ii) is unable by reason of an order of a court having competent jurisdiction to do so, and the failure or inability is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce the Trustee's and the Obligor's respective obligations under the Transaction Documents to which they are a party.
- (c) Following the enforcement, realisation and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Certificates of the relevant Series to the Certificateholders in accordance with these Conditions and the Trust Deed, the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate or any other person (including the Obligor) to recover any such sum in respect of the Certificates or the relevant Trust Assets.
- (d) Conditions 13(a), 13(b) and 13(c) are subject to this Condition 13(d). After enforcing or realising the relevant Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds of the relevant Trust Assets in respect of the Certificates of the relevant Series in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates of the relevant Series and the right to receive from the Trustee any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

## 14 Meetings of Certificateholders, Modification and Waiver

- (a) **Meetings of Certificateholders:** The Trust Deed contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing not less than a clear majority in face amount of the Certificates for the time being outstanding, or at any adjourned meeting two or more persons being or representing Certificateholders whatever the face amount of the Certificates held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*: (i) to amend any Dissolution Date in respect of the Certificates or any date for payment of Periodic Distribution Amounts in respect of the Certificates; (ii) to reduce or cancel the face amount of, or any premium payable on redemption of, the Certificates; (iii) to reduce the rate or rates of profit in respect of the Certificates or to vary the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Profit Amount in respect of the Certificates; (iv) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown hereon, to reduce any such Minimum Profit Rate and/or Maximum Profit Rate; (v) to vary any method of, or basis for, calculating the Dissolution Distribution Amount; (vi) to vary the currency of payment or denomination of the Certificates, (vii) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution; (viii) to modify or cancel the payment obligations of the Obligor (in any capacity) and/or the Trustee under the Transaction Documents and/or the Certificates (as the case may be); or (ix) to amend any of the Obligor's covenants included in the Transaction Documents; or (x) to amend the above list, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Certificateholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

*For so long as the Certificates are represented by a Global Certificate, an Extraordinary Resolution may also be passed by Certificateholders giving electronic consent, provided that consent to such resolution is given through the relevant clearing system(s) (in a form satisfactory to the Delegate) by or on behalf of not less than 75 per cent. in face amount of the Certificates. See "Summary of Provisions relating to the Certificates while in Global Form".*

- (b) **Modification of the Trust Deed or any Transaction Document:** The Delegate may (but shall not be obliged to), without the consent of the Certificateholders, (i) agree to any modification of any of the provisions of the Trust Deed, the Transaction Documents or the Trustee's memorandum and articles of association that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, or (ii) (A) agree to any other modification of any of the provisions of the Trust Deed, the Transaction Documents or the Trustee's memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Transaction Documents or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such provided that such modification, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the outstanding aggregate face amount of that Series and, in the case of modifications under paragraph

- (ii)(A) only, is other than in respect of a matter which requires a special quorum resolution (as defined in paragraph 2.8 of Schedule 3 of the Master Trust Deed). Any such modification, authorisation, determination or waiver shall be binding on the Certificateholders and, unless the Delegate agrees otherwise, such modification shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 as soon as practicable.
- (c) **Entitlement of the Delegate:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Delegate shall have regard to the interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Obligor or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

**15 Delegate**

- (a) **Delegation of Powers:** The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), trusts, rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together the **Delegation of the Relevant Powers**), provided that: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the relevant Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers which are vested solely in it from the date of the Master Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

- (b) **Indemnification:** The Trust Deed contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Trust Deed or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Conditions 12 or 13, and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (c) **No Liability:** The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor or the Trustee under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Obligor or the Trustee but are not so paid and shall not in any circumstances have any liability

arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.

- (d) **Reliance on Opinions, Certificates, Reports and/or Information:** The Delegate may rely on any opinion, certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or the Obligor or any other expert or other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Trust Deed or the other Transaction Documents and such opinion, certificate, report or information may be relied upon by the Delegate (without liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such opinion, certificate, report or information and/or any engagement or similar letter or other document contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or the Obligor or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such opinion, certificate, report or information may be limited by an engagement or similar letter or by the terms of the opinion, certificate, report or information itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.
- (e) **Proper performance of duties:** Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Trust Deed conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Trust Deed and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or actual fraud of which either of them may be guilty in relation to their duties under the Trust Deed.
- (f) **Notice of Events:** The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event or Potential Dissolution Event has occurred or exists or is continuing and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred or is continuing (without any liability to Certificateholders or any other person for so doing).
- (g) **Liability for Trust Assets:** Each of the Trustee and the Delegate is exempted from; (a) any liability in respect of any loss or theft of the Trust Assets or any cash; (b) any obligation to monitor or insure the Trust Assets (other than, with respect to the Trustee, in accordance with the Transaction Documents) or any cash; and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of gross negligence, wilful default or fraud by the Trustee or the Delegate, as the case may be.

## 16 Replacement of Certificates

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Trustee on demand the amount payable by the Trustee in respect of such Certificate) and otherwise as the Trustee may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 17 Notices

Notices to the holders of Certificates shall be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

The Trustee shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Certificates are for the time being listed. Any notices shall be deemed to have been given on the fourth day (being a day other than a Saturday or a Sunday) after being so mailed (or on the date of publication, or if so published more than once or on different dates, on the date of the first publication).

*So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to the holders of the Certificates of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing as required by Condition 17. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.*

## 18 Further Issues

In respect of any Series, the Trustee may from time to time (but subject always to the provisions of the Master Trust Deed) without the consent of the Certificateholders create and issue additional Certificates having the same terms and conditions as the outstanding Certificates of such Series or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue, and so that the same shall be consolidated and form a single Series with the outstanding Certificates of such Series. Any additional Certificates which are to form a single Series with the outstanding Certificates of a particular Series shall be constituted by a deed supplemental to the Trust Deed. References in these Conditions to the Certificates include (unless the context requires otherwise) any other Certificates issued pursuant to this Condition and forming a single Series with such Certificates.

## 19 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Certificates 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.

## 20 Governing Law and Arbitration

- (a) **Governing Law:** The Trust Deed (including these Conditions), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with the same are and shall be governed by, and construed in accordance with, English law.
- (b) **Arbitration:** Subject to Condition 20(c), any dispute, claim, difference or controversy arising out of or in connection with the Master Trust Deed (which includes the Certificates, these Conditions and this Condition 20(b)) (including any dispute as to the existence, validity, interpretation, performance, breach or termination of the Trust Deed or the consequence of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a **Dispute**)) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (the **LCIA**) (the **Rules**), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition. For these purposes:
  - (i) the seat of arbitration shall be London, England;

- (ii) there shall be three arbitrators, each of whom shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
  - (iii) the language of the arbitration shall be English.
- (c) **Option to Litigate:** Notwithstanding the agreement described in Condition 20(b) above, the Delegate may, in the alternative and at its sole discretion, by notice in writing to the Trustee and the Obligor in accordance with the Trust Deed:
- (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
  - (ii) if no arbitration has commenced,
- require that the Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in the manner described in Condition 20(e) and any arbitration commenced as described in Condition 20(b) will be terminated. With the exception of the Delegate (whose costs will be borne by the Trustee, failing whom the Obligor), each of the parties to the terminated arbitration will bear its own costs in relation thereto.
- (d) **Notice to Terminate:** If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate 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 any 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.
- (e) **Effect of exercise of option to litigate:** If a notice is issued pursuant to Condition 20(c), the following provisions shall apply:
- (i) subject to paragraph (iii) above, the courts of England or the courts of the Dubai International Financial Centre, at the option of the Delegate, shall have jurisdiction to settle any Dispute and each of the Trustee and the Obligor has in the Master Trust Deed submitted to the jurisdiction of such courts;
  - (ii) each of the Trustee and the Obligor has agreed that the courts of England or the courts of the Dubai International Financial Centre, as applicable, are the most appropriate and convenient courts to settle any Dispute and accordingly will not argue to the contrary; and
  - (iii) as paragraphs (i) and (ii) above are for the benefit of the Delegate for and on behalf of the Certificateholders only, notwithstanding paragraphs (i) and (ii) above, the Delegate shall not be prevented from taking proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction, and to the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.
- (f) **Service of Process:** In the Trust Deed, the Trustee and the Obligor has each irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings or Disputes in England.
- (g) **Waiver of Interest:**
- (i) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that no interest will be payable or receivable under or in connection therewith and if it is determined that any interest is payable or receivable in connection therewith by a party,

whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall hold such amount in a suspense account and promptly donate the same to a registered or otherwise officially recognised charitable organisation.

- (ii) For the avoidance of doubt, nothing in this Condition 20(g) shall be construed as a waiver of rights in respect of Periodic Distribution Amounts payable under the Certificates, Wakala Portfolio Income Revenues payable under the Service Agency Agreement, the amount of any Exercise Price payable under the Sale Undertaking and/or the Purchase Undertaking or profit of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.
- (h) **Waiver of Immunity:** Under the Transaction Documents to which it is a party, the Obligor has agreed that, to the extent that it may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity in relation to any Proceedings or Disputes. Further, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Proceedings or Disputes.

## **SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM**

### **1 Initial Issue of Certificates**

Each Tranche of Certificates will initially be represented by a Global Certificate in registered form. Global Certificates will be delivered on or prior to the issue date of the Series to a common depository for Euroclear and Clearstream, Luxembourg (the **Common Depository**).

Upon registration of the Certificates in the name of any nominee for, and deposit of the Global Certificate with, a Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a face amount of Certificates equal to the face amount thereof for which it has subscribed and paid.

Certificates that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the applicable Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Certificates that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### **2 Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an **Alternative Clearing System**) as the holder of a Certificate represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Trustee to the registered holder of the underlying Certificates, and in relation to all other rights arising under the Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Trustee in respect of payments due on the Certificates for so long as the Certificates are represented by such Global Certificate and such obligations of the Trustee will be discharged by payment to the registered holder of the underlying Certificates, as the case may be, in respect of each amount so paid.

### **3 Transfers in part**

#### **3.1 Global Certificates**

Transfers of the holding of Certificates represented by a Global Certificate pursuant to Condition 3(a) (*Transfer of Certificates*) may only be made in part:

- (i) if the Certificates represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) upon the occurrence of a Dissolution Event,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) above, the holder of the Certificates represented by the relevant Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Certificates represented by the relevant Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

## **4 Amendment to Conditions**

The Global Certificates contain provisions that apply to the Certificates that they represent, some of which modify the effect of the terms and conditions of the Certificates set out in this Base Prospectus. The following is a summary of certain of those provisions:

### **4.1 Payments**

All payments in respect of Certificates represented by a Global Certificate will be made (against surrender of that Global Certificate if no further payment falls to be made in respect of the Certificates) to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where **Clearing System Business Day** means Monday to Friday inclusive except 25 December and 1 January.

For the purposes of any payments made in respect of Certificates represented by a Global Certificate, the words "in the place in which the specified office of the Registrar is located" shall not apply to the definition of "business day" in Condition 9(d).

A record of each payment made will be noted on the relevant Register which shall be *prima facie* evidence that such payment has been made in respect of the Certificates.

### **4.2 Meetings**

The holder of Certificates represented by a Global Certificate shall (unless such Global Certificate represents only one Certificate) be treated as being two persons for the purposes of any quorum requirements of a meeting of Certificateholders. All holders of Certificates are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Certificates comprising such Certificateholder's holding.

### **4.3 Optional Dissolution Right**

If any early dissolution right of the Bank is exercised in respect of some but not all of the Certificates of any Series, the rights of accountholders with a clearing system in respect of the Certificates will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

### **4.4 Certificateholder Put Right**

Any early dissolution right of the Certificateholders provided for in the Conditions of any Certificates while such Certificates are represented by a Global Certificate may be exercised by the holder of the Certificate(s) in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

### **4.5 Cancellation**

Cancellation of any Certificate represented by a Global Certificate that is surrendered for cancellation (other than upon its redemption in full) will be effected by reduction in the aggregate face amount of the relevant Series of Certificates in the Register.

### **4.6 Notices**

Notices required to be given in respect of the Certificates represented by a Global Certificate may be given by their being delivered (so long as this Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system) to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, or otherwise to the holder of the Global Certificate, rather than by publication as required by the Conditions, provided that such notices must also be given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange, quotation system or other relevant authority on which the

Certificates are for the time being listed or admitted to trading or quotation. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

## **5 Electronic Consent and Written Resolution**

While any Global Certificate is held on behalf of, and registered in the name of any nominee for, a clearing system, then:

- (i) approval of a resolution proposed by the Trustee or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates outstanding (an **Electronic Consent**) shall, for all purposes (including matters that would otherwise require a special quorum resolution (as defined in the Master Trust Deed), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent; and
- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Master Trust Deed) has been validly passed, the Trustee and the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee and/or the Delegate, as the case may be, by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective.

## **6 Further Issues**

Pursuant to the Agency Agreement (as defined herein), the Principal Paying Agent shall arrange that, where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the further Tranche, the Certificates of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Certificates of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

## FORM OF FINAL TERMS

**[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 Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a **distributor**) should take into consideration the 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 Certificates (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

### Final Terms

[Date]

### NOOR SUKUK COMPANY LTD.

**Issue of [Aggregate Face Amount of Tranche] [Title of Certificates] [to be consolidated and form a single series with the existing [Aggregate Face Amount of Tranche] [Title of Certificates] issued on [ ] (the *Original Certificates*)]<sup>1</sup>**

**under the U.S.\$3,000,000,000 Trust Certificate Issuance Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the Base Prospectus dated 5 April 2018 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus (the **Base Prospectus**). This document constitutes the Final Terms of the Certificates described herein and must be read in conjunction with the Base Prospectus. Full information on the Trustee, the Obligor and the offer of the Certificates is only available on the basis of the combination of these Final Terms and the Base Prospectus. Copies of the Base Prospectus may be obtained during normal business hours from the registered office of the Principal Paying Agent at One Canada Square, London E14 6AL, United Kingdom.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the Base Prospectus dated 14 March 2015. This document constitutes the Final Terms of the Certificates described herein and must be read in conjunction with the Base Prospectus dated 5 April 2018. Full information on the Trustee and the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus dated 5 April 2018 [as so supplemented]. Copies of the Base Prospectus and the supplement(s) to the Base Prospectus may be obtained during normal business hours from the registered office of the Principal Paying Agent at One Canada Square, London E14 6AL, United Kingdom.

- |   |                                  |                         |
|---|----------------------------------|-------------------------|
| 1 | (a) Issuer and Trustee:          | Noor Sukuk Company Ltd. |
|   | (b) Obligor and Servicing Agent: | Noor Bank PJSC          |
| 2 | Series Number:                   | [●]                     |

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<sup>1</sup> Include only for an issue of further Certificates in accordance with Condition 18.

- (a) Tranche Number: [●]
- (b) Date on which the Certificates will be consolidated and form a single Series: [The Certificates will be consolidated and form a single Series with [*identify earlier Tranche(s)*] on [*insert date/ the Issue Date*]] [Not Applicable]
- 3 Specified Currency: [●]
- 4 Aggregate Face Amount of Series: [●]
- (i) Series [●]
- (ii) Tranche [●]
- 5 Issue Price: [●] per cent. of the Aggregate Face Amount [plus accrued profit from [*insert date*] (*if applicable*)]
- 6 (a) Specified Denominations: [●]
- (b) Calculation Amount: [●]  
*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the in the case of two or more Specified Denominations.)*
- 7 (a) Issue Date: [●]
- (b) Profit Commencement Date: [[●]/Issue Date]
- 8 Scheduled Dissolution Date: [*Fixed Rate Certificates – Specify date / Floating Rate Certificates – Periodic Distribution Date falling in or nearest to [specify month and year].*]
- 9 Profit Basis: [[●] per cent. Fixed Periodic Distribution Amount] [[*specify reference rate*] +/- [●] per cent. per annum Floating Distribution Amount] (further particulars specified below)
- 10 Dissolution Basis: The Certificates will be redeemed at [100] per cent. of their aggregate face amount.
- 11 Change of Profit Basis: [*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 16 below and identify these/Not Applicable*]
- 12 Put/Call Rights: [Not Applicable]  
 [Optional Dissolution Right]  
 [Certificateholder Put Right]
- 13 Status: Unsubordinated
- 14 Date of Trustee's Board approval and date of Obligor's Board approval for issuance of Certificates: [●] and [●], respectively  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular Series of Certificates.)*

**Provisions relating to profit payable**

- 15 Fixed Rate Periodic Distribution Provisions: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph.)*

- (a) Profit Rate(s): [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/[●]] in arrear on each Periodic Distribution Date
- (b) Periodic Distribution Date(s): [[●] in each year up to and including the Scheduled Dissolution Date, commencing on [●]/[●]]
- (N.B. This will need to be amended in the case of long or short return accumulation periods.)*
- (c) Fixed Amount(s): [●] per Calculation Amount
- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]/Not Applicable]
- (e) Day Count Fraction: [Actual/Actual]  
[Actual/Actual – ISDA]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360]  
[360/360]  
[Bond Basis]  
[30E/360]  
[Eurobond Basis]  
[30E/360 (ISDA)]  
[Actual/Actual – ICMA]
- (f) Determination Date(s): [[●] in each year/Not Applicable]
- (Only relevant where Day Count Fraction is Actual / Actual (ICMA). In such a case, insert regular Periodic Distribution Dates, ignoring issue date or maturity date in the case of Periodic Distribution Dates which are not used in respect of period of equal duration.)*
- 16 Floating Periodic Distribution Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph.)*
- (a) Specified Periodic Distribution Dates: [[●] in each year, commencing on [●], [subject to adjustment in accordance with the Business Day Convention set out in (b) below/not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Periodic Distribution Period: [Not Applicable]/[●]]
- (c) Profit Period Date [Not Applicable]/[●]]
- (d) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[●]] [Not Applicable]
- (e) Business Centre(s): [●] [Not Applicable]

- (f) Manner in which the Profit Rate and the Periodic Distribution Amount are to be determined: [Screen Rate Determination/ISDA Determination]
- (g) Party responsible for calculating the Profit Rate and the Periodic Distribution Amount (if not the Calculation Agent): [●]
- (h) Screen Rate Determination: [Applicable/Not Applicable]
- (i) Reference Rate: [●]
- (ii) Profit Rate Determination Date(s): [●]
- (iii) Relevant Screen Page: [●]
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately or, in the case of EIBOR, if not Reuters AEIBOR, ensure it is a page which shows a composite rate.)*
- (iv) Relevant Time: [●]
- (v) Relevant Financial Centre: [●]
- (i) ISDA Determination: [Applicable/Not Applicable]
- (i) Floating Rate Option: [●]
- (ii) Designated Maturity: [●]
- (iii) Reset Date: [●]
- (iv) ISDA Definitions: [●]
- (j) Linear Interpolation: [Not Applicable/Applicable – the Profit Rate for the [long/short] [first/last] Periodic Distribution Period shall be calculated using Linear Interpolation (*specify for each Short or Long Periodic Distribution Period*)]
- (k) Margin(s): [ +/- ][●] per cent. per annum
- (l) Maximum Profit Rate: [●] per cent. per annum
- (m) Minimum Profit Rate: [●] per cent. per annum
- (n) Day Count Fraction: [Actual/Actual]  
[Actual/Actual – ISDA]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360]  
[360/360]  
[Bond Basis]  
[30E/360]  
[Eurobond Basis]  
[30E/360 (ISDA)]  
[Actual/Actual – ICMA]

**Provisions relating to dissolution**

17 Notice periods for Condition 8(b): Minimum period: [ ] days

- 18 Optional Dissolution Right: Maximum period: [ ] days  
 [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph.)*
- (a) Dissolution Distribution Amount: [As per Condition 1/[●]]
- (b) Optional Dissolution Date(s): [●]
- (c) Notice period: Minimum period: [ ] days  
 Maximum period: [ ] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and/or the Bank and the Principal Paying Agent or Delegate.)*
- (d) If dissolution in part:
- (i) Minimum Optional Dissolution Amount: [Not Applicable]/[●]
- (ii) Maximum Optional Dissolution Amount: [Not Applicable]/[●]
- 19 Certificateholder Put Right: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph.)*
- (a) Dissolution Distribution Amount: [As per Condition 1/[●]]
- (b) Certificateholder Put Right Date(s): [●]
- (c) Notice period: Minimum period: [ ] days  
 Maximum period: [ ] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and/or the Bank and the Principal Paying Agent or Delegate.)*
- (d) Dissolution Distribution Amount: [As per Condition 1/[●]]
- 20 Dissolution Distribution Amount following redemption on the Scheduled Dissolution Date, on any Early Tax Dissolution Date or following the occurrence of a Dissolution Event: [As per Condition 1/[●]]

**General provisions applicable to the Certificates**

- 21 Form of Certificates: Registered Certificates: Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate.  
Reg S Compliance Category 2; TEFRA not applicable
- 22 Financial Centre(s) relating to payment (Condition 9(d)): [Not Applicable/[●]]

Signed on behalf of **Noor Sukuk Company Ltd.**

Signed on behalf of **Noor Bank PJSC**

By: .....  
*Duly authorised*

By: .....  
*Duly authorised*

## PART B– OTHER INFORMATION

### 1 Listing and Admission to Trading

- (a) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Certificates to be admitted to trading on [specify relevant regulated market (*for example, Nasdaq Dubai*) and, if relevant, listing on an official list (*for example, the Official List maintained by the Dubai Financial Services Authority*)] with effect from [●].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Certificates to be admitted to trading on [specify relevant regulated market (*for example, Nasdaq Dubai*) and, if relevant, listing on an official list (*for example, the Official List maintained by the Dubai Financial Services Authority*)] with effect from [●].]
- [Not Applicable.]
- (b) Estimate of total expenses related to admission to trading: [●]

### 2 Ratings

- Ratings: The Certificates to be issued [have been/are expected to be] rated:
- [Fitch: [●]]
- [[●]: [●]]
- [[●] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]
- [[●] is established in the European Union and is registered under Regulation (EC) No. 1060/2009.]
- [[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [●], which is established in the European Union, disclosed the intention to endorse credit ratings of [●].]
- [[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [●] in accordance with Regulation (EC) No. 1060/2009. [●] is established in the European Union and registered under Regulation (EC) No. 1060/2009.]

[[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.]

**3 Interests of Natural and Legal Persons involved in the Issue**

[Save for any fees payable to the [Managers/Dealer], so far as each of the Trustee and the Obligor is aware, no person involved in the issue of the Certificates 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 or the Bank or their affiliates in the ordinary course of business for which they may receive fees – *Amend as appropriate if there are other interests.*]

4 **Yield** (Fixed Rate Certificates only): [●] per cent. per annum

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

**5 Operational Information**

(a) ISIN Code: [●]

(b) Common Code: [●]

(c) Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]

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

(e) Stabilisation Manager(s): [●]

(f) Details of Transaction Account: Noor Sukuk Company Ltd. Transaction Account No: [●] with [●] for Series No.: [●]

**6 Distribution**

(a) Method of distribution: [Syndicated/Non-syndicated]

(b) If syndicated, names of Managers: [Not Applicable/give names]

(c) If non-syndicated, name of relevant Dealers: [Not applicable/give names]

(d) U.S. Selling Restrictions: Regulation S, Category 2

## **USE OF PROCEEDS**

The Issue Price in respect of each Tranche of Certificates will be applied by the Trustee towards the purchase from the Bank of (in the case of the first Tranche of the relevant Series of Certificates) the Initial Wakala Portfolio, and (in the case of any subsequent Tranche of such Series) the relevant Additional Wakala Portfolio. Such amounts will be used by the Bank for general corporate purposes.

## DESCRIPTION OF THE TRUSTEE

### **The Trustee**

Noor Sukuk Company Ltd. (the **Trustee**), an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 2 March 2015 under the Companies Law (as amended) of the Cayman Islands with company registration number 297119. The Trustee has been established as an exempt company for the sole purposes of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at the offices of Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands, and its number is +1 345 814 7600.

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 each, 250 of which have been issued at the date of this Base Prospectus. All of the issued shares (the **Shares**) are fully-paid and are held by Walkers Fiduciary Limited as share trustee (in such capacity, the **Share Trustee**) under the terms of a declaration of trust (the **Share Declaration of Trust**) under which the Share Trustee holds the Shares on trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit one or more Qualified Charity (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

### **The Business of the Trustee**

The Trustee has no prior operating history or prior business (other than the entering into of the transactions contemplated by the Transaction Documents and the issuance of the Certificates to date) and will not have any substantial assets or liabilities other than in connection with the Certificates.

So long as any of the Certificates remain outstanding, the Trustee shall not incur any other indebtedness in respect of financed, borrowed or raised money whatsoever or engage in any business or activity (other than acquiring and holding assets in connection with the Certificates, issuing the Certificates and entering into related agreements and transactions as provided for in the Transaction Documents), or, *inter alia*, redeem any of its shares or pay any dividends or make any other distribution to its shareholders, have any subsidiaries or employees, purchase, own, lease, or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (other than as contemplated in the Transaction Documents) or issue any shares (other than such Shares as were in issue on the date hereof or as contemplated in the Transaction Documents).

The Trustee has, and will have, no significant assets other than the sum of U.S.\$250 representing the issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of the Certificates and the acquisition of assets in connection with the Certificates, the bank account into which such paid-up share capital and fees are deposited and the Trust Assets. Save in respect of fees generated in connection with the issue of the Certificates any related profits and proceeds of any deposits and investments made from such fees or from amounts representing the Trustee's issued and paid-up share capital, the Trustee does not expect to accumulate any surpluses.

The Certificates are the obligations of the Trustee alone and not the Share Trustee. Furthermore, they are not the obligations of, or guaranteed in any way by Walkers Fiduciary Limited or any other party.

### **Restrictions on the Offer of the Certificates**

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Certificates unless or until the Trustee is listed on the Cayman Islands Stock Exchange.

## Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditor.

## Directors of the Trustee

The Directors of the Trustee are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Karen Ellerbe .....	Vice President, Walkers Fiduciary Limited
Andrew Ibeh .....	Assistant Vice President, Walkers Fiduciary Limited

The business address of each of the Directors is c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Trustee's Articles of Association provide that the Board of Directors of the Trustee will consist of at least one director.

Other than in their capacities as employees and officers of their Trustee Administrator (defined below) there are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

None of the Directors listed above have been convicted of any criminal offence or been the subject of any public incrimination sanctions, bankruptcy, receivership or liquidation proceedings.

## The Trustee Administrator

Walkers Fiduciary Limited also acts as the administrator of the Trustee (in such capacity, the **Trustee Administrator**). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement entered into between, amongst others, the Trustee and the Trustee Administrator (the **Corporate Services Agreement**), the Trustee Administrator has agreed to perform in the Cayman Islands, the UAE and/or such other jurisdiction as may be agreed by the parties from time to time, various management functions on behalf of the Trustee, to provide certain clerical, administrative and other services and to provide registered office facilities to the Trustee until termination of the Corporate Services Agreement. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that either the Trustee or the Trustee Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement that provides either party shall be entitled to terminate such agreements by giving at least one months' notice in writing to the other party.

The Trustee Administrator will be subject to the overview of the Trustee's Board of Directors.

The Trustee Administrator's principal office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands..

The Directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof. The Trustee has no employees and is not expected to have any employees in the future.

## SELECTED FINANCIAL INFORMATION

The following tables set out in summary form the statement of financial position, income statement, statement of comprehensive income and statement of cash flows information relating to the Bank, as well as certain key financial ratios. The Financial Statements appear elsewhere in this Base Prospectus. The financial information presented below should be read in conjunction with "Presentation of financial and other information", "Risk factors", "Financial review" and the Financial Statements.

### CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December		
	2015	2016	2017
	<i>(AED million)</i>		
<b>Operating income</b>			
Income from Islamic financing and sukuk .....	1,130.0	1,350.4	1,541.1
Depositors' and sukuk holders' share of profit .....	(242.3)	(347.2) <sup>(1)</sup>	(389.0)
<b>Net income from Islamic financing</b> .....	<b>887.7</b>	<b>1,003.2<sup>(1)</sup></b>	<b>1,152.1</b>
Fee and other income, net of charges .....	513.2	627.1 <sup>(1)</sup>	747.2
(Loss) / gain on investments in Islamic sukuk .....	(3.7)	70.0 <sup>(1)</sup>	58.1
Change in fair value of investment properties .....	—	—	(9.8)
<b>Total operating income</b> .....	<b>1,397.2</b>	<b>1,700.3</b>	<b>1,947.6</b>
<b>Operating expenses</b>			
General and administrative expenses .....	(132.7)	(159.9) <sup>(1)</sup>	(168.6)
Staff costs .....	(479.1)	(497.7) <sup>(1)</sup>	(532.2)
Depreciation .....	(26.4)	(30.8)	(30.9)
<b>Total operating expenses</b> .....	<b>(638.2)</b>	<b>(688.4)</b>	<b>(731.7)</b>
<b>Operating profit before impairment charge</b> .....	<b>758.9</b>	<b>1,011.9</b>	<b>1,215.9</b>
Impairment charge on Islamic financing instruments .....	(198.1)	(645.0)	(838.0)
Impairment loss on equity investments .....	—	—	(7.0)
<b>Profit for the year</b> .....	<b>560.8</b>	<b>366.9</b>	<b>370.9</b>

Note:

- (1) Reclassified to conform to the 2017 Financial Statements presentation and therefore different to the figure presented in the 2016 Financial Statements. See "Presentation of financial and other information—Presentation of financial information—Comparability of information". No similar reclassifications have been made to these figures for 2015.

## STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December		
	2015	2016	2017
	(AED million)		
Profit for the year.....	560.8	366.9	370.9
<b>Other comprehensive income</b>			
<i>Items that may subsequently be reclassified to the income statement</i>			
<i>Fair value reserve on available for sale Islamic sukuk</i>			
Net changes in fair value .....	8.5	22.8	57.7
Net realised gain transferred to income statement .....	5.8	(51.6)	(30.5)
<b>Total other comprehensive income / (loss).....</b>	<b>14.3</b>	<b>(28.8)</b>	<b>27.2</b>
<b>Total comprehensive income for the year.....</b>	<b>575.2</b>	<b>338.1</b>	<b>398.1</b>

## STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2015	2016	2017
	(AED million)		
<b>ASSETS</b>			
Cash and balances with the UAE Central Bank.....	7,446.1	3,376.9	4,577.7
Due from banks .....	4,600.2	5,525.8	4,880.2
Investments in Islamic financing instruments.....	23,206.9	25,918.4	27,449.7
Investments in Islamic sukuk.....	2,441.9	4,056.7	3,727.0
Investment properties .....	1,231.7	1,186.1	1,178.9
Other assets.....	320.5	333.4 <sup>(1)</sup>	681.8
Property and equipment .....	217.2	193.8	173.2
<b>Total assets .....</b>	<b>39,464.5</b>	<b>40,591.1<sup>(1)</sup></b>	<b>42,668.5</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Customer deposits.....	32,115.8 <sup>(2)</sup>	29,802.5 <sup>(1)</sup>	30,329.1
Wakalah term deposits.....	544.2	—	—
Due to banks .....	376.9	2,553.7	1,908.5
Sukuk financing instruments .....	1,836.5	1,836.5	1,836.5
Other liabilities .....	1,078.5 <sup>(2)</sup>	1,048.5 <sup>(1)</sup>	2,744.2
<b>Total liabilities .....</b>	<b>35,951.9</b>	<b>35,241.2<sup>(1)</sup></b>	<b>36,818.3</b>

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
<b>Equity</b>			
Share capital .....	3,357.9	3,357.9	3,574.9
Tier 1 sukuk .....	—	1,836.5	1,836.5
Statutory reserve .....	213.0	249.7	286.8
Revaluation surplus on land and buildings .....	124.7	121.8	118.9
Fair value reserve on available for sale Islamic sukuk .....	(5.7)	(34.5)	(7.3)
(Accumulated losses)/retained earnings .....	(177.3)	(181.5)	40.5
<b>Total equity</b> .....	<b>3,512.6</b>	<b>5,349.9</b>	<b>5,850.3</b>
<b>Total liabilities and equity</b> .....	<b>39,464.5</b>	<b>40,591.1<sup>(1)</sup></b>	<b>42,668.5</b>

Note:

- (1) Reclassified to conform to the 2017 Financial Statements presentation and therefore different to the figure presented in the 2016 Financial Statements. See "*Presentation of financial and other information—Presentation of financial information—Comparability of information*". No similar reclassifications have been made to these figures for 2015 (except as disclosed in note (2) below) and therefore these are not comparable to the equivalent 2016 figures.
- (2) These figures have been amended to reflect the reclassifications made to the 2016 figure to conform it to the 2017 Financial Statements and is therefore different to the figure presented in the 2016 Financial Statements.

## STATEMENT OF CASH FLOWS

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
Net cash generated from / (used in) operating activities.....	1,419.7	(4,209.9)	1,981.5
Net cash from / (used in) investing activities .....	(945.5)	941.3	136.1
Net cash (used in) / from financing activities .....	1,500.7	955.0	102.2
Cash and cash equivalents at the start of the year .....	2,182.7	4,149.6	1,827.3
Cash and cash equivalents at the end of the year .....	4,149.6	1,827.3	4,067.6

## KEY FINANCIAL RATIOS

The following table sets out certain key ratios of the Bank as at and for the years ended 31 December 2017, 2016 and 2015. These ratios are not calculated on the basis of IFRS and are not IFRS measures of financial performance.

	<b>As at and for the year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(% unless otherwise stated)</i>		
Net profit margin <sup>(1)</sup> .....	2.8	2.8	3.2
Financing/total assets <sup>(2)</sup> .....	58.8	63.9	64.3
Customer deposits/total funding <sup>(3)</sup> .....	92.1	87.2	89.0
Financing/customer deposits .....	72.2	87.0	90.5
Liquid assets ratio <sup>(4)</sup> .....	35.8	25.6	26.4
Cost to income ratio <sup>(5)</sup> .....	45.7	40.5	37.6
Return on average equity <sup>(6)</sup> .....	16.7	8.2	6.8
Return on average assets <sup>(7)</sup> .....	1.5	0.9	0.9
Impaired financings ratio <sup>(8)</sup> .....	4.7	5.1	4.3
Impairment provisions/impaired financings <sup>(9)</sup> .....	112.9	122.8	151.1
Capital adequacy ratio <sup>(10)</sup> .....	15.2	17.3	17.8
Tier I risk assets ratio <sup>(10)</sup> .....	12.2	16.3	16.8

### Notes:

- (1) Net income from Islamic financing divided by daily average earning assets, which amounted to AED 31,888 million in 2015, AED 35,480 million in 2016 and AED 35,448 million in 2017.
- (2) Financing for this purpose is Investments in Islamic financing instruments.
- (3) Total funding for this purpose is Customer deposits, Wakalah term deposits, Due to banks and sukuk financing instruments.
- (4) Total liquid assets (comprising the sum of Cash and balances with the UAE Central Bank, the net of Due from banks and Due to banks and Investment in Islamic sukuk) divided by total assets.
- (5) Total operating expenses divided by total operating income.
- (6) Profit for the year (less Tier 1 sukuk profit) divided by daily average total equity (excluding Tier 1 sukuk), which amounted to AED 3,357 million in 2015, AED 3,622 million in 2016 and AED 3,790 million in 2017.
- (7) Profit for the year divided by daily average total assets, which amounted to AED 36,210 million in 2015, AED 40,621 million in 2016 and AED 40,582 million in 2017.
- (8) Impaired financings, which amounted to AED 1,153 million in 2015, AED 1,423 million in 2016 and AED 1,276 million in 2017, divided by gross Investment in Islamic financing instruments as set out in note 6 to each of the 2017 Financial Statements and the 2016 Financial Statements.
- (9) Total allowance for impairment as set out in note 6 to each of the 2017 Financial Statements and the 2016 Financial Statements divided by impaired financings.
- (10) Calculated in accordance with Central Bank regulations and based on Basel II requirements in each year. The Bank's Tier 1 capital ratio calculated in accordance with Central Bank regulations and based on Basel III was 16.77 per cent. as at 31 December 2017.

## FINANCIAL REVIEW

*The following review of the Bank's consolidated financial condition and results of operations should be read in conjunction with the information set out in "Presentation of financial and other information", "Selected financial information" and the Financial Statements.*

*The review of the Bank's consolidated financial condition and results of operations is based upon the Financial Statements which have been prepared in accordance with IFRS. This discussion contains forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those indicated 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 "Cautionary statement regarding forward-looking statements" and "Risk factors".*

### OVERVIEW

The Bank commenced operations on 7 January 2008. It provides a range of corporate and retail banking services, principally to customers in the UAE, and conducts treasury operation from the UAE.

The Bank's principal activities comprise the provision of financing to its customers, which generates profit income and fee income, and limited investment activities, which principally relate to its portfolio of investment sukuk and generate profit income and trading gains or losses. The Bank's principal source of funding is its customer deposits.

The Bank's focus is on building a diversified wholesale bank, a liability-focused SME proposition and a secure retail offering that targets an affluent customer base.

As at 31 December 2017, the Bank had total investments in Islamic financing instruments of AED 27.4 billion and total customer deposits of AED 30.3 billion. For the year ended 31 December 2017, the Bank recorded total operating income of AED 1,947.6 million and profit for the year of AED 370.9 million. As at 31 December 2017, the Bank had retained earnings of AED 40.5 million.

### PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

The following is a discussion of the principal factors that have affected, or are expected to affect, the Bank's results of operations.

#### **Economic conditions**

The Bank's income and results of operations are affected by economic and market conditions in the UAE. Based on IMF data in the IMF's October 2017 World Economic Outlook, the UAE's real GDP grew by 3.9 per cent. in 2015 and 3.0 per cent. in 2016 and was predicted to grow by 1.3 per cent. in 2017 whilst its nominal GDP fell by 11.2 per cent. in 2015 and by 2.6 per cent. in 2016 and was predicted to grow by 8.6 per cent. in 2017. According to the IMF's 2017 Article IV consultation with the UAE, shrinking interest margins and rising impairment charges reduced profitability and triggered cost cutting at UAE banks. It noted that the NPL ratio stopped declining in 2015 and that rescheduled loans had increased, in part due to weakening asset quality of SME loans. The IMF noted that UAE banks remained adequately capitalised as at 31 March 2017.

In its October 2017 World Economic Outlook, the IMF predicted that economic activity in the UAE would strengthen gradually in the coming years, although there remained risks to the economy from oil prices should they remain low and if there should be a retreat from cross border integration which could impact non-oil economic growth in the UAE through reduced trade flows and cross-border investment flows. In addition, higher market volatility or a sharper than expected rise in U.S. interest rates could increase borrowing costs for banks and GREs and potentially impact liquidity in the UAE banking system.

### **Factors affecting net income from Islamic financing**

The Bank's net income from Islamic financing is a major contributor to its total operating income, comprising 63.5 per cent. of total operating income in 2015, 59.0 per cent. in 2016 and 59.2 per cent. in 2017. The Bank's net income from Islamic financing is the difference between the income earned by it on Islamic financing and sukuk and the profit shares paid by it to its depositors and sukuk holders.

The Bank's net income from Islamic financing is affected by a number of factors. It is primarily determined by the volume of income-earning assets relative to profit-bearing liabilities, as well as the differential between rates earned on income-earning assets and rates paid on profit-bearing liabilities. The Bank's income-earning assets principally comprise its customer financing portfolio and the fixed income sukuk held by it. The Bank's profit-bearing liabilities principally comprise its customer deposits.

The Bank's average income earning assets (i.e. the sum of daily average balances of "Due from banks", "Investments in Islamic financing instruments" and "Investments in Islamic sukuk") were AED 31,887.9 million in 2015, AED 35,480.0 million in 2016 and AED 35,447.8 million in 2017, corresponding to a growth rate of 11.3 per cent. in 2016 and negative 0.1 per cent. in 2017.

The Bank's sum of daily average balances of "Investments in Islamic financing instruments" and "Investments in Islamic sukuk", which carry generally higher profit rates than its other income earning assets and generally higher profit rates than its funding, were AED 25,957.1 million in 2015, AED 30,186.5 million in 2016 and AED 32,174.5 million in 2017, corresponding to growth rates of 16.3 per cent. in 2016 and 6.6 per cent. in 2017.

The Bank's average funding (i.e. the sum of daily average balances of "Customer deposits", "Wakalah term deposits", "Due to banks" and "sukuk financing instruments") was AED 31,836.2 million in 2015, AED 34,780.6 million in 2016 and AED 33,633.8 million in 2017, corresponding to growth rates of 9.2 per cent. in 2016 and negative 3.3 per cent in 2017.

During 2017, the Bank earned an average yield of 4.3 per cent. on its income earning assets (compared to 3.8 per cent. during 2016 and 3.5 per cent. during 2015) while maintaining an average cost of funds of 1.2 per cent. (compared to 1.0 per cent. during 2016 and 0.8 per cent. during 2015), which contributed to growth of 13.0 per cent. and 14.8 per cent. the Bank's net income from Islamic financing, in 2016 and 2017, respectively. (Average yield is calculated as "Income from Islamic financing and sukuk" divided by "average income earning assets"; Average cost of funds is computed as "depositors' share of profit" divided by "average funding").

### **Impairment charges**

The Bank reviews its financial assets on a regular basis for indications of impairment, whether at an individual asset level (in the case of significant financial assets) or collectively (for financial assets that are not individually significant or assessed as impaired). The Bank's impairment policy on financial assets is described in note 3.9 to the 2017 Financial Statements.

The Bank's net impairment charges related to Islamic financing amounted to AED 198.1 million in 2015, AED 645.0 million in 2016 and AED 838.0 million in 2017, with impairment reversals amounting to AED 142.9 million in 2015, AED 83.5 million in 2016 and AED 15.6 million in 2017. The Bank seeks to prudently manage its impaired portfolio and hence increased provisions in 2016 and 2017 were made to enhance coverage for its legacy SME portfolio, which was particularly impacted by the economic downturn in 2015 and 2016.

### **SIGNIFICANT ACCOUNTING POLICIES**

The Financial Statements have been prepared in accordance with IFRS. For a discussion of the accounting policies applied by the Bank generally, see note 3 to the 2017 Financial Statements.

### **CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the Bank's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Bank's assets and liabilities, including disclosure of

contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenue and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the Bank's financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Bank's financial statements, see note 2.4 to the 2017 Financial Statements, which identifies:

- the determination of impairment losses on investments in Islamic financing instruments;
- the classification of investments in Islamic sukuk as held to maturity; and
- the determination of the fair value of investment properties and buildings under property and equipment

as the significant areas in which there is estimation uncertainty and where critical judgment is required when applying the accounting policies that have the most significant effect on the amounts recognised in the 2017 Financial Statements.

## RESULTS OF OPERATIONS

### Comparison of 2016 and 2017

#### *Net income from Islamic financing*

The Bank's net income from Islamic financing reflects the difference between the amount of profit income that it earns from Islamic financing provided by it to customers and from its Islamic sukuk and the amount of profit share that it pays to its depositors and sukuk holders.

#### *Income from Islamic financing and sukuk*

The table below shows the breakdown of the Bank's income from Islamic financing (broken down by type of financing provided) and the Bank's profit income from its Islamic sukuk in each of 2016 and 2017.

	2016		2017	
	(AED million)	(% of total)	(AED million)	(% of total)
Wakalah.....	41.1	3.0	38.3	2.5
Ijarah .....	202.3	15.0	269.9	17.5
Murabahah.....	975.7	72.3	1,105.9	71.8
	<b>1,219.1</b>	<b>90.3</b>	<b>1,414.1</b>	<b>91.8</b>
Profit income on Islamic sukuk .....	131.3	9.7	127.0	8.2
<b>Total income from Islamic financing and sukuk .....</b>	<b>1,350.4</b>	<b>100.0</b>	<b>1,541.1</b>	<b>100.0</b>

The Bank's total income from Islamic financing and sukuk in 2017 amounted to AED 1,541.1 million compared to AED 1,350.4 million in 2016, an increase of AED 190.7 million, or 14.1 per cent. This increase principally reflected growth in the Bank's corporate and retail banking financing portfolio in line with the Bank's strategy. See "*Principal factors affecting results of operations—Factors affecting net income from Islamic financing*" above.

The Bank principally uses:

- wakalah financings mainly for the purpose of placements with financial institutions;

- ijarah transactions for residential home finance, commercial real estate and corporate financings; and
- murabahah transactions for Islamic credit cards and for vehicle and corporate financing.

See note 3.15 to the 2017 Financial Statements for a brief description of each of these types of financing transactions.

#### *Depositors' and sukuk holders' share of profit*

The table below shows the breakdown of profit shares paid by the Bank to its depositors (broken down by deposit type) and sukuk holders in each of 2016 and 2017.

	2016		2017	
	(AED million)	(% of total)	(AED million)	(% of total)
Term accounts .....	241.2	69.5	273.3	70.3
Savings and escrow accounts.....	52.0	15.0	62.1	16.0
Sukuk holders' share of profit.....	54.0	15.5	53.7	13.7
<b>Depositors' and sukuk holders' share of profit .....</b>	<b>347.2</b>	<b>100.0</b>	<b>389.0</b>	<b>100.0</b>

The total depositors' share of profit in 2017 amounted to AED 335.4 million compared to AED 293.2 million in 2016, an increase of AED 42.2 million, or 14.4 per cent. This increase was due to the higher cost of deposits in 2017 as a result of market conditions. The average volume of customer deposits fell by 3.3 per cent. from AED 31.3 billion in 2016 to AED 30.3 billion in 2017. The sukuk holders' share of profit remained substantially flat in 2017.

Reflecting the above factors, the Bank's net income from Islamic financing increased by AED 148.9 million, or 14.8 per cent., in 2017 from AED 1,003.2 million in 2016 to AED 1,152.1 million in 2017.

#### *Segmental analysis*

The Bank has three reporting segments:

- retail banking, which principally serves individuals, high net worth customers and small businesses;
- corporate banking, which principally handles financing and trade facilities and deposit-related services for medium and large sized corporate and institutional customers; and
- treasury and others, which manages the Bank's overall liquidity and market risk and provides treasury services to customers, as well as all other unallocated functions.

The table below shows the segmental breakdown of the Bank's net income from Islamic financing and sukuk in each of 2016 and 2017.

	2016		2017	
	(AED million)	(% of total)	(AED million)	(% of total)
Retail banking.....	405.7	40.4	438.5	38.1
Corporate banking .....	387.4	38.6	510.4	44.3
Treasury and others .....	210.0	20.9	203.1	17.6
<b>Net income from Islamic financing .....</b>	<b>1,003.2</b>	<b>100.0</b>	<b>1,152.1</b>	<b>100.0</b>

Retail banking's net income from Islamic financing and sukuk in 2017 amounted to AED 438.5 million compared to AED 405.7 million in 2016, an increase of AED 32.8 million, or 8.1 per cent. This increase

principally reflected growth in the mortgage and personal finance portfolios by AED 0.4 billion and AED 0.3 billion, respectively.

Corporate banking's net income from Islamic financing and sukuk in 2017 amounted to AED 510.4 million compared to AED 387.4 million in 2016, an increase of AED 123.0 million, or 31.8 per cent. This increase principally reflected growth in corporate banking's financing portfolio by AED 1.5 billion.

Treasury and others' net income from Islamic financing and sukuk in 2017 amounted to AED 203.1 million compared to AED 210.0 million in 2016, a fall of AED 6.9 million, or 3.3 per cent.

### ***Other operating income***

The Bank's other operating income comprises:

- net fee income;
- net income from realised and unrealised gains and losses made on its held for trading sukuk investments;
- realised gains and losses made on its available for sale sukuk investments; and
- changes in the fair value of its investment properties.

The table below shows the breakdown of the Bank's other operating income in each of 2016 and 2017.

	2016		2017	
	<i>(AED million)</i>	<i>(% of total)</i>	<i>(AED million)</i>	<i>(% of total)</i>
Fee and other income, net of charges .....	627.1	90.0	747.2	93.9
Gain on investments in Islamic sukuk .....	70.0	10.0	58.1	7.3
Change in fair value of investment properties .....	-	-	(9.8)	(1.2)
<b>Total other operating income .....</b>	<b>697.1</b>	<b>100.0</b>	<b>795.5</b>	<b>100.0</b>

The Bank's total other operating income increased by AED 98.4 million, or 14.1 per cent., in 2017, from AED 697.1 million in 2016 to AED 795.5 million in 2017. This reflects increases in each of the two main categories of other operating income, as described below.

#### *Fee and other income, net of charges*

The Bank's total fee and other income, net of charges increased by AED 120.1 million, or 19.2 per cent., from AED 627.1 million in 2016 to AED 747.2 million in 2017. This was primarily due to:

- a fair value gain of AED 28.1 million on Islamic derivatives in 2017 compared to a fair value loss of AED 22.3 million in 2016. The fair value loss in 2016 was an unrealised mark to market loss on certain derivative instruments which was reversed in 2017 as market conditions improved, resulting in the fair value gain in 2017;
- an AED 44.7 million, or 22.7 per cent., increase in net foreign exchange income in 2017 as a result of the Bank's increased focus on cross-selling;
- an increase of AED 12.3 million, or 7.5 per cent., in facility arrangement and processing fees in 2017; and
- an increase of AED 9.5 million, or 46.3 per cent., in fees from credit cards in 2017, resulting from new initiatives undertaken by the Bank's retail business unit to grow this line of business.

### *Gain on investments in Islamic sukuk*

In 2017, the Bank's net gains on investments in Islamic sukuk amounted to AED 58.1 million compared to net gains of AED 70.0 million in 2016. The lower gains in 2017 principally resulted from a general deterioration in fixed income market conditions in that year.

### *Change in the fair value of investment properties*

The Bank recognised a revaluation loss of AED 9.8 million in 2017 on its investment properties portfolio. No equivalent loss or gain was recognised in 2016 as there were no significant changes in the fair value of the portfolio in that year.

### *Operating expenses*

The Bank's operating expenses comprise staff costs, general and administrative expenses and depreciation. The table below shows the breakdown of the Bank's operating expenses in each of 2016 and 2017.

	2016		2017	
	(AED million)	(% of total)	(AED million)	(% of total)
Staff costs .....	497.7	72.3	532.2	72.7
General and administrative expenses.....	159.9	23.2	168.6	23.0
Depreciation .....	30.8	4.5	30.9	4.3
<b>Total operating expenses .....</b>	<b>688.4</b>	<b>100.0</b>	<b>731.7</b>	<b>100.0</b>

#### Notes:

- (1) Minor reclassifications in Staff costs and General and Administrative expenses were made in 2016 to conform to the presentation used in the 2017 Financial Statements and hence differ from those included in the 2016 Financial Statements. No similar reclassifications have been made to 2015 figures included in the 2016 Financial Statements. See "*Presentation of financial and other information – Presentation of financial information – Comparability of information*".

The Bank's operating expenses increased by AED 43.3 million, or 6.3 per cent., in 2017, from AED 688.4 million in 2016 to AED 731.7 million, in line with growth in the Bank's business.

The Bank's staff costs increased by AED 34.5 million, or 6.9 per cent., in 2017, from AED 497.7 million in 2016 to AED 532.2 million. The increase principally reflected an AED 24.6 million, or 5.7 per cent., increase in salaries and allowances from AED 404.9 million in 2016 to AED 429.5 million in 2017.

The Bank's general and administrative expenses increased by AED 8.7 million, or 5.4 per cent., in 2017, from AED 159.9 million in 2016 to AED 168.6 million. The increase was mainly due to:

- an AED 6.9 million, or 14.0 per cent., increase in facility management expenses, principally resulting from projected-related costs in connection with a land plot situated in the Zabeel area in Dubai; and
- an AED 4.5 million, or 12.7 per cent., increase in IT-related expenses, principally resulting from an increase in annual maintenance charges for the Bank's hardware and software,

which were offset by an AED 4.8 million, or 42.3 per cent., reduction in directors' fees due to changes in the remuneration structure for directors.

### *Operating profit before impairment on Islamic financing instruments*

Reflecting the factors described above, the Bank's net operating profit before impairment charges increased by AED 204.0 million, or 16.8 per cent., from 2016.

### ***Impairment charges***

The Bank's impairment charge on Islamic financing instruments was AED 838.0 million in 2017 and AED 645.0 million in 2016. The increase of AED 193.0 million, or 29.9 per cent., reflected both increased cover for the Bank's legacy SME portfolio and otherwise was in line with the AED 1.7 billion growth in the Bank's gross Islamic financing portfolio. See "*Principal factors affecting results of operations—Impairment charges*" above.

In 2017, the Bank recorded an AED 7.0 million impairment charge on certain equity investments held by it. No equivalent impairment charge was recognised in 2016.

### ***Profit for the year***

Reflecting the changes in impairment charges described above, the Bank recorded a profit of AED 370.9 million in 2017 compared to a profit of AED 366.9 million in 2016.

### ***Total comprehensive income for the year***

The table below shows the composition of the Bank's total comprehensive income for each of 2016 and 2017.

	<u>2016</u>	<u>2017</u>
	<i>(AED million)</i>	
Profit for the year.....	366.9	370.9
<b>Other comprehensive income</b>		
<b><i>Items that may be subsequently reclassified to the income statement</i></b>		
<i>Fair value reserve on available for sale Islamic sukuk</i>		
Net changes in fair value .....	22.8	57.7
Net realised gain transferred to income statement .....	(51.6)	(30.5)
<b>Total other comprehensive income</b> .....	<u>(28.8)</u>	<u>27.2</u>
<b>Total comprehensive income for the year</b> .....	<u><u>338.1</u></u>	<u><u>398.1</u></u>

The Bank's other comprehensive income comprises its net unrealised gains and losses on available for sale Islamic sukuk held by it less the net realised gains on those instruments transferred to the income statement. In 2016 the Bank had total other comprehensive income of AED 27.2 million compared to a total other comprehensive loss of AED 28.8 million in 2017.

### **Comparison of 2015 and 2016**

#### ***Net income from Islamic financing***

##### *Income from Islamic financing and sukuk*

The table below shows the breakdown of the Bank's income from Islamic financing (broken down by type of financing provided) and the Bank's profit income from its Islamic sukuk in each of 2015 and 2016.

	2015		2016	
	(AED million)	(% of total)	(AED million)	(% of total)
Wakalah.....	16.5	1.5	41.1	3.0
Ijarah .....	195.5	17.3	202.3	15.0
Murabahah.....	824.8	73.0	975.7	72.3
	<b>1,036.8</b>	<b>91.8</b>	<b>1,219.1</b>	<b>89.7</b>
Profit income on Islamic sukuk .....	93.2	8.2	131.3	9.7
<b>Total income from Islamic financing and sukuk .....</b>	<b>1,130.0</b>	<b>100.0</b>	<b>1,350.4</b>	<b>100.0</b>

The Bank's total income from Islamic financing and sukuk in 2016 amounted to AED 1,350.4 million compared to AED 1,130.0 million in 2015, an increase of AED 220.4 million, or 19.5 per cent. This increase principally reflected growth in the Bank's corporate and retail banking financing portfolio in line with the Bank's strategy, as well as growth in its sukuk portfolio. See "*Principal factors affecting results of operations—Factors affecting net income from Islamic financing*" above.

#### *Depositors' and sukuk holders' share of profit*

The table below shows the breakdown of profit shares paid by the Bank to its depositors (broken down by deposit type) and sukuk holders in each of 2015 and 2016. The table below has been reclassified from the table appearing in note 20 to the 2016 Financial Statements, in order to conform to the classification of the table in note 19 to the 2017 Financial Statements.

	2015		2016	
	(AED million)	(% of total)	(AED million)	(% of total)
Term accounts .....	187.5	77.4	241.2	69.5
Savings and escrow accounts.....	18.4	7.6	52.0	15.0
Sukuk holders' share of profit .....	36.4	15.0	54.0	15.5
<b>Depositors' and sukuk holders' share of profit .....</b>	<b>242.3</b>	<b>100.0</b>	<b>347.2</b>	<b>100.0</b>

The total depositors' share of profit in 2016 amounted to AED 293.2 million compared to AED 205.9 million in 2015, an increase of AED 87.3 million, or 42.4 per cent. The increase reflects an increase in volumes as well as a small increase in the cost of funds as a result of prevailing market conditions. The AED 17.6 million, or 48.4 per cent., increase in sukuk holders' share of profit in 2016 mainly reflects the fact that sukuk issued on 29 April 2015 were not paid a full year share of profit in that year.

Reflecting the above factors, the Bank's net income from Islamic financing increased by AED 115.5 million, or 13.0 per cent., in 2016 from AED 887.7 million in 2015 to AED 1,003.2 million in 2016.

#### *Segmental analysis*

The table below shows the segmental breakdown of the Bank's net income from Islamic financing and sukuk in each of 2015 and 2016. The table below has been reclassified from the table appearing in note 28 to the 2016 Financial Statements, in order to conform to the classification of the table in note 29 to the 2017 Financial Statements.

	2015		2016	
	(AED million)	(% of total)	(AED million)	(% of total)
Retail banking.....	376.5	42.4	405.7	40.4
Corporate banking .....	406.6	45.8	387.4	38.6
Treasury and others .....	104.6	11.8	210.0	20.9
<b>Net income from Islamic financing .....</b>	<b>887.7</b>	<b>100.0</b>	<b>1,003.2</b>	<b>100.0</b>

Retail banking's net income from Islamic financing and sukuk in 2016 amounted to AED 405.7 million compared to AED 376.5 million in 2015, an increase of AED 29.2 million, or 7.8 per cent. This increase principally reflected growth in the retail banking's financing portfolio by AED 1.6 billion.

Corporate banking's net income from Islamic financing and sukuk in 2016 amounted to AED 387.4 million compared to AED 406.6 million in 2015, a fall of AED 19.2 million, or 4.7 per cent. This fall principally reflected a decline in the emerging corporates portfolio in line with the Bank's strategy.

Treasury and others' net income from Islamic financing and sukuk in 2016 amounted to AED 210.0 million compared to AED 104.6 million in 2015, an increase of AED 105.4 million, or 100.8 per cent. This increase principally reflected mark to market changes in treasury instruments and an increase in rates of approximately 50 basis points.

#### **Other operating income**

The table below shows the breakdown of the Bank's other operating income in each of 2015 and 2016. The table below has been reclassified from the tables appearing in notes 21 and 22 to the 2016 Financial Statements, in order to conform to the classification of the tables appearing in notes 20 and 21 to the 2017 Financial Statements.

	2015		2016	
	(AED million)	(% of total)	(AED million)	(% of total)
Fee and other income, net of charges .....	513.2	100.7	627.1	90.0
Gain (loss) on investments in Islamic sukuk .....	(3.7)	(0.7)	70.0	10.0
<b>Total other operating income .....</b>	<b>509.5</b>	<b>100.0</b>	<b>697.1</b>	<b>100.0</b>

The Bank's total other operating income increased by AED 187.6 million, or 36.8 per cent., in 2016, from AED 509.5 million in 2015 to AED 697.1 million in 2016. This reflected the changes in each category of other operating income described below.

#### *Fee and other income, net of charges*

The Bank's total fee and other income, net of charges increased by AED 113.9 million, or 22.2 per cent., in 2016, from AED 513.2 million in 2015 to AED 627.1 million in 2016. This was primarily due to:

- an AED 66.7 million, or 51.2 per cent., increase in the Bank's net foreign exchange income in 2016, principally as a result of increased cross-selling;
- an AED 31.9 million, or 20.0 per cent., increase in transactional and deposit related fees resulting from initiatives undertaken by the Bank's corporate and retail business groups, which also provided comparatively greater opportunities for cross selling across the Bank's other business groups; and
- an AED 31.2 million, or 23.6 per cent., increase in facility syndication and processing fees in 2016 as business developed due to market opportunities.

These increases were offset by a fair value loss of AED 22.3 million on Islamic derivatives in 2016 compared to no gain or loss in 2015 as the derivatives in question were only entered into in 2016.

*Gain (loss) on investments in Islamic sukuk*

In 2016, the Bank's net gains on investments in Islamic sukuk amounted to AED 70.0 million compared to net losses of AED 3.7 million in 2015. The loss in 2015 principally resulted from unfavourable fixed income market conditions for the Bank, which improved in 2016.

***Operating expenses***

The table below shows the breakdown of the Bank's operating expenses in each of 2015 and 2016.

	2015		2016	
	(AED million)	(% of total)	(AED million)	(% of total)
Staff costs .....	479.1	75.1	497.7 <sup>(1)</sup>	72.3
General and administrative expenses.....	132.8	20.8	159.9 <sup>(1)</sup>	23.2
Depreciation .....	26.4	4.1	30.8	4.5
<b>Total operating expenses .....</b>	<b>638.3</b>	<b>100.0</b>	<b>688.4</b>	<b>100.0</b>

The Bank's operating expenses increased by AED 50.1 million, or 7.8 per cent., in 2016, from AED 638.3 million in 2015 to AED 688.4 million. This increase reflected increased staff costs, offset by lower general and administrative expenses and depreciation.

The Bank's staff costs increased by AED 18.6 million, or 3.9 per cent., in 2016, from AED 479.1 million in 2015 to AED 497.7 million. This increase principally reflected an increase in salaries and allowances of AED 9.9 million, or 2.5 per cent., in line with growth in business operations and an increase in outsourced staff costs of AED 8.8 million, or 17.8 per cent., from AED 49.2 million in 2015 to AED 58.0 million in 2016.

The Bank's general and administrative expenses increased by AED 27.1 million, or 20.4 per cent., in 2016, from AED 132.8 million to AED 159.9 million in 2016. This increase was mainly due to:

- an AED 11.3 million fee paid to directors in 2016 which covered both 2016 and 2015;
- an AED 5.7 million, or 13.0 per cent., increase in facilities management expenses principally resulting from initiatives taken by the Bank in line with its growth plan; and
- an AED 3.7 million, or 25.7 per cent., increase in legal expenses largely due to business-related consulting services received by the Bank in 2016 in line with its growth plan.

In addition, other, individually not significant, administration and general expenses were AED 7.7 million in 2016 compared to net reversal of accruals of AED 3.4 million in 2015. These factors were offset by an AED 5.7 million, or 23.7 per cent., reduction in marketing and advertisement expenses mainly as a result of certain cost rationalisation measures taken by the Bank.

***Operating profit before impairment on Islamic financing instruments***

Reflecting the factors described above, the Bank's net operating profit before impairment charges on investment in Islamic financing instruments increased by AED 253.0 million in 2016, or 33.3 per cent., from 2015.

***Impairment charges on investment in Islamic financing instruments***

The Bank's impairment charge on Islamic financing instruments was AED 645.0 million in 2016 compared to AED 198.1 million in 2015. The Bank decided to take higher impairment charges in 2016 to provide for its legacy SME financings on a prudent basis. See "*Principal factors affecting results of operations—Impairment charges*" above.

### ***Profit for the year***

Reflecting the changes in impairment charges described above, the Bank recorded a profit of AED 366.9 million in 2016 compared to AED 560.8 million in 2015.

### ***Total comprehensive income for the year***

The table below show the composition of the Bank's total comprehensive income for each of 2015 and 2016.

	<u>2015</u>	<u>2016</u>
	<i>(AED million)</i>	<i>(AED million)</i>
Profit for the year.....	560.8	366.9
<b>Other comprehensive income</b>		
<b><i>Items that may be subsequently reclassified to the income statement</i></b>		
<i>Fair value reserve on available for sale Islamic sukuk</i>		
Net changes in fair value .....	8.5	22.8
Net realised gain transferred to income statement .....	5.8	(51.6)
<b>Total other comprehensive income</b> .....	<u>14.3</u>	<u>(28.8)</u>
<b>Total comprehensive income for the year</b> .....	<u>575.2</u>	<u>338.1</u>

## **FUNDING AND LIQUIDITY**

### **Funding**

The table below shows the Bank's sources of funding as at 31 December in each of 2015, 2016 and 2017.

	<u>As at 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>(AED million)</i>		
Customer deposits.....	32,115.8	29,802.5	30,329.1
Wakalah term deposits.....	544.2	—	—
Due to banks .....	376.9	2,553.7	1,908.5
Sukuk financing instruments .....	1,836.5	1,836.5	1,836.5
Total equity.....	<u>3,512.6</u>	<u>5,349.9</u>	<u>5,850.3</u>
<b>Total funding</b> .....	<b>38,386.0</b>	<b>39,542.6</b>	<b>39,924.4</b>

The Bank's principal source of funding is its customer deposits, which accounted for 83.7 per cent. of its funding at 31 December 2015 compared to 75.4 per cent. at 31 December 2016 and 76.0 per cent. as at 31 December 2017.

The table below shows the Bank's deposits by type of deposit as at 31 December in each of 2015, 2016 and 2017.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
<b>Customer deposits</b>			
Wakalah – term.....	15,490.0	9,171.5	9,943.6
Mudarabah – savings.....	8,501.4	9,170.1	8,861.4
Mudarabah – term.....	321.2	1,237.6	1,909.6
Margin accounts.....	315.3	274.0	259.1
Qard-E-Hasan - demand.....	7,487.9	9,949.4	9,355.4
<b>Total customer deposits.....</b>	<b>32,115.8</b>	<b>29,802.6</b>	<b>30,329.1</b>
Wakalah term deposits.....	544.2	—	—
<b>Total deposits.....</b>	<b>32,660.0</b>	<b>29,802.6</b>	<b>30,329.1</b>

The Bank's principal deposit type is the wakalah – term, which is profit-bearing. As at 31 December 2015, Wakalah deposits constituted 48.2 per cent. of the Bank's total customer deposits, compared to 30.8 per cent. as at 31 December 2016 and 32.8 per cent. as at 31 December 2017.

The Bank's Mudarabah deposits are also profit bearing, whilst its margin accounts and Qard-E- Hasan deposits do not pay any profit.

The table below shows a maturity profile (based on remaining contractual maturities) for the Bank's total deposits on an undiscounted basis, relating to both principal and profit payments, as at 31 December in each of 2015, 2016 and 2017.

	<b>Carrying amount</b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>(AED million)</i>					
2015.....	32,660.3	21,804.3	8,152.1	2,436.6	665.9	33,058.9
2016.....	29,802.4	23,054.3	4,092.4	2,881.3	8.3	30,036.4
2017.....	30,329.1	19,516.2	7,604.1	3,500.7	-	30,621.0

The majority of the Bank's deposits are short-term in nature although, in accordance with normal banking practice in the UAE, a significant proportion of these deposits tend to have much longer behavioural maturities as they are regularly rolled over. See "*Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Bank is subject to liquidity risk which could materially adversely affect its results of operations and, in an extreme case, could threaten its solvency*".

## **Liquidity**

The Bank's principal sources of liquidity are the cash flows generated from its operating activities, its cash balances and its sukuk investment portfolio. The Bank is seeking to diversify its funding sources and issues under the Programme (as defined below under "*Sukuk Issuances*") are an important step in this strategy and are also intended to help the Bank supplement its depositor base with longer term funding.

### **Cash flow**

The table below summarises the Bank's cash flow from operating activities, investing activities and financing activities for each of 2015, 2016 and 2017.

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
Net cash generated from / (used in) operating activities.....	1,411.7	(4,209.9)	1,981.5
Net cash generated (used in) / generated from investing activities .....	(945.5)	941.3	136.1
Net cash generated from financing activities.....	1,500.7	955.0	102.2
Cash and cash equivalents at the start of the year .....	2,182.7	4,149.6	1,827.3
Cash and cash equivalents at the end of the year.....	4,149.6	1,827.3	4,067.6

The Bank's net cash generated from operating activities in 2017 was AED 1,981.5 million compared to net cash used in operating activities of AED 4,209.9 million in 2016 and net cash generated from operating activities of AED 1,411.7 million in 2015. The Bank's cash flows from operating activities before changes in operating assets and liabilities were AED 796.6 million in 2015, AED 987.8 million in 2016 and AED 1,185.7 million in 2017. These cash flows principally represent the Bank's profit for the year adjusted to reflect impairment losses.

The Bank's net cash from or used in investing activities principally reflects its purchases and sales of Islamic sukuk and the net outcome from purchases and redemptions of held to maturity Islamic sukuk and investments in, and redemptions of, certificates of deposit. In 2017, the Bank's net cash from investing activities was AED 136.1 million and principally reflected net sales of Islamic sukuk. In 2016, the Bank's net cash from investing activities was AED 941.3 million and principally reflected AED 1,700 million received from the redemption of certificates of deposit less a net amount of AED 842.9 million invested in the purchase of Islamic sukuk. In 2015, the Bank's net cash used in investing activities was AED 945.5 million and principally reflected AED 1,200 million invested in certificates of deposit.

The Bank's net cash generated from financing activities in 2017 was AED 102.2 million, reflecting AED 217.0 million from the issuance of share capital offset by AED 114.8 million paid as a profit distribution on Tier 1 sukuk. In 2016, the Bank generated net cash from financing activities of AED 955.0 million which principally reflected proceeds from a Tier 1 sukuk issuance of AED 1,836.5 million offset principally by the re-payment of wakalah term deposits of AED 544.1 million and a dividend payment of AED 268.6 million. In 2015, the Bank generated net cash from financing activities of AED 1,500.7 million which reflected proceeds from sukuk issuance of AED 1,836.5 million offset by a dividend payment of AED 335.8 million.

### **Cash balances**

The Bank has significant cash balances, the majority of which are held in various forms with the Central Bank, which it is able to use as an additional source of liquidity. The table below shows the Bank's cash and bank balances as at 31 December in each of 2015, 2016 and 2017.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
Cash in hand .....	140.4	155.1	129.4
Current account with the Central Bank .....	1,922.3	481.5	1,135.7
Certificates of deposit with the Central Bank.....	2,900.0	—	500.0
Statutory deposit with the Central Bank.....	2,483.4	2,740.4	2,812.6
<b>Total cash and bank balances .....</b>	<b>7,446.1</b>	<b>3,377.0</b>	<b>4,577.7</b>

The statutory deposit with the Central Bank is not available to finance the day to day operations of the Bank, except in a crisis situation. All items in the table above, except the certificates of deposit, are non-profit paying. The certificates of deposit carried profit rates ranging between 0.17 per cent. and 1.2 per cent.

### *Sukuk investment portfolio*

The Bank maintains a portfolio of Islamic sukuk which it believes that it will be able to utilise as a source of liquidity, either through direct sale or to raise secured funding.

The table below shows the classification of the Bank's Islamic sukuk portfolio by category of investment as at 31 December in each of 2015, 2016 and 2017.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
Available for sale.....	1,598.9	2,402.8	2,476.2
Held to maturity.....	764.2	825.1	665.3
Held for trading .....	78.8	828.8	585.5
<b>Total investment sukuk</b> .....	<b><u>2,441.9</u></b>	<b><u>4,056.7</u></b>	<b><u>3,727.0</u></b>

The Bank increased its portfolio of held to maturity sukuk in 2016 based on market conditions to lock in investments at attractive yields. In 2017, the portfolio reduced slightly as the Bank sold some of the portfolio largely to de-risk it.

Sukuk which are classified as held to maturity are sukuk which the Bank's management intends, and is able, to hold to maturity. Any sale of these sukuk prior to their maturity (other than sales in insignificant amounts) would result in the entire portfolio being reclassified as available for sale. Held to maturity sukuk are initially recognised at fair value and are then carried at amortised cost using the effective profit rate method, which is described in note 3.15 to the 2017 Financial Statements.

Sukuk which are classified as held for trading are those which management holds principally for the purpose of selling in the short-term. These are initially recognised at fair value and subsequently measured at fair value on each reporting date, with any changes in fair value being recognised in the income statement in the period in which they arise.

The remaining sukuk in the portfolio are classified as available for sale. These sukuk are initially recognised at fair value and subsequently measured at fair value on each reporting date, with any changes in fair value being recognised in the statement of comprehensive income in the period in which they arise.

On any sale of held for trading sukuk or available for sale sukuk, the resulting gain or loss is recognised in the income statement and, in the case of available for sale sukuk, any cumulative change in fair value previously recognised in equity through the statement of comprehensive income is then recognised in the income statement.

### **Sukuk issuances**

#### *Senior Sukuk*

In April 2015, the Bank raised financing by way of a sukuk issued by Noor Sukuk Company Ltd. (a special purpose vehicle) amounting to U.S.\$500.0 million (equivalent to AED 1,836.3 million) and maturing in April 2020 (the **2015 Sukuk**). The 2015 Sukuk carries a profit rate of 2.788 per cent. per annum payable semi-annually and is listed on NASDAQ Dubai. The 2015 Sukuk was the inaugural issuance under the U.S.\$3.0 billion trust certificate issuance programme established by Noor Sukuk Company Ltd. (the **Programme**).

### **Tier 1 Sukuk**

In May 2016, the Bank issued Shari'a compliant Tier 1 sukuk through a special purpose vehicle, Noor Tier 1 sukuk Limited, amounting to USD 500 million (AED 1,836.5 million) at a par value of U.S.\$ 1,000 (AED 3,673) per sukuk.

Tier 1 sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. These sukuk are expected to pay profit semi-annually based on 5 year mid-swap rate + 4.91 per cent. at the time of issuance on 1 June and 1 December of each year (each a **profit payment date**), commencing from 1 December 2016. The expected profit rate will be reset to a new fixed rate on the basis of the then prevailing 5 year mid-swap rate + 4.91 per cent. on 1 June 2021 and every 5 years thereafter. The Tier 1 sukuk are listed on NASDAQ Dubai and callable by the Bank on 1 June 2021 or any profit payment date thereafter subject to certain redemption conditions. The net proceeds of the Tier 1 sukuk were invested by the Bank in its general business activities on a co-mingling basis.

At the Tier 1 sukuk issuer's sole discretion, it may elect not to make any Mudaraba profit distributions expected. Such election would not be considered an event of default. If the Tier 1 sukuk issuer makes such an election, the Mudaraba profit will not be accumulated and the investors will lose any right to it. If the Tier 1 sukuk issuer makes a non-payment election or another event resulting in non-payment occurs, then the Bank may not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, the ordinary shares issued by the Bank and (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any ordinary shares issued by the Bank.

### **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

The Bank has no significant capital commitments, although minor commitments in respect of office units and equipment are described in note 27(b) to the 2017 Financial Statements and note 28(b) to the 2016 Financial Statements.

The Bank has significant contingent liabilities, reflecting undrawn credit commitments which it has made, guarantees which it has given and letters of credit it has advanced. The table below shows the Bank's contingent liabilities as at 31 December in each of 2015, 2016 and 2017.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
Undrawn credit commitments .....	6,754.7	8,617.0	6,431.0
Guarantees .....	3,155.9	2,520.7	2,132.6
Letters of credit .....	707.6	263.9	368.8
<b>Total contingent liabilities .....</b>	<b><u>10,618.2</u></b>	<b><u>11,401.6</u></b>	<b><u>8,932.4</u></b>

The majority of the undrawn credit commitments identified in the table above are revocable, with 40.6 per cent. as at 31 December 2017 being irrevocable. The irrevocable commitments are typically the undrawn portion of partly drawn working capital facilities and guarantee bonds issued on behalf of customers.

### **ANALYSIS OF CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS**

The Bank's principal assets are its investments in Islamic financing instruments (which are described under "*Investments in Islamic financing instruments*" below), its interbank financing (which is described under "*Due from banks*" below), its cash and balances with the Central Bank (which are described under "*Funding and liquidity—Liquidity—Cash balances*" above) and its investments in Islamic sukuk (which are described under "*Funding and liquidity—Liquidity—Sukuk investment portfolio*" above).

The Bank's principal liabilities are its customer deposits which are described under "*Funding and liquidity—Funding*" above.

### Investments in Islamic financing instruments

The table below shows details of the Bank's investments in Islamic financing instruments (which comprises its customer financing portfolio) as at 31 December in each of 2015, 2016 and 2017, classified by type of Islamic financing.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
Ijarah.....	4,880.3	7,005.0	7,508.0
Mudarabah.....	64.3	64.3	59.9
Murabaha.....	19,564.4	20,596.6	21,808.8
<b>Gross investments in Islamic financing instruments</b> .....	<b>24,509.0</b>	<b>27,665.9</b>	<b>29,376.7</b>
Less: Allowance for impairment .....	(1,302.1)	(1,747.4)	(1,927.0)
<b>Net investments in Islamic financing instruments</b> .....	<b>23,206.9</b>	<b>25,918.5</b>	<b>27,449.7</b>

The Bank's gross customer financing portfolio grew by AED 1,710.9 million, or 6.2 per cent., in 2017 and by AED 3,156.8 million, or 12.9 per cent., in 2016. This growth principally reflected:

- increases of AED 503.0 million, or 7.2 per cent., in 2017 and AED 2,124.7 million, or 43.5 per cent., in 2016 in ijarah transactions, which principally reflected growth in the corporate asset financing portfolio and in retail mortgages in 2016; and
- increases of AED 1,212.2 million, or 5.9 per cent., in 2017 and of AED 1,032.2 million, or 5.3 per cent., in 2016 in murabaha transactions, which in turn reflected growth in the Bank's corporate and retail business in line with its strategy.

The table below shows the movements in the Bank's allowance for impairment in each of 2015, 2016 and 2017.

	<b>2015</b>	<b>2016</b>	<b>2017</b>
		<i>(AED million)</i>	
At 1 January.....	1,509.3	1,302.1	1,747.4
Charge for the year .....	198.0	645.0	838.0
	<b>1,707.3</b>	<b>1,947.1</b>	<b>2,585.4</b>
Written off during the year .....	(405.2)	(199.8)	(658.4)
<b>At 31 December</b> .....	<b>1,302.1</b>	<b>1,747.3</b>	<b>1,927.0</b>

The table below shows details of the Bank's performing and non-performing investments in Islamic financing instruments as at 31 December in each of 2015, 2016 and 2017.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
Performing .....	22,597.3	25,475.9	27,313.0
Past due but not impaired .....	758.5	767.3	788.0
of which:			
0-29 days.....	358.8	271.1	257.1
30-59 days.....	205.4	214.3	334.8
60-89 days.....	134.4	231.1	174.3
90 days and above.....	59.9	50.8	21.8
Impaired but not past due .....	89.4	39.5	27.2
Past due and impaired.....	1,063.8	1,383.1	1,248.5
<b>Total impaired .....</b>	<b>1,153.2</b>	<b>1,422.6</b>	<b>1,275.7</b>
<b>Gross investments in Islamic financing instruments .....</b>	<b>24,509.0</b>	<b>27,665.8</b>	<b>29,376.7</b>
Less: Allowance for impairment .....	(1,302.1)	(1,747.4)	(1,927.0)
<b>Net investments in Islamic financing instruments .....</b>	<b>23,206.9</b>	<b>25,918.4</b>	<b>27,449.7</b>

As at 31 December 2017, the Bank's allowance for impairment amounted to 151.1 per cent. of its total impaired investments in Islamic financing instruments, compared to 122.8 per cent. as at 31 December 2016 and 112.9 per cent as at 31 December 2015.

The tables below show details of the Bank's gross investments in Islamic financing instruments as at 31 December in each of 2015, 2016 and 2017, classified by industry sector.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
Construction and real estate.....	3,744.8	3,791.8	4,675.0
Financial institutions .....	3,467.2	3,736.7	3,363.1
Manufacturing .....	649.9	1,121.4	1,320.9
Consumer financing and credit cards .....	7,571.5	9,383.5	10,290.3
Trade.....	3,336.5	2,875.3	2,541.9
Transport, storage and communication .....	2,129.0	2,212.0	2,043.9
Other services .....	3,610.1	4,545.0	5,141.6
<b>Gross investments in Islamic financing instruments .....</b>	<b>24,509.0</b>	<b>27,665.7</b>	<b>29,376.7</b>

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(per cent.)</i>		
Construction and real estate .....	15.3	13.7	15.9
Financial institutions.....	14.1	13.5	11.4
Manufacturing .....	2.7	4.1	4.5
Consumer financing and credit cards.....	30.9	33.9	35.0
Trade.....	13.6	10.4	8.7
Transport, storage and communication .....	8.7	8.0	7.0
Other services .....	14.7	16.4	17.5
<b>Gross investments in Islamic financing instruments .....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

As at 31 December 2017, government and GREs accounted for 12.8 per cent. of the Bank's financing, compared to 13.5 per cent. as at 31 December 2016 and 14.7 per cent. as at 31 December 2015. The majority of these transactions were syndicated facilities with other bank financiers and all such transactions have been granted on an arm's-length basis.

#### **Due from banks**

In addition to its investments in Islamic financing instruments, the Bank also has deposits and current accounts with other banks as well as amounts owed under export bills. The table below shows details of the Bank's receivables from other banks as at 31 December in each of 2015, 2016 and 2017.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(AED million)</i>		
Deposits with banks .....	2,488.9	3,583.3	2,539.8
Current accounts with banks.....	431.1	866.5	574.1
Export bills .....	1,680.2	1,076.0	1,766.3
<b>Total due from banks .....</b>	<b>4,600.2</b>	<b>5,525.8</b>	<b>4,880.2</b>

The decrease in export bills in 2016 principally reflected reduced trade finance activity due to market conditions. The increase in export bills in 2017 principally reflected the Bank's increased focus on trade financing and reflects increased exporting activity by the Bank's corporate customers. Deposits with banks principally reflects the Bank's daily money market activities, which fluctuate significantly from day to day depending upon the Bank's liquidity position.

#### **RELATED PARTY TRANSACTIONS**

The Bank's principal related party transactions are with its shareholders, members of its key management team and entities controlled by any of them (including Dubai GREs). These transactions include the provision of financing and the acceptance of deposits. Further information on the Bank's related party transactions in each of 2015, 2016 and 2017 is set out in note 26 to the 2017 Financial Statements and note 27 to the 2016 Financial Statements.

## CAPITAL ADEQUACY

The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee and adopted by the Central Bank in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

The Bank's regulatory capital consists of tier 1 capital (which comprises the sum of issued share capital, legal reserves and accumulated losses (including profit for the current period), less certain equity investments) and tier 2 capital (which comprises subordinated term investment, the Bank's collective impairment reserve limited to 1.25 per cent. of its risk weighted assets and its asset revaluation reserve).

The Bank manages its capital considering both regulatory and economic capital. The Bank calculates its risk asset ratio in accordance with requirements and guidelines established by the Central Bank, which requires all UAE banks to maintain a ratio of total capital to total risk-weighted assets of at least 12 per cent. The Central Bank's requirements are broadly in line with those of the Basel II Accord which requires banks to maintain a minimum total capital adequacy ratio of 8 per cent. The Bank has Basel II capital adequacy ratios well in excess of these minimum requirements, as described below.

The Bank is currently compliant with Basel II having adopted the Standardised Approach for credit risk, the Basic Indicator Approach for operational risk and the Standardised Approach for market risk, consistent with Central Bank requirements. The Bank's Internal Capital Adequacy Assessment Process provides a measurement process for all Pillar II risks which are inherent in the nature of the business and not covered under Pillar I.

On 23 February 2017, the Central Bank published its "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 requirements. The February 2017 Regulations are supported by accompanying standards (the **Accompanying Standards**), which elaborate on the supervisory expectations of the Central Bank with respect to the relevant Basel III capital adequacy requirements. Banks which are classified as D-SIBs by the Central Bank will be required to hold additional capital buffers as notified 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 conducted by the Central Bank.

The Bank's total capital adequacy ratios under Basel II were 17.8 per cent. as at 31 December 2017, 17.3 per cent. as at 31 December 2016 and 15.2 per cent. as at 31 December 2015. Its Tier I risk assets ratios were 16.8 per cent. as at 31 December 2017, 16.3 per cent. as at 31 December 2016 and 12.2 per cent. as at 31 December 2015.

Under Basel III, the Bank's CET 1, Tier 1 and capital adequacy ratios were 11.4 per cent., 16.8 per cent. and 17.9 per cent., respectively, as at 31 December 2017.

Details of the manner in which the Bank calculates these ratios and its risk weighted assets are set out in note 29.6 to the 2017 Financial Statements and note 30.6 to the 2016 Financial Statements.

## DISCLOSURES ABOUT RISK

The Bank is exposed to a number of financial risks and takes steps to mitigate certain of these risks as described in "*Risk management*" and in note 29 to the 2017 Financial Statements.

## DESCRIPTION OF THE BANK

### OVERVIEW

The Bank, which is privately owned, was established by the Government of Dubai in 2007 in line with the vision of the Ruler of Dubai, H.H. Sheikh Mohammed Bin Rashid Al Maktoum, to create a modern *Shari'a*-compliant bank to serve as a global Islamic bank with a futuristic outlook. The Bank officially commenced operations on 7 January 2008.

The Bank offers a comprehensive range of *Shari'a*-compliant products and services in corporate banking, retail banking, investment banking, wealth management, treasury and trading.

The four principal business groups through which the Bank conducts its operations are:

- Corporate Banking;
- Investment Banking;
- Retail Banking; and
- Treasury.

The Bank also provides Islamic insurance (or *takaful*) services through its Noor *Takaful* affiliates, which commenced operations in 2009.

The Bank has 15 branches which are located in the emirates of Abu Dhabi, Dubai and Sharjah. The Bank's head office is in Dubai and it also has 70 cash and cheque deposit machines (**CCDMs**) and automated teller machines (**ATMs**) across the UAE.

As at 31 December 2017, the Bank's customer financing portfolio was AED 27.4 billion, its customer deposits were AED 30.3 billion and its total assets were AED 42.7 billion. The Bank's profit for 2017 was AED 370.9 million and its Basel III total capital adequacy ratio and Tier 1 capital ratio were 17.90 per cent. and 16.77 per cent., respectively, at 31 December 2017.

The Bank has a long term rating of "A-" with a "stable outlook" from Fitch.

The Bank's registered office is at Building 1, Level 8, Emaar Square, Downtown Dubai, P.O. Box 8822, Dubai, UAE and its telephone number is +971 (0) 4 427 4343. The UAE Securities and Commodities Authority public joint-stock company registration renewal certificate registration number of the Bank is 218.

### HISTORY

The Bank was established with initial paid up capital of AED 3 billion and is one of only two banks in UAE to be given a special exemption by the UAE Federal Cabinet to continue to operate as a private entity rather than listing its shares on a public stock exchange immediately upon incorporation as required under UAE Banking Law No.10 of 1980.

The Bank's initial Board was selected and nominated by the Government of Dubai through a Royal Decree.

The Bank opened in January 2008 with 10 branches covering Abu Dhabi, Dubai and Sharjah. Later in 2008, the Bank launched its online banking platform and, in 2013, it launched a mobile banking application.

In 2014, as part of a rebranding exercise, the Bank changed its name from Noor Islamic Bank to Noor Bank. Despite dropping the word Islamic from its name, the Bank remains committed to operating in accordance with Islamic principles and continues to develop and offer innovative *Shari'a*-compliant products and services.

During its relatively short operating history, the Bank has received more than 70 industry awards within the markets in which it operates. Recent awards include:

- 'Best Benchmarking Index: Overall Best Bank' - 2017 Service Olympian Awards, 2018;

- 'Best Social Media Customer Experience'- 2017 Service Olympian Awards, 2018;
- Awards for Outstanding Customer Service- Dubai Police, 2018;
- 'Best Trade Finance Product in UAE'- The Asian Banker Middle East & Africa Country Awards, 2017;
- 'Critics' Choice Best Islamic Retail Banking Brand Award 2017'- Islamic Retail Banking Awards, 2017;
- 'Innovator in Islamic Finance 2017 - Process Innovation'- The Innovators, 2017;
- 'GCC Best Employer Brand Award'- GCC Best Employer Brand Awards, 2017;
- 'Islamic Auto Finance Provider of the Year'- yallacompare Banking Awards - H1, 2017;
- 'Targeting and Positioning Bank of the Year – UAE'- Fintech Awards, 2017; and
- 'Best Premium Bank – UAE'- Banker Middle East Industry Awards, 2017.

## **SHAREHOLDERS AND SHARE OWNERSHIP**

The Bank was established in 2007 under the specific instruction of the Government of Dubai, with the shareholders and the Board also selected and nominated directly by the Government of Dubai. The Government of Dubai, members of the Ruling Family of Dubai and a select group of Government of Dubai nominated UAE nationals own 88.3 per cent. of the Bank's shares in aggregate.

The remaining shares are owned by a member of Abu Dhabi Ruling Family, the Government of the United Arab Emirates, acting through Emirates Investment Authority (**EIA**), and an employee stock ownership trust.

### **Significant shareholdings**

The Crown Prince of Dubai, HH Sheikh Hamdan Bin Mohammed Bin Rashid Al Maktoum, owns 25.89 per cent. of the Bank. HH Sheikh Hamdan Bin Mohammed Bin Rashid Al Maktoum is also the Chairman of the Dubai Executive Council.

The Government of Dubai, acting through Investment Corporation of Dubai (**ICD**), owns 22.85 per cent. of the Bank. ICD, chaired by the Ruler of Dubai, is the principal investment arm of the Government of Dubai and was established in May 2006 by Decree (11) of 2006 under a mandate to consolidate and manage the Government of Dubai's portfolio of commercial companies and investments. It also provides strategic oversight by developing and implementing investment strategy and corporate governance policies to maximise stakeholder value for the long-term benefit of the Emirate.

The Government of the United Arab Emirates, acting through EIA, owns 4.42 per cent. of the Bank. EIA was established by Emiri decree in November 2007 and is the only sovereign wealth fund of the Federal Government of the United Arab Emirates. Chaired by HH Sheikh Mansour Bin Zayed Al Nahyan, EIA is dedicated to delivering sustained financial gains for the UAE.

No shareholder, other than the ones listed above, owns more than 5 per cent. of the Bank's shares.

In order to recognise and retain key employees, an employee stock ownership trust was introduced in 2013. The employee stock ownership trust constitutes less than 5 per cent. of the Bank's share capital.

## **STRATEGY**

The Bank's vision is to be recognised as the world's best contemporary *Shari'a*-compliant bank. In December 2017, the Bank introduced a new three-year strategic plan and priorities, based on management's reassessment of the Bank's business model in the context of the changing macro-economic environment, market developments and technological developments in the regional and global banking industry. The new strategy is focused on sustaining and building a diversified wholesale bank, a liability-focused SME proposition and a secure retail offering that targets an affluent customer base. The new strategy shifts the Bank's focus away from an asset-led business in the SME segment and realigns the retail banking business towards the more profitable

affluent and priority customers. The Bank continues to prioritise its wealth management services, catering to high net worth individuals (**HNWIs**) under the Noor Wealth brand. Over the years, the Bank has distinguished itself in the corporate banking space as a leading *Shari'a*-compliant bank, leveraging a comprehensive product suite across transaction banking, treasury, investment banking and takaful products. In a competitive market with large balance sheet participants, the Bank's corporate banking niche has been built around its desire and ability to effectively address customers' complex problems.

The Bank's management team have articulated four strategic priorities, which are critical to achieving the Bank's long-term objectives and realising the successful execution of the overarching strategy described above. These priorities are:

#### **Empowering, enabling and engaging our employees**

The Bank's employees are at the frontline of achieving its objectives. Management believes that empowerment boosts an employee's ability to engage in actions that genuinely reflect the organisation's values and creates a sense of well being and happiness. A key enabler for empowerment is engagement, which is achieved through leadership, support, recognition, constant communication and the creation of a trust-based environment. As part of the overall strategy, the Bank's management has put in a place a plan to address employee engagement, delegation and investment in key enablers to achieve employee empowerment.

#### **Becoming simpler and more efficient through the use of technology and analytics**

The Bank's Board has approved a plan to invest in a complete technology revamp over the three years to 2020. The strategy addresses, among other factors: (i) a major overhaul of customer touch points, (ii) automation of existing processes and (iii) investment in data analytics.

#### **Enabling sustainable growth through strong and proactive control functions**

The Bank is focused on enhancing each of its risk disciplines to enable sustainable growth in the challenging market environment. This includes strengthening the Bank's enterprise-risk management framework, periodically monitoring risk appetite in the light of changing market dynamics and reinforcing the corporate governance framework as a competitive advantage to the Bank.

#### **Delivering outstanding customer experiences**

The Bank's management believes that "delivering outstanding customer experiences" is both a strategic priority and an outcome of the preceding three pillars of its strategy. This is further reinforced as part of the Bank's mission: "empowering people to deliver outstanding customer experiences," and emphasises the importance that the Bank places on its customers. Consequently, the Bank is seeking to implement a holistic transformation programme across all functions to achieve these objectives, instead of focusing on the traditional 'customer touch points' approach.

The Bank's strategy is periodically monitored through a strategic impact scorecard, evaluating performance against both strategic and financial objectives. An Investment Governance Forum (**IGF**) has been created with the aim of aligning investments with these objectives. The IGF provides a dedicated forum for meaningful dialogue amongst management, business sponsors and project managers, setting the right conditions for success and establishing expectations within the senior management team. This process allows organisational alignment and a feedback loop for strategy and execution of Bank-wide objectives.

### **STRENGTHS**

The Bank believes that its principal strengths are:

#### **Its strong and influential shareholders and Board**

The Bank has significant Dubai sovereign ownership, see "*Shareholders and Share Ownership*". At launch, the Chairman was His Highness Sheikh Ahmed Bin Saeed Al Maktoum. Since June 2011, the Chairmanship has been held by His Highness Sheikh Ahmed Bin Mohammed Bin Rashed Al Maktoum. The Bank is the only bank

in Dubai with a Ruling Family member as Chairman since inception. Further, His Excellency Essa Abdulfattah Kazim AlMulla, the Governor of the Dubai International Financial Centre (DIFC) and the Chairman of Dubai Financial Markets, is the Vice Chairman of the Bank's Board.

### **Management team with diversified global experience**

The Bank's management team has significant international banking and leadership experience across diverse geographies including Asia, Australia, Europe and the Middle East and North Africa. Several members of the management team have previously held senior executive management positions with institutions such as Citibank, Barclays, ANZ, Standard Chartered, ABN AMRO and American Express, see "*Corporate governance, management and employees.*"

### **Progressive Shari'a Supervisory Committee**

The *Shari'a* Supervisory Committee is an independent committee of *Shari'a* scholars appointed by the shareholders. It comprises leading Islamic scholars who have extensive experience and expertise in legal, financial and banking related matters. The *Shari'a* Supervisory Committee works closely with the Bank's business groups to create innovative solutions that are in strict adherence to the principles of *Shari'a*. The Bank believes that its progressive *Shari'a* Supervisory Committee is a key strength enabling it to structure a broad range of innovative and effective products and solutions, including factoring, credit insurance, escrow management, wealth management and a range of derivative and structured products.

### **The Bank's innovative product portfolio**

The Bank believes that its innovative product portfolio encourages customers interested in exploring Islamic finance solutions, and allows them the flexibility to transition from conventional to Islamic banking. This is particularly the case where the Bank is able to provide *Shari'a*-compliant alternatives to conventional products. The Bank is the first and only bank in the UAE to establish a commodity management system for the seamless execution of *Shari'a*-compliant transactions. It is also the first in the UAE to offer *Shari'a*-compliant structured certificates to its customers. Further, the Bank's corporate banking function offers a broad range of *Shari'a*-compliant financing products, including factoring, receivable-backed structures, letters of credit and open account financing. The Bank believes that many of these products offer greater flexibility than competing Islamic products through prepayments, rebates and elimination of inspection requirements. The Bank also remains one of a select few Islamic banks in the GCC to provide *Shari'a*-compliant structured trade solutions for its customers across the Indian sub-continent, the Far East, Turkey and Africa.

### **The Bank's ability to address complex problems and enhance customer relationships**

The Bank differentiates itself in a widely competitive market due to its ability to offer quick solutions and solve complex problems. For example, the Bank believes that its sophisticated structuring and deployment capabilities have allowed it to lead arrange Islamic capital markets transactions with a value more than U.S.\$65 billion. For the past four years, the Bank has been consistently ranked amongst the top three in the Islamic EMEA Bloomberg Bookrunner league tables and amongst the top 10 in the Islamic EMEA Bloomberg Mandated Lead Arranger league tables.

## **BUSINESS OVERVIEW**

The Bank's four principal business groups are Corporate Banking, Investment Banking, Treasury and Retail Banking. These groups are managed from the Bank's head office in Dubai and operate through the Bank's branches across the UAE.

### **Corporate Banking**

The Bank operates a full service corporate bank which includes over 60 relationship management and product professionals across the UAE. All of the Bank's corporate banking products and services are *Shari'a*-compliant and utilise financing techniques such as commodity or other asset-based murabahah transactions, ijarah transactions and Islamic covered drawings.

Corporate Banking provides a comprehensive range of products and services to private sector corporate customers as well as GREs. As at 31 December 2017, Corporate Banking's customer financing portfolio accounted for 67.8 per cent. of the Bank's total gross customer financing portfolio (66.3 per cent. as at 31 December 2016) and 46.7 per cent. of its total assets (45.2 per cent. as at 31 December 2016). In addition to financing, Corporate Banking offers a comprehensive range of other banking products that include cash management, real estate escrow account services, trade products, treasury solutions and advisory/arrangement of capital market/syndicated financing for larger transactions. Corporate Banking's cash management and liability focused business managed deposits of AED 16.1 billion as at 31 December 2017, representing 53.0 per cent. of the Bank's total deposit base, 52.0 per cent. of which were in lower cost current and saving account deposits.

Corporate Banking is currently focused on growing new customer relationships, diversifying its client base and pursuing cross-selling opportunities.

Corporate Banking benefits from:

- a broader trade product offering and a stronger treasury product base than other *Shari'a*-compliant banks operating in the UAE;
- a leading position in escrow account management for real estate developers in Dubai. There are potential market growth opportunity as other Emirates, notably Abu Dhabi, adopt similar procedures for their real estate markets;
- a demonstrated track record of innovation (for example, it was the first UAE bank to launch a direct debit service, it was the first *Shari'a*-compliant bank to conduct online commodity murabahah transactions with DMCC, a free zone established by the Dubai government in 2002 to enhance commodity trade flows through Dubai, and it was among the first banks in the UAE to comply with the UAE wages protection scheme); and
- a strong service and delivery ethos with high levels of customer satisfaction.

Corporate Banking services its customers through a number of units organised on both a geographical and product-specific basis. The majority of the units are based in the Bank's head office. The units include:

#### ***Public sector, large corporates & contracting***

The public sector and large corporates unit caters to public sector entities and large GREs, primarily based in and around Dubai. Additionally, this unit is also responsible for identifying financing opportunities to contractors executing building, electrical and mechanical infrastructure works across a range of sectors.

#### ***Dubai & Jebel Ali***

The Dubai & Jebel Ali unit serves private sector companies based in and around Dubai and the Jebel Ali region. These corporate clients may belong to any sector other than the public sector.

#### ***Sharjah & the Northern Emirates***

Like the Dubai and Jebel Ali unit, the Sharjah and Northern Emirates unit, which is based in Sharjah, serves clients in its specific geographical jurisdiction.

#### ***Abu Dhabi***

The Abu Dhabi unit, which is based in Abu Dhabi city, supports and manages business from clients based in Abu Dhabi City as well as adjoining areas and cities in the southern and eastern region.

#### ***Global Transaction Services (GTS)***

GTS focuses on product development and management, service delivery and product sales. Since the inception of the Bank, GTS has delivered a broad range of innovative, *Shari'a* compliant cash management, trade and working capital finance solutions to a growing client base across multiple business segments (large corporates, mid-market corporates and financial and non-banking financial institutions). GTS solutions are tailored towards

optimising the working capital cycle of clients by introducing efficiencies across the client's financial supply chain.

In the cash management area, GTS provides standard industry solutions as well as customised solutions for larger and more sophisticated clients. The products offered include corporate online banking, local and international payments, payroll processing, structured multi-channel collections, post-dated cheque management, escrow services, corporate and prepaid card solutions, short-term liquidity management, reconciliation and integrated enterprise resource planning solutions.

The GTS trade solutions facilitate the Bank's customers' access to regional and global markets. GTS seeks to understand its customer's requirements and to devise trade solutions that best meet their business objectives and reduce the risks associated with trading overseas or domestically. The range of GTS trade solutions covers import and export services (such as letters of credit, documentary collections and guarantees) and financing options. More advanced supply chain finance solutions such as factoring (post-dated cheques or receivables financing with or without credit insurance) are also offered. The Bank believes that it is one of only a few Islamic financial institutions that offer advance open account finance solutions.

GTS has also developed strategic partnerships to enhance its capability, shorten its delivery time and improve its process efficiencies. For example, its partnership with DMCC to deliver online commodity murabahah settlements is one the first in the industry.

## **Investment Banking**

Investment Banking is divided into two departments: capital markets & syndications and international banking & financial institutions.

### ***Capital markets & syndications***

The capital markets & syndications department offers a diversified range of products, including syndication, project financing, sukuk, re-financing, structured finance and securitisation, as well as financial advisory and agency services. Since the Bank was launched in January 2008, the capital markets & syndications department has arranged more than 94 syndication and capital markets transactions with an aggregate value in excess of U.S.\$65 billion for institutions across the GCC and in Asia and Europe.

In 2017, the capital markets & syndications department arranged transactions with a value of approximately U.S.\$11 billion, consistently maintaining its position amongst the top bookrunners in the Bloomberg Islamic Finance Bookrunner league tables. Other awards in the last three years include:

#### *Bonds, Loans & Sukuk Middle East Awards*

2017: Project Finance Deal of the Year, Real Estate Finance Deal of the Year, Financial Institutions Deal of the Year and Private Sector Bond/Sukuk Deal of the Year

2016: Subordinated Sukuk Deal of the Year

2015: Financial Institution Financing Deal of the Year

#### *Global Finance Magazine Awards*

2016: Best Islamic Bank in the UAE

#### *Islamic Finance News Awards*

2017: Bahrain Deal of the Year, Regulatory Capital Deal of the Year, Syndicated Deal of the Year, UAE Deal of the Year and Kuwait Deal of the Year

2016: Murabaha Deal of the Year and Real Estate Deal of the Year

2015: Corporate Finance Deal of the Year and Indonesia Deal of the Year

The capital markets & syndications department also manages one of the most active agency desks within Islamic banking, with more than 40 agency mandates with an aggregate value in excess of U.S.\$11 billion as at 31 December 2017.

#### ***International banking & financial institutions***

The international banking & financial institutions department is responsible for establishing and maintaining correspondent relationships with financial institutions internationally in order to satisfy the Bank's customers' business requirements in areas such as international trade finance and international payments in all major currencies.

Currently, the international banking & financial institutions department manages exposures across various regions including Africa, South Asia, the Middle East, Europe and Far East Asia.

#### **Treasury**

Treasury provides the Bank's customers with access to financial markets to meet their risk management and investment requirements. The treasury team works closely with customer segments to tailor bespoke solutions in a *Shari'a*-compliant format as well as dealing directly with institutional counterparts. In addition, Treasury provides the Bank with its own funding and foreign exchange requirements and manages the balance sheet risks that arise out of business activities, including liquidity, foreign exchange and profit rate risks.

Treasury operates with contemporary IT systems to capture, measure and report on financial positions. It is supported by a dedicated treasury operations team to manage back office activities and is overseen by an independent market risk department.

Treasury operates through four key desks: trading; ALM (Asset and Liability Management); structured products and derivatives; and treasury sales.

#### ***Trading desk***

The trading desk is an active market maker in regionally and internationally traded sukuk instruments and foreign exchange. The desk has grown in recent years, acquiring an expanded international customer base by offering its clients competitive pricing and effective access to markets. In addition to trading, the sukuk desk also manages the Bank's investment portfolio. As at 31 December 2017, the sukuk desk managed portfolios with a combined value of AED 3.7 billion (AED 4.1 billion as at 31 December 2016). See note 29.1 to the 2017 Financial Statements for an analysis of the Bank's investment in sukuk based on ratings obtained from external ratings agencies.

#### ***ALM desk***

The ALM desk manages the Bank's funding requirements, setting pricing for deposits and managing the Bank's business activity in the inter-bank markets. It works closely with the other business groups to understand the Bank's future funding requirements and coordinates activities to maximise funding efficiencies. The ALM desk is also responsible for investing surplus liquidity and ensuring that Bank meets all liquidity ratios required by regulatory bodies. All forward foreign exchange and spot GCC foreign exchange requirements are managed by the ALM desk. It also sources physical gold for customers with an option for delivery or storage within the Bank's secured facilities.

#### ***Structured products and derivatives desk***

The structured products and derivatives desk has developed a portfolio of *Shari'a*-compliant products for customers to manage their financial requirements and investment needs. It quotes on a broad range of hedging products, including profit rate and cross currency swaps. The structured products desk also provides a range of investment products which allows customers an efficient way to gain investment exposure to a range of asset classes in both certificate and deposit format. In 2017, the Bank was awarded the Best Structured Product at the Banker Middle East UAE Product Awards for its equity linked autocallable Islamic deposit.

### ***Treasury sales desk***

The treasury sales team markets the Bank's range of treasury products to institutional, corporate and retail customers. They work closely with relationship managers from other business segments to understand customers' challenges and requirements and structure the best solution to meet their financial objectives. The treasury sales team also manage their own portfolio of institutional customers to whom they directly market the Bank's range of treasury products.

### **Retail Banking**

The Bank provides a comprehensive range of retail financial solutions from transactional services to financial planning. Maintaining an effective framework that meets the customers' wealth management, wealth preservation and regular banking needs is a priority for the Bank. As at 31 December 2017, Retail Banking accounted for 32.2 per cent. of the Bank's total gross customer financing portfolio. The business group's principal units are Business Banking, Noor Wealth, Noor Home, retail finance/cards, auto finance, banca takaful and transaction & saving solutions, and its principal focus is on excelling in Noor Wealth and Noor Home as well as on attracting deposits.

### ***Business Banking***

Business Banking is committed to providing financial solutions for SMEs across the UAE. A solid foundation of strong Islamic beliefs, relationships built on trust and transparent processes have enabled the Bank to establish a reputation for exceeding expectations within a short period of time within its client base. Business Banking operates on the policy of first understanding a customer's needs thoroughly before designing and recommending solutions. Business Banking offers a comprehensive suite of innovative products and services for established and emerging SMEs. These products and services are designed to cover the complete lifecycle of SMEs and include:

- cash management solutions;
- trade solutions such as letters of credit, guarantees, collections and advising;
- treasury investment and foreign exchange solutions;
- takaful products which range from life cover to the general and medical requirements of the clients;
- accounts and deposits; and
- collateralised trade and working capital finance.

### ***Noor Wealth***

The Bank's Noor Wealth proposition aims to provide HNWI clients with a one-stop shop for their requirements, in addition to preferential terms and a wide range of benefits, delivered with exceptional service standards. Noor Wealth uses a methodical risk-based approach when planning its clients' wealth management strategy and managing their portfolios globally. A dedicated Wealth Management Relationship Manager assesses each client's financial needs and risk appetite and, along with a team of experts across the Bank, creates a customised solution for each client.

Noor Wealth's offering includes:

- *Shari'a*-compliant wealth management solutions, supplied by partners, including capital protected structured deposits, Islamic mutual funds from a range of leading providers, physical gold investments, savings and protection plans and trust account services;
- specialised home finance solutions to help customers (whether resident or non-resident) own a home in Dubai;
- preferential terms across products;
- international banking services for qualifying non-resident clients;

- a free World Mastercard credit card with global lifestyle benefits, such as complimentary membership of selected gyms, access to selected golf clubs, free valet service at selected malls in Dubai, travel assistance, LoungeKey access and premier driver assistance; and
- multiple banking channels.

### ***Noor Home***

Noor Home is positioned as a brand providing home finance solutions with competitive and personalised customer service. Noor Home caters to UAE nationals, UAE residents and qualifying non-UAE residents offering financing to acquire residential property at competitive prices. The Bank is committed to providing its customers with the knowledge and tools necessary to simplify the home buying procedure and to make buying a home in the UAE stress free and convenient.

Noor Home's finance proposition includes:

- finance up to a maximum of 80 per cent. of the value of the home for UAE nationals and 75 per cent. for expatriates;
- a flexible and competitive pricing structure through a dynamic EIBOR-linked re-pricing option as well as a fixed rate product for two or three years;
- a range of Shari'a-compliant products covering purchases, buyouts and equity release for both new and off-plan properties;
- products for salaried and self-employed clients who are UAE residents as well as non-resident GCC, G20, Pakistani and Singaporean nationals;
- life takaful and property cover along with the finance facility; and
- no requirement for salary transfer or employer listing and approval within 48 hours.

### ***Personal finance/cards***

The Bank aims to deliver the most convenient Islamic retail finance products and services designed to meet the specific needs of its customers. The key features and benefits of the Bank's personal finance offering include convenient payment plans of up to 48 months, competitive profit rates, high finance amounts, free lifetime credit cards, simple documentation and a quick approval process.

### ***Auto finance***

The Bank's auto finance proposition provides minimum formalities and flexible payment periods and includes:

- a minimum 20 per cent. down payment for salaried and self-employed customers;
- finance available for both new and used cars;
- no salary transfer or employer listing being required for salaried customers and approval within 24 hours; and
- finance available over a maximum payment period of 60 months.

### ***Banca Takaful***

The Bank acts as a distributor of takaful products in conjunction with takaful providers. Its comprehensive portfolio of takaful solutions includes savings, investments, health, lifestyle, travel, life protection and asset protection.

### ***Transaction & saving solutions***

The Bank provides a range of transaction and saving solutions such as current accounts, savings accounts, dual accounts (which combine a current and savings account) and term deposits of 1 month, 3 months, 6 months, 9 months and 12 months duration. Most accounts can be denominated in dirham, U.S. dollars or pounds sterling

and all offer a range of customary benefits such as free SMS alerts and free telephone, mobile and internet banking. Current, savings and dual accounts also include a Mastercard debit card.

## **AFFILIATES**

The Bank has a 10 per cent. shareholding in each of Noor Takaful Family PJSC and Noor Takaful General PJSC, which were each established in early 2009 to provide a broad range of takaful general and customised products and services to individuals, families, groups and companies in the UAE market. These companies were established in compliance with Federal Law No 6 of 2007, which requires life and non-life insurance businesses to be separate legal entities.

Noor Takaful has committed itself to being at the forefront of the takaful sector in the Middle East. Its products include motor takaful, medical takaful, travel takaful, family takaful, commercial takaful and retail takaful supported by the GCC's first e-takaful service providing instant quotes and online payment facilities.

In the 10 years since launch, the Bank has made tangible progress in consolidating its takaful scope and reach within the UAE market and has also successfully established the Noor Takaful brand, creating a solid foundation and platform for future growth. The Noor Takaful brand is based on high quality protection through modern, flexible, state-of-the-art channels and is backed by financially strong, A rated, re-takaful partners.

## **CUSTOMER FINANCE PORTFOLIO AND CUSTOMER DEPOSITS**

The Bank's customer finance portfolio is discussed under "*Financial Review—Analysis of certain statement of financial position items*". The Bank's customer deposits are discussed under "*Financial Review—Funding and liquidity—Funding*".

## **COMPETITION**

Within the UAE, the Bank faces competition in all of its principal business areas. The Bank's principal competitors include both locally incorporated and foreign banks operating in the UAE, in each case including both conventional and Islamic banking institutions and specialist Islamic financing companies.

As at 31 December 2017, there were 27 banks holding full commercial banking licences in the UAE with the Islamic banking sector comprising seven UAE-based Islamic banks: the Bank, Abu Dhabi Islamic Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates Islamic Bank, Al Hilal Bank and Ajman Bank. In addition, a number of conventional banks have established Islamic windows through which they provide *Shari'a*-compliant products and services, including, First Abu Dhabi Bank, Abu Dhabi Commercial Bank, Mashreq Bank, Union National Bank and Standard Chartered Bank. See further "*The UAE banking sector and regulations*".

Notwithstanding the relatively high level of competition in the UAE banking sector, the Bank expects the continuing growth of the UAE economy to lead to an overall growth in demand for banking services, and Islamic products in particular due to the continued improvement in Islamic banking products and, more generally, an increased understanding and acceptance of Islamic finance.

## **COMPLIANCE**

The Bank is committed to building and maintaining a culture of ethical behaviour, corporate governance, anti-money laundering and regulatory compliance. The Bank's compliance function is independent from the business activities of the Bank and is managed by the Chief Compliance Officer, who leads a team of experienced staff and reports to the Chief Executive Officer. Among other matters, the compliance function is responsible for:

- determining the internal measures and procedures needed to comply with applicable laws, regulations, procedures and internal standards and providing appropriate guidance to employees in this respect;
- preparing compilations of applicable rules and instructions and distributing this information to the Bank's employees;

- monitoring adherence to all applicable laws, regulations, procedures and internal standards either directly or by delegating this responsibility to other clearly identified departments or persons as part of the Bank's internal control process;
- assisting management in ensuring that all activities in the Bank are conducted in compliance with all applicable regulatory requirements;
- assessing the appropriateness of the Bank's compliance-related guidelines and, where necessary, proposing amendments; and
- updating management on compliance matters on a regular basis summarising (i) compliance testing that has taken place during the reporting period, (ii) any material compliance incidents during the reporting period and the actions taken to address these incidents and (iii) the status of any outstanding action plans.

The Bank seeks to ensure that it maintains full compliance with all applicable laws and regulations (including those promulgated by OFAC, the European Union and the United Nations), through internal policies such as its Compliance Programme, AML Manual, AML Policy and Negative & Watch List Policy, which are approved by senior management and the Board. Effective AML and know your customer (**KYC**) procedures form a fundamental part of the Bank's internal control regime. The Bank complies with the Financial Action Task Force (**FATF**) recommendations and applies risk-based KYC standards, which apply across retail and corporate services, commercial trade transactions and correspondent banking. Ongoing KYC, AML and sanctions training is provided to all of the Bank's employees on a regular basis.

## **INTERNAL AUDIT**

The Bank's internal audit department comprises a mix of qualified auditors and experienced business persons who perform internal audits of all of the business groups and other units of the Bank and provide an independent assessment of internal controls and compliance with internal and external regulatory requirements. The head of internal audit reports directly to the Board Audit Committee. Each internal audit report is shared with management to enable implementation of the suggested corrective action plans and internal audit reports also presented periodically to the Board's Audit Committee.

The internal audit department has adopted the internal audit practices recommended by the Institute of Internal Auditors and local regulatory bodies. The Bank also deploys more internal audit resources to comparatively higher risk areas of the business as a risk-based audit methodology has been adopted.

In addition to ongoing internal audit reviews, the Bank's financial statements are audited annually by its external auditors. Further, regulatory bodies like the Financial Audit Department of the Dubai government and the Central Bank also perform regular audits of the Bank's activities.

## **INFORMATION TECHNOLOGY**

The Bank uses IT to support the delivery of its business strategy. The Bank is investing significantly in its technology platforms and infrastructure to ensure that its services are up to date, robust, innovative and reliable. The Bank deals with various managed services partners and outsourcing vendors to achieve its long-term strategic IT vision, which is to ensure that technological deliveries are business-aligned and client-focused.

The Bank's IT complies with international standards and best market practices, including Control Objectives for Information and related Technology (COBIT), Information Technology Infrastructure Library (ITIL), Information Security Management System (ISO 27001), and Business Continuity.

The Bank has a data centre with appropriate redundancies, high availability, and a clustered environment for critical services. It has also established a disaster recovery site which acts as the back up data centre for the Bank's production environments.

## CORPORATE GOVERNANCE, MANAGEMENT AND EMPLOYEES

### CORPORATE GOVERNANCE

The Bank believes that good corporate governance practice is an important element in creating and sustaining shareholder value, ensuring that the Bank's behaviour is ethical, legal and transparent and creating trust and engagement between the Bank and its stakeholders, thus contributing to the long-term success of the Bank.

The key premises used in the development of the Bank's governance model are that corporate governance:

- is about doing what is right for the stakeholders and not just complying with regulation and legislation;
- is broader than the Board and its committees and extends throughout the Bank, including elements of enterprise risk management, management and oversight, talent development and culture, reporting and communication, and sustainability;
- requires transparency of disclosure, effective communication and proper measurement and accountability as essential elements for good governance; and
- is continuously reviewed to reflect good governance practices and changes in the internal and external environment.

### MANAGEMENT

#### The Board

The management of the Bank is vested in its Board, which currently comprises nine members (the **Directors**). The Bank's Board was re-appointed by the Government of Dubai for a three-year term in 2017. Subsequently, Directors are appointed by the General Assembly of the Bank. In accordance with the Bank's Articles of Association, a majority of the Directors and the Chairman must be UAE nationals. The Board is appointed for a term of three years and members may be re-elected. The members of the current Board are listed below.

<b>Director</b>	<b>Appointed</b>
H.H. Sheikh Ahmed Bin Mohammed Bin Rashed Al Maktoum (Chairman)	June 2011
H.E. Essa Abdulfattah Kazim Al Mulla (Vice Chairman)	April 2007
Dr. Mohammed Ahmed Al Zarooni (Member)	March 2017
Dr. Amina Abdulwahed Hassan AlRustamani (Member)	March 2017
Rashid Mohamed Rashid AlMutawa (Member)	March 2017
Edris Mohammad Rafi Mohammad Saeed Alrafi (Member)	February 2017
Raed Mohammad Khalifa Kajoor AlNuaimi (Member)	February 2017
Mohamed Sulaiman Abdulaziz Almulla (Member)	February 2017
Narayanan Rajagopalan Yegna (Member)	January 2018

The Board met five times in 2017 and four times in 2016.

The address of each Board member is the registered office of the Bank at Building 1, Level 8, Emaar Square, Downtown Dubai, P.O. Box 8822, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Bank.

Set out below is summary biographical information for each Board member.

***H.H. Sheikh Ahmed Bin Mohammed Bin Rashed Al Maktoum (Chairman)***

H.H. Sheikh Ahmed Bin Mohammed Bin Rashed Al Maktoum is a member of the Dubai ruling family. He is also chairman of the Mohammed bin Rashed Al Maktoum Foundation, the UAE National Olympic Committee, the Dubai Cultural Sports Club and the Dubai Camels Racing Club.

***H.E. Essa Abdulfattah Kazim Al Mulla (Vice Chairman)***

H.E. Essa Abdulfattah Kazim Al Mulla is the governor of the DIFC, the chairman of Borse Dubai Limited, Dubai Financial Market PJSC, DIFC Authority and DIFC Investments, a member of the Higher Board of Directors of the DIFC, a member of the Boards of Nasdaq Dubai Limited, The Nasdaq OMX Group Inc, Noor Takaful Family and Noor Takaful General, a member of the Board and Secretary General of the Dubai Islamic Economy Development Centre and a member of the Dubai Supreme Fiscal Committee.

***Dr. Mohamed Ahmed Al Zarooni (Member)***

Dr. Mohamed Ahmed Al Zarooni is the Vice Chairman and Chief Executive Officer of Dubai Silicon Oasis Authority, the Director General of Dubai Airport Free Zone Authority, Secretary General of the Dubai Free Zone Council, a member of the Board of Dubai Aerospace Enterprise and Chairman of the World Free Zones Organization.

***Dr. Amina Abdulwahed Hassan AlRustamani (Member)***

Dr. Amina AlRustamani is the Chairman of Dubai Institute of Design and Innovation and the Dubai Design and Fashion Council, a member of the Higher Dubai Smart City Initiative Committee, a member of the Boards of the National Media Council, Dubai Media Incorporated, Dubai Healthcare City Authority, Emirates Central Cooling Systems Corporation (EMPOWER) and AW Rustamani Group.

***Mr. Rashid Mohammed Rashid AlMutawa (Member)***

Mr. Rashid Mohammed Al Mutawa is a member of the Boards of Dubai Healthcare City Authority, Telecommunications Regulatory Authority and Dubai Real Estate Corporation.

***Mr. Edris Mohammad Rafi Mohammad Saeed Alrafi (Member)***

Mr. Edris Mohammad Rafi Mohammad Saeed Alrafi is a member of the Boards of DXB Entertainments, Noor Investment Group, Noor Takaful General and Noor Takaful Family.

***Mr. Raed Mohammad Khalifa Kajoor AlNuaimi (Member)***

Mr. Raed Mohammad Khalifa Kajoor AlNuaimi is the Group Chief Executive Officer of Dubai Properties; Chairman of Dubai Hills Estate and Rove Hotels, Vice Chairman of Rove Hospitality, Noor Takaful Family and Noor Takaful General and a member of the Boards of Noor Investment Group and Marsa Al Seef.

***Mr. Mohamed Sulaiman Abdulaziz Almulla (Member)***

Mr. Mohamed Sulaiman Abdulaziz Almulla is Executive Director and Chief Executive Officer of DXB Entertainments and a member of the Board of Noor Investment Group.

***Mr. Narayanan Rajagopalan Yegna (Member)***

Mr. Narayanan Rajagopalan Yegna is Vice Chairman of Zabeel Square and a member of the Boards of Marsa Al Seef and The Lagoons Development.

**Board Committees**

The Board has overall responsibility for the establishment and oversight of the Bank's corporate governance framework. The Board has established the following committees:

### ***The Board Executive and Credit Committee***

The purpose of the BECC is to oversee the day-to-day management of the Bank on behalf of the Board and review and approve credit exposures which exceed thresholds established for management. The BECC is also responsible for reviewing strategic matters which are to be presented to the Board and do not fall within the purview of any other committee of the Board. The BECC's members are H.E. Essa Abdulfattah Kazim Al Mulla, Edris Mohammed Rafi Mohammed Saeed AlRafi, Raed Mohammad Khalifa Kajoor AlNuaimi and Dr. Mohammed Al Zarooni. The BECC met eight times in 2017 and three times in 2016.

### ***The Board Risk Committee***

The purpose of the BRC is to assist the Board to provide oversight of the Bank's risk management framework and advise the Board on the Bank's risk position, risk appetite, risk culture and risk management strategy. The BRC's members are Dr. Mohammed Al Zarooni, Raed Mohammad Khalifa Kajoor AlNuaimi, Narayanan Rajagopalan Yegna and Rashid Mohamed Rashid AlMutawa. The BRC met four times in 2017 and twice in 2016.

### ***The Board Audit Committee***

The purpose of the BAC is to review and monitor, among other things, the integrity of the Bank's financial statements, the effectiveness of the Bank's internal controls, internal and external audit processes and whistleblowing procedures and the Bank's relationship with the external auditors. The BAC's members are Mr. H.E. Essa Abdulfattah Kazim, Mr. Narayanan Rajagopalan Yegna, Dr. Amina AlRustamani and Mr. Rashid Mohammed Al Mutawa. The BAC met six times in 2017 and three times in 2016.

### ***The Board Nomination and Compensation Committee***

The purpose of the BNCC is to consider matters relating to the composition of the Board and its committees, their performance, succession planning, remuneration policies for the Board and senior management and strategic issues relating to human resources. The BNCC's members are Raed Mohammad Khalifa Kajoor AlNuaimi, Edris Mohammed Rafi Saeed AlRafi and Narayanan Rajagopalan Yegna. The BNCC met four times in 2017 and twice in 2016.

### ***Shari'a Supervisory Committee***

The Bank is required by law to maintain a *Shari'a* Supervisory Committee. The Bank's *Shari'a* Supervisory Committee, which is appointed by the shareholders, comprises Islamic scholars with strong reputations and with extensive experience in *Shari'a* rules and principles, economics and banking systems. The *Shari'a* Supervisory Committee's responsibilities include directing, reviewing and supervising the activities of the Bank in order to ensure that they are in compliance with Islamic *Shari'a* rules and principles including, but not limited to, supervising the development and creation of innovative *Shari'a*-compliant products, issuing opinions on any matter proposed to it by business units of the Bank, ensuring (via *Shari'a* auditors) that transactions are carried out in compliance with *Shari'a* principles and analysing contracts and agreements concerning the Bank's transactions.

The following table sets out the names of the current members of the *Shari'a* Supervisory Committee:

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Date joined</u></b>
Dr. Mohamed Ali Elgari	Chairman	11 January 2007
Dr. Mohammed Daud Bakar	Member	11 January 2007
Mr. Amjad Naser	Member	28 April 2016

Detailed below is brief biographical information on the members of the *Shari'a* Board:

### ***Dr. Mohamed Ali Elgari***

Dr. Elgari is a former Professor of Islamic Economics at King Abdulaziz University in Jeddah and a former Director of the Centre for Research in Islamic Economics in the same university. He serves as an expert at the Islamic jurisprudence academy of the Organisation of Islamic Cooperation and the Islamic Jurisprudence Academy of the Islamic World League and is a member of the *Shari'a* Council of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He is a member of the editorial board of several academic publications in the field of Islamic finance and jurisprudence, including the Journal of the Jurisprudence Academy of the Islamic World League, the Journal of Islamic Economic Studies (IDB), the Journal of Islamic Economic (IAIE, London) and the advisory board of Harvard Series in Islamic Law, Harvard Law School.

Dr. Elgari is a member of numerous *Shari'a* boards of Islamic banks and takaful companies internationally. He has authored several books in Islamic finance and published numerous articles on the subject both in Arabic and English. Dr. Elgari is also a frequent speaker at conferences worldwide. Dr. Elgari holds a PhD in Economics from the University of California.

### ***Dr. Mohammed Daud Bakar***

Dr. Daud Bakar was previously the deputy vice-chancellor at the International Islamic University, Malaysia. He received his first degree in *Shari'a* from the University of Kuwait in 1988 and obtained his PhD from the University of St. Andrews, United Kingdom, in 1993. In 2002, he completed his external Bachelor of Jurisprudence at the University of Malaya. He has published a number of articles in various academic journals and has made numerous presentations at conferences both locally and overseas.

Dr. Daud Bakar is currently the chairman of the *Shari'a* Advisory Council of the Central Bank of Malaysia, the SACSC and the *Shari'a* Supervisory Council of Labuan Financial Services Authority. He is also a member of the *Shari'a* board of Dow Jones Islamic Market Index (New York), Oasis Asset Management (Cape Town, South Africa), The National Bank of Oman, Financial Guidance (USA), BNP Paribas (Bahrain), Morgan Stanley (Dubai), Jadwa-Russell Islamic Fund (Kingdom of Saudi Arabia), Bank of London and Middle East (London), Islamic Bank of Asia (Singapore) and other financial institutions both locally and abroad. Dr. Bakar also actively advises on capital markets product structuring, such as sukuk.

### ***Mr. Amjad Naser***

Mr. Naser is currently the Bank's Head of *Shari'a* and a member of its *Shari'a* Supervisory Committee. Mr. Naser represents the Bank in several Islamic regulatory bodies, including the Islamic Banking Committee of UAE Banking Federation, the AAOIFI and the Islamic Centre for Reconciliation and Arbitration (ICRA).

Mr. Naser graduated from Yarmouk University, Jordan and is a certified *Shari'a* adviser and auditor, and is also a certified Islamic Professional Accountant from AAOIFI. Mr. Naser has worked with prominent *Shari'a* scholars in Islamic finance for a number of years and has gained significant knowledge and experience in *Shari'a* practices.

As a founder member of Noor Investment Group, Mr. Naser played a key role in establishing the Bank, Noor Takaful, Noor Awqaf and Noor Trade. He also plays a significant role in designing products, structuring deals and providing *Shari'a* consultations. He has more than 23 years' experience both in *Shari'a* and banking sciences.

### **Management committees**

Management has established the following committees which update the Board Committees primarily through the Chief Executive Officer (the **CEO**), the Chief Risk Officer (the **CRO**) and the Head of Internal Audit.

### ***Management Committee (ManCom)***

The Management Committee is responsible for overseeing the Bank's operations and strategic initiatives against targets and objectives set by the Board, with a focus on "running the Bank" and "changing the Bank". The ManCom updates the BECC through the CEO.

### ***Enterprise Risk Management Committee (ERMC)***

The ERMC is responsible for building a risk intelligent enterprise ("changing the Bank") and ensuring risk management is incorporated into the day-to-day operations ("running the Bank") in line with the direction from the Board. The ERMC focuses on operational risk, technology risk, compliance and fraud risk while market and credit risk are overseen by the Asset and Liability Committee and Management Credit Committee, respectively. The ERMC interacts with the ManCom and other management level committees to ensure risks are consolidated and incorporated within the business plan (strategy and financials) and business operations. The ERMC updates the BRC through the CRO.

### ***Management Credit Committee (MCC)***

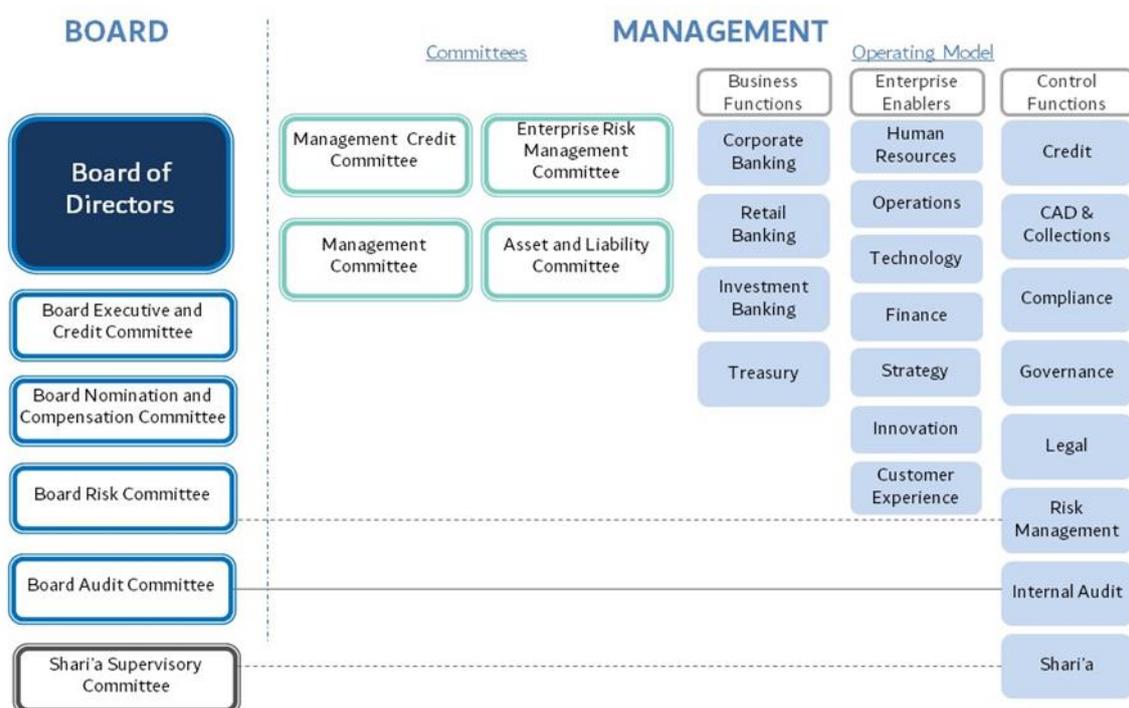
The MCC is responsible for the review and approval or recommendation to the BECC (subject to thresholds set by the BECC) of non-retail credit applications. In addition the MCC is responsible for reviewing and recommending credit policies to the BRC for approval and conducts periodic reviews of the credit portfolio (both corporate and retail). The MCC updates the BECC through the CEO and the CRO.

### ***Asset Liability Committee (ALCO)***

The ALCO is responsible for the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of the Bank's liquidity, capital adequacy and structural foreign exchange and interest rate risks. In addition, the ALCO is also responsible for ensuring that the Bank's treasury and funding activities are conducted within the Bank's risk framework, the regulatory requirements applicable to liquidity are complied with and the necessary liquidity required to fund the Bank's growth is available. The ALCO provides input to the BRC through the CRO.

### **Management and oversight**

Management and oversight of the Bank's day to day operations and the execution of its strategy is conducted through the Bank's committee structure and operating model, which is visually represented below.



The members of the Bank's senior management team are:

Senior management	Position	Appointed
John Iossifidis	Chief Executive Officer	1 June 2017
Mahendra Gursahani	Chief Operating Officer	7 November 2017
Gopala Ramani	Chief Risk Officer	4 May 2017
Vicky Bhatia	Chief Financial Officer	23 August 2017
Gail Stanley	Head of Organisational Effectiveness	1 November 2017
Kazim Ali	Head of Corporate Banking	20 September 2007
Mufazzal Kajji	Head of Retail Banking	28 June 2017
Hamid Butt	Head of Investment Banking	14 August 2017
Damian White	Treasurer	9 February 2014
Hind Al Attar	Head of Human Resources	15 April 2007
Sami Al Awadi	Chief Compliance Officer	4 April 2016
Amjad Naser	Head of <i>Shari'a</i>	21 January 2007
Biju Nair	Head of Internal Audit	28 August 2007
Omar Rahman	General Counsel	10 June 2007

The address of each member of senior management is the registered office of the Bank at Building 1, Level 8, Emaar Square, Downtown Dubai, P.O. Box 8822, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the members of senior management listed above and their duties to the Bank.

Brief CVs for each member of the management team are set out below.

***John Iossifidis (Chief Executive Officer)***

John Iossifidis is the Chief Executive Officer of the Bank. He has over 33 years' international banking and leadership experience gained in Australia, Asia and the Middle East with three major institutions, namely ANZ, Standard Chartered Bank (SCB) and Mashreq Bank. His experience covers country and broader functional geographic roles with a focus on wholesale banking, strategic planning, change management, mergers and acquisitions and integration.

Prior to joining the Bank, John was Executive Vice President and Group Head of Corporate and Investment Banking at Mashreq Bank. Before running Mashreq's corporate business, he led the international banking franchise from 2009 to early 2015.

Earlier, John was with SCB for almost nine years. His last role with SCB was Regional Head of Origination and Client Coverage and Co-Head of the Wholesale Bank, responsible for business performance and client relationships across the Middle East and North Africa. Prior to that, he was Head of Strategy for the bank's Global Wholesale Banking business, based in Singapore. He joined SCB after its acquisition of ANZ Grindlays to oversee the integration of the two banks.

John served in a variety of roles at ANZ for 16 years, including corporate banking, strategy, project management and finance. His last position was as Country Chief Executive in charge of developing the bank's franchise in Sri Lanka.

John holds an MBA and a BEC in Accounting from Monash University in Australia, and is a fellow of the Australian Institute of Bankers.

***Mahendra Gursahani (Chief Operating Officer)***

Mahendra Gursahani is the Chief Operating Officer of the Bank. In his role, Mahendra is responsible for the Bank's strategy, operations, IT, finance and transformation.

Prior to joining the Bank, Mahendra was the Chief Executive Officer at SCB Malaysia, where he was responsible for the governance and management of the bank's franchise in the country.

Mahendra also held a number of senior positions in SCB, including Chief Executive Officer & Head of Consumer Banking Philippines and Chief Financial Officer Middle East, Africa, Europe and Americas. Previously he worked at leading international financial and accounting services firms, including American Express Bank and Arthur Andersen.

Mahendra holds a Bachelor of Commerce degree from Bombay University and is a Chartered Accountant from the Institute of Chartered Accountants in England and Wales.

***Gopala Ramani (Chief Risk Officer)***

Gopala Ramani is Chief Risk Officer of the Bank. He is responsible for the management and supervision of functions such as credit, risk, legal, corporate governance and Board affairs. He has over 30 years' industry experience and has held a variety of senior leadership roles.

Prior to joining the Bank, Gopala was Executive Vice President and Head of Treasury & Global Markets at First Gulf Bank (FGB). He also led FGB's Risk Management and Compliance Unit for more than 10 years. Earlier, Gopala worked for Credit Lyonnais in India, heading the Market and Liquidity Risk function.

He holds a Master's and Bachelor's degree in Economics from Panjab University, and is also a Certified Financial Risk Manager from the Global Association of Risk Professionals in the United States.

***Vicky Bhatia (Chief Financial Officer)***

Vicky Bhatia is Chief Financial Officer at the Bank. In his current role, he is responsible for the financial management of the Bank as well as its operations. He has over 22 years' experience in the banking industry.

His previous experience includes senior finance leadership roles with Standard Chartered Bank in the Middle East, Asia and Africa regions. Most recently, Vicky was Head of Global Processes for Performance Management, responsible for managing a global finance team of more than 600 employees across the SCB network. His role encompassed all aspects of performance management including organisation design, systems, process, planning, reporting and analytics.

Earlier, Vicky was Head of Finance for Standard Chartered Bank in Singapore and prior to that had led large transformation initiatives for the finance function and the bank. Prior to SCB, he worked with ANZ Grindlays Bank and Unilever Gulf FZE in the UAE.

Vicky has a Master's degree in Business Administration with a specialisation in Finance from the International University of Missouri (United States).

#### ***Gail Stanley (Head of Organisational Effectiveness)***

Gail Stanley is the Head of Organisational Effectiveness of the Bank. She is responsible for transforming the Bank's culture, organisational framework and people practices, and plays a crucial role as a strategic partner in executing the Bank's change agenda.

Gail has varied experience in handling senior HR positions in investment, private, corporate and retail banking in the UK and across emerging markets.

Prior to joining the Bank, she was Regional Human Resources Director for Middle East and North Africa at Barclays. As a member of the Regional Management Committee, Gail was accountable for implementing the HR strategy for the Middle East franchise.

Previously, Gail led the HR division for Mashreq Bank's International Banking Group, based in the UAE. She also worked for Standard Chartered Bank as Regional Senior HR Business Partner for Corporate Banking MENA and earlier as HR Relationship Manager at The Co-operative Banking Group in the UK. Gail is a member of the Chartered Institute of Personnel and Development.

#### ***Kazim Ali (Head of Corporate Banking)***

Kazim Ali manages the Bank's Corporate Banking division in his role as Head of Corporate Banking. He has over 27 years' experience in the banking industry and joined the Bank in 2007.

Kazim's key responsibilities at the Bank have included a variety of leadership roles, such as supervising the overall direction and setting the Bank's corporate banking strategy, overseeing the formulation and implementation of the Corporate Banking division's plans, as well as building and maintaining the Bank's strong relationships with corporates.

Prior to joining the Bank, he was Senior Vice President of Credit Portfolio Management at ABN Amro Bank NV in Hong Kong. He has also managed corporate relationships, origination and development of the wholesale banking strategy at ABN Amro Bank in Pakistan.

Kazim is a holder of a Master's in Business Administration (**MBA**) from the Institute of Business Administration in Karachi, Pakistan.

#### ***Mufazzal Kajiji (Head of Retail Banking)***

Mufazzal Kajiji is Head of Retail Banking at the Bank. He is responsible for overseeing the Bank's retail banking franchise, including the branch network, as well as wealth management and retail products and segments. He has more than 20 years' banking experience in retail banking in segments such as liabilities, bancassurance and financing. Among his previous roles, Mufazzal served as Executive Vice President and Global Head of Wealth Management and Affluent Banking at FGB, a position he held for more than 10 years. Most recently, he was the Chief Marketing Officer at First Abu Dhabi Bank. His earlier roles also included positions with multinationals such as Citibank, SCB and Alliance Capital (Bernstein).

A former member of the United Bank's Federations Committee on Consumer Banking and Wealth Management, Mufazzal is the holder of a Bachelor's of Commerce and an MBA in Finance from the University of Mumbai in India. He also obtained a Chartered Financial Analyst Charter from the American-based CFA Institute, as well as a Financial Risk Manager Certification from the Global Association of Risk Professionals, United States.

***Hamid Butt (Head of Investment Banking)***

Hamid Butt is Head of Investment Banking at the Bank. He is responsible for driving the Wholesale Banking, Debt Capital Markets and Fixed Income businesses across the region.

He has over 35 years' experience in the banking industry and has worked across multiple geographies in public and private financing.

Prior to joining the Bank, Hamid served as the UAE Corporate Banking Head at Abu Dhabi Islamic Bank. Earlier, he completed a successful 27-year tenure with Citibank, with time in the Fixed Income, Corporate and Investment Banking, and Risk Management functions. He has also served as Citibank's Regional Risk Head for the Gulf, Levant and Pakistan region.

Hamid holds a Bachelor's degree in Business Administration majoring in Economics from the George Washington University, School of Business in the United States.

***Damian White (Treasurer)***

Damian White is Treasurer at the Bank. He is responsible for all trading activity, managing the investment portfolio, balance sheet hedging and the sale of market based treasury products to customers

Damian brings to his role more than 26 years of leadership and management experience in the banking industry and from military service.

Prior to joining the Bank, he served as Group Treasurer of Al Rahji Bank, based in Riyadh, Saudi Arabia. Before moving to the Middle East, he was with National Australia Bank, Melbourne, as Head of Group Funding. Earlier, Damian served as Head of the European Funding Desk at Lehman Brothers Treasury, based in London. Damian's working career began with 8 years of service as an Infantry Officer in the Australian Regular Army.

He holds an MBA from the University of Melbourne. He also has a Bachelor's degree from the University of Southern Queensland, Australia, and is a graduate of the Royal Military College, Duntroon, in Australia.

He holds an MBA from the University of Melbourne. He also has a Bachelor's degree from the University of Southern Queensland, Australia.

***Ms. Hind Al Attar (Head of Human Resources)***

Ms. Hind Al Attar is the Head of Human Resources at the Bank. Prior to joining the Bank, she worked at HSBC Dubai, in the Corporate Banking division. Previously at the Bank, Hind has undertaken roles in HR Operations, HR Business Partnering, Emiratisation, Employee Relations and Service Delivery at the Bank, before taking over as the Head of Human Resources.

She holds a Bachelor's Degree in Marketing and Communication Science from Zayed University.

***Sami Al Awadi (Chief Compliance Officer)***

Sami Al Awadi is Chief Compliance Officer at the Bank. He oversees the implementation of processes and policies to ensure regulatory compliance in accordance with global compliance laws, rules and standards. He also plays a key role in prevention of fraudulent activities through identifying potential threats and executive corrective action.

Prior to joining the Bank, Sami held a variety of leadership roles with leading banks in the UAE, including Head of Fraud Prevention & Investigations at Commercial Bank of Dubai and Senior Manager in the Fraud Prevention Unit at Emirates NBD.

Previously, he worked for more than 14 years with the Dubai Police in various departments, including the Criminal Investigation Department. Sami holds a Licentiate in Law from the Dubai Police Academy.

***Amjad Naser (Head of Shari'a)***

See "*—Shari'a Supervisory Committee*" above.

***Biju Nair (Head of Internal Audit)***

Biju Nair is the Head of Internal Audit and a founder member of the Bank. He is responsible for managing the Internal Audit function of the Bank and has over 21 years' experience in banking.

Biju reports to the BAC and works closely with the CEO, conducting risk based audits for the Bank. His team independently assesses the control environments in the Bank and Noor Takaful and recommend improvements wherever needed. He also tracks the implementation of recommendations and works closely with regulators and external auditors.

Prior to the Bank, Biju served as Head of Information Security & Quality Assurance at Sharjah Islamic Bank.

Biju holds a Bachelor's degree of Technology in Civil Engineering from the College of Engineering, Trivandrum in Kerala University, India. He has also completed General Management Program (GMP) from the Indian Institute of Management, Ahmedabad, India. He holds several industry certifications on audits, controls and risk management, including CIA, CISA, CRISC, CRMA and CISSP.

***Omar Rahman (General Counsel)***

Omar Rahman is the Bank's General Counsel. He is responsible for providing strategic counsel to the executive management and the Board, as well as overseeing various legal and corporate compliance affairs. A senior corporate finance lawyer, Omar has over 23 years' legal experience.

Omar has a background in corporate mergers and acquisitions and has also been closely involved in structuring, negotiating and documenting the Bank's large-scale syndicated and investment banking deals.

Prior to joining the Bank, Omar trained and worked with the City of London law firm, Simmons & Simmons, before moving to the UAE in 1999 with the law firm Dentons. He was a senior solicitor with Dentons before moving in-house in 2005 with Western Union. Omar joined the Bank in June 2007.

Omar has an LLB (Hons), and a postgraduate diploma, from the University of Oxford. He is qualified as a solicitor in England & Wales.

## **EMPLOYEES**

As at 31 December 2017, the Bank had 562 full time staff, compared with 571 as at 31 December 2016 and 757 as at 31 December 2015.

The Bank offers its employees a range of benefits, including a grade-linked cash benefits allowance and group medical and group life takaful. It pays staff performance bonuses, runs staff incentive schemes, and also pays end of service benefits.

The Bank provides a comprehensive training and development programme for all its employees. In addition to a training and induction programme for all new employees, the Bank focuses on ensuring that all employees are fully informed about and understand its products and services.

The Bank is in compliance with applicable Emiritisation requirements.

## **RISK MANAGEMENT**

### **INTRODUCTION**

The role of risk management is to understand, measure and manage risk in all aspects of the Bank's business. The Bank's strategy is to embed a risk management culture in all of its business processes and to ensure that this culture is adopted throughout the organisation. Accordingly, the Bank seeks to continually improve its risk management in line with industry standards and Central Bank guidelines and by investing in the right people and systems.

The Bank's risk management framework is focused on fully integrating enterprise-wide risk management into its operations and culture. The risk management structure covers credit risk, market risk, liquidity risk, legal risk, operational risk, compliance and remedial management. The Bank seeks to ensure that risks are proactively identified and managed. It aims to achieve an appropriate balance between risk and return and to minimise potential adverse effects on its financial performance.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Bank's risk management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and the products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

### **CREDIT RISK MANAGEMENT**

#### **Introduction**

Credit risk is the risk of losses arising as a result of a counterparty of the Bank not fulfilling its contractual obligations or the quality of a counterparty deteriorating. Credit risk principally arises from the Bank's financing, trade finance and treasury activities. The Bank's overall credit exposure is evaluated on an ongoing basis. Potential concentrations by country, product, industry and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification. The Bank's maximum on and off balance sheet exposure to credit risk, before collateral held or other credit enhancements, amounted to AED 41.2 billion as at 31 December 2017 compared to AED 39.0 billion as at 31 December 2016 and AED 37.9 billion as at 31 December 2015. An analysis of this exposure is set out in note 29.1 to the 2017 Financial Statements and note 30.1 to the 2016 Financial Statements.

#### **Credit approval process**

The Bank has separate credit approval processes for each of its different business segments.

##### ***Corporate and wholesale credit***

Applicants for business credit are required to submit detailed information to the Bank, including relevant background information as well as specific information on their management, business model, major suppliers and customers and other bank relationships and limits. In addition, the Bank typically requires audited financial statements for the last three years as well as current year financial information where available.

Credit officers within the Bank conduct a financial analysis of the applicant, propose an internal credit rating and negotiate the key terms of the proposed facility with the applicant. They also conduct screening checks such as obtaining a Central Bank Risk Bureau report and undertaking site visits. Once the credit application has been completed it is submitted to the relevant business head for review/approval. Following this review/approval, the credit application is then submitted to an independent internal review and credit rating validation.

Once this review and validation have been completed, the application is submitted to the MCC for approval and, if the amount of the facility exceeds the MCC's limits, it is submitted to the BECC or the Board for approval if recommended by the BECC.

### ***Retail credit***

Applications for retail credit are required to be submitted together with proof of income (such as salary certificates or bank statements for self-employed applicants), bank statements for a defined period to enable verification of outgoings for salaried applicants and income and outgoings for self-employed applicants, financial statement and business formation documents for business banking applicants, and other specific documentation depending on the type of finance applied for.

Retail finance applications are pre-screened to ensure that all relevant documentation has been included and are then subjected to a range of checks including credit reference checks, client verification checks and AML checks. In cases where the facility is secured by the asset being financed (e.g. auto and home financings), the Bank applies a range of finance-to-value limits based on various factors including the type of financing required. For credit card and other retail finance applications the Bank applies limits based on factors including age, minimum income, length of service or business history and financing burden limits. The bank also applies maximum credit and tenor limits to the financing.

### ***General***

Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty (whether business or personal) requires a credit approval at the appropriate authority level.

### **Credit rating and measurement**

The Bank's risk rating system is the basis for determining the credit risk of its Corporate asset portfolio which enables appropriate asset pricing, the implementation of portfolio management strategies and the determination of loss provisions and reserves. The risk rating system is also the basis for credit approval authority delegation.

The Bank uses a standard numeric credit risk-grading system which is based on its internal estimate of probability of default (**PD**), with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty's financial position, past experience and other factors.

Performing clients are rated on a 20 point scale of NOR1 to NOR7 (with grades NOR2 through NOR7 each having plus or minus modifiers), each grade being associated with a defined level of PD.

Non-performing clients are rated NPA-1, NPA-2 and NPA-3, corresponding to the substandard, doubtful and loss classifications in guidelines issued by the Central Bank.

### **Credit monitoring**

The Bank monitors its credit exposures on a regular basis as well as any external trends which may impact risk management outcomes. Internal risk management reports, containing information on key variables, portfolio delinquency and impairment performance, are presented to the Chief Risk Officer and BRC. All corporate exposures are monitored carefully for on-going performance and reviewed formally on an annual basis or earlier. The Bank's policies mandate client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed proactively.

All non-performing accounts are monitored closely by the Bank's remedial management unit, which reports directly to the Chief Risk Officer. These accounts are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement and exit of the account.

The asset quality of the Bank's retail finance portfolio is monitored closely and all 30-, 60- and 90-day past due accounts and delinquency trends are monitored continuously for each product. Individual customer behaviour is also tracked and this forms an input for future financing decisions. Accounts which are past due are subject to a collection process, which is managed independently by the risk function. Write-offs and provisioning for the retail finance portfolio are carried out in accordance with Central Bank guidelines.

## **Credit mitigation**

The Bank seeks to mitigate potential credit losses from any given account, customer or portfolio using a range of tools, including taking collateral or guarantees. The reliance that can be placed on these credit mitigation resources is carefully assessed taking into account their legal enforceability, the market value of any collateral and the counterparty risk of any guarantor.

The Bank accepts a range of collateral types, including cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; individual, corporate and bank guarantees; and LCs. The Bank also collects post-dated security cheques from the individual guarantors because failure to honour a cheque is a criminal offence under UAE law. The amount and type of collateral collected mainly depends on the nature of the transaction and the Bank's risk mitigation policies control the approval of different collateral types.

The Bank's credit risk policy acknowledges the role played by credit risk mitigation in the management of credit risk but emphasises that collateral on its own is not necessarily a justification for financing. The primary consideration for any financing opportunity must be the customer's financial position and ability to repay the facility from its own resources and cash flows.

The Bank's credit risk policy and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and with the frequency required by the policy and meet the risk requirements of operational management for legal, practical and timely enforceability. In some instances, further advice is sought from external law firms in relation to unusual forms of security or where security is provided by foreign companies.

The main types of collateral taken are mortgages over residential, commercial and industrial property; bonds over plant and equipment and, for leases, the underlying moveable assets financed. Security valuations are made at the time of financing and the security is revalued appropriately if there are indications that the value may have fallen over time. Guarantees and related legal contracts are often required, particularly in support of credit extended to groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

The Bank repossesses collateral where appropriate and this collateral is realised in accordance with its approved policy. Note 29.1(d) to the 2017 Financial Statements and note 30.1(d) to the 2016 Financial Statements provide details of the collateral taken into possession by the Bank in each of 2015, 2016 and 2017.

## **MARKET RISK MANAGEMENT**

### **Introduction**

Market risk is the potential impact of adverse price movements such as benchmark rates and foreign exchange prices on the earnings or economic value of an asset held by the Bank. Exposure to market risk can arise through investments and financing and funding contracts, and may negatively affect the earnings and capital of the Bank. The market risk unit is responsible for monitoring and reporting this risk in the Bank.

The Bank's market risk policy and asset liability management policy cover the Bank's trading book activities. In accordance with the policy, ALCO recommends market risk limits, such as foreign exchange and trading limits, which are approved by the Board. The Bank also calculates the value at risk (**VaR**) of its market risk exposures using the historical simulation method and this is reported to senior management. The Bank has established net open position limits for individual currencies, GCC currencies and the overall open position. All open currency positions are revalued on a daily basis. The Bank has also established sukuk trading limits, including portfolio limits (held for trading; held for collection and sale and held for collection), position limits by issuer, rating-based limits, concentration limits and stop loss limits both at an individual security and portfolio level.

The Bank's currency, money market and sukuk limits are monitored on a daily basis and exceptions are escalated to senior management immediately, with subsequent report to ALCO.

### **Profit rate risk**

The Bank's profit rate risk arises principally from the way in which movements in profit rates impact both its profit rate earning assets (such as its financing portfolios and its sukuk investments) and its profit rate bearing liabilities (principally its depositors' accounts). Note 29.3(a) to the 2017 Financial Statements and note 30.3(a) to the 2016 Financial Statements show these assets and liabilities in different maturities and the net position as at 31 December in each of 2015, 2016 and 2017.

Note 29.3(a) to the 2017 Financial Statements also contains a sensitivity analysis showing the impact of a 1 per cent. increase or decrease in profit rates on the Bank's consolidated income statement based on the assumption that all other variables will remain constant. The analysis shows that the impact would have been AED 107 million in 2017 compared to AED 81 million in 2016.

### **Foreign exchange risk**

Foreign exchange risk represents the risk of a change in the fair value of the Bank's financial assets and liabilities due to changes in foreign exchange rates. The Bank manages its exposure to the effects of fluctuations in prevailing foreign exchange rates on its financial position and cash flows through setting limits on the level of exposure by currency. Note 29.3 (b) to the 2015 Financial Statements and note 27.3(b) to the 2017 Financial Statements show the Bank's significant foreign exchange exposures as at 31 December in each of 2015, 2016 and 2017.

Note 29.3(b) to the 2017 Financial Statements also contains a sensitivity analysis showing the impact of a 1 per cent. increase or decrease in foreign exchange rates on the Bank's consolidated income statement based on the assumption that all other variables will remain constant. The analysis shows that the impact would have been AED 2.4 million in 2017 compared to AED 2.0 million in 2016.

### **Price risk**

The Bank is exposed to price risk arising from publicly traded investments in Islamic sukuk classified as available-for-sale and held-for-trading in the Financial Statements.

Note 29.3(c) to the 2017 Financial Statements contains a sensitivity analysis showing the impact of a present value one basis point increase or decrease in prices on the Bank's investment portfolio based on the assumption that all other variables will remain constant. The analysis shows that the impact would have been AED 1.9 million in 2017 compared to AED 2.0 million in 2016.

## **LIQUIDITY RISK MANAGEMENT**

### **Introduction**

Liquidity risk is the risk to the Bank's earnings or capital arising from its inability to meet its obligations as they fall due. Liquidity risk can arise from a number of sources including market fluctuations and disruptions, credit downgrades or political uncertainty. A bank's ability to withstand either temporary or longer-term disruptions in its ability to fund some or all of its activities in a timely manner and at a reasonable cost depends on the adequacy of its liquidity management framework.

### **Liquidity management**

The Bank has a conservative liquidity philosophy that does not compromise liquidity in the pursuit of profitability. It seeks to ensure that it has sufficient liquidity to meet its liabilities when due, without incurring any significant losses or risking its reputation. Liquidity gap limits are defined by the Bank's liquidity management policy.

ALCO is the management committee with principal responsibility for liquidity risk management within the Bank. ALCO actively monitors and manages all of the Bank's committed and outstanding assets and liabilities and recommends appropriate funding, investment and hedging strategies. ALCO meets at least monthly and more frequently when required. The execution of ALCO's strategies and the Bank's day to day liquidity

management activities, including compliance with regulatory liquidity requirements, are carried out by Treasury. Jointly, treasury and market risk:

- monitors the maturity profile of assets and liabilities on a continuous basis including a currency-wise position analysis;
- forecasts future cash flows between sources and uses of funds;
- conducts stress testing based on the sensitivity analysis of key factors and combined events;
- measures key regulatory liquidity indicators, such as advances to stable resources ratio, eligible liquid assets ratio, liquidity coverage ratio and net stable funding ratio in addition to ALCO targets in relation to maximum cumulative outflow and other ratios designed to ensure proper liquidity measurement;
- monitors concentration risks in deposit sources; and
- monitors early warning indicators to assess the potential impact arising from a series of defined idiosyncratic and systemic stress scenarios.

An independent market risk function provides oversight of liquidity risk management activities.

The Bank also has a formal liquidity contingency plan approved by the Board that contains documented management action triggers for each type of event and recommended actions against those events with defined roles and responsibilities for key personnel.

### **Funding profile and strategy**

The Bank is primarily funded by customer deposits which have proven to be sticky in nature and stable. The Bank maintains close relationships with its largest depositors to ensure this stability. The Bank aims to supplement this depositor base with longer-term funding sourced from international capital markets. The Bank's strategy to maintain and develop a diversified funding base involves:

- broadening the deposit base, in particular current and savings accounts from individuals, to fund asset growth;
- managing concentration risk amongst the top depositors through new depositor initiatives and replacing deposits with term wholesale funds, see "*Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Bank is subject to liquidity risk which could materially adversely affect its results of operations and, in an extreme case, could threaten its solvency*";
- maintaining a prudent liquidity position and ensuring that liabilities maturing in the short-term are adequately covered by liquid assets; and
- developing cross border institutional funding relationships.

Note 29.2(b) to the 2017 Financial Statements and note 30.2(b) to the 2016 Financial Statements contain an analysis of the remaining contractual maturities of the Bank's financial liabilities as well as a liquidity profile of the Bank's financial assets and financial liabilities as at 31 December in each of 2015, 2016 and 2017.

### **LEGAL RISK MANAGEMENT**

Legal risk is the risk of losses occurring due to legal or regulatory action that precludes performance by the Bank or its counterparties under the terms of the Bank's contractual agreements. The Bank has an active in-house legal team which deals with both routine and more complex legal issues. The Bank aims to mitigate legal risk through the use of properly reviewed documentation and by seeking appropriate legal advice when appropriate. Situations of higher complexity and sensitivity are referred to external firms of lawyers, either in the UAE or overseas, as appropriate.

## MANAGEMENT

Operational risk is the risk of direct or indirect loss arising from inadequate or failed processes, technology and infrastructure within the Bank, and from external factors (other than credit, market and liquidity risks), such as those arising from disruptive business events, natural disasters, non-compliance with legal and regulatory requirements and failure to apply generally accepted standards of corporate behaviour. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation, assets and personnel with overall cost effectiveness. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- segregation of duties, including the independent authorisation of transactions;
- reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development of employees for operational risk awareness;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Bank's operational risk standards is supported by a programme of periodic reviews undertaken by Internal Audit and a dedicated operational risk team. The results of their reviews are discussed with the management of the business unit to which they relate and senior management of the Bank.

The Bank has a dedicated operational risk management system (**ORMS**) to report all operational risks and losses. All risk issues are assessed and assigned risk ratings measuring their impact and probability in accordance with the ORMS risk rating matrix.

The operational risk team is also responsible for enforcing information security and technology governance matters in line with the Bank's Information Security Governance Framework. The Bank manages business continuity through its Business Continuity & Disaster Recovery Policy and has established a Crisis Management & Command Centre to deal with emergency and significant business disruption situations. In addition, to safeguard the Bank and its customers from information security breaches, the Bank has implemented an Information Securities policy and an Information Classification policy. These policies dictate standards and controls to be adopted for the acquisition, processing and disposal of information and other intangible assets in the Bank.

The ERMCM, which is chaired by the Chief Risk Officer, ensures supervisory oversight of operational risk, information security and business continuity and reports to the BRC. The ERMCM convenes at least monthly to discuss existing, new and forward-looking risks, establish appropriate action plans and oversee their implementation.

## OVERVIEW OF THE UAE AND DUBAI

### 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, as 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 UAE Central Bank, crude oil and natural gas accounted for 21.3 per cent. of the UAE's GDP and 16.9 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 4.7 per cent. in 2013, 3.1 per cent. in 2014, 3.8 per cent. in 2015 and 3.0 per cent. in 2016.

On 25 May 2017, Moody's Singapore 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.

### Dubai

The laws of Dubai are passed by Decree of the Ruler of Dubai, Sheikh Mohammed bin Rashid Al Maktoum, who is also the Vice-President and Prime Minister of the UAE. The Crown Prince of Dubai is Sheikh Hamdan bin Mohammed Al Maktoum. The Deputy Rulers are Sheikh Hamdan bin Rashid Al Maktoum and Sheikh Maktoum bin Mohammed Al Maktoum.

The key entities in the structure of the Government are: (i) the Ruler's Court; (ii) the Supreme Fiscal Committee (the SFC); (iii) the Executive Council of Dubai (the Executive Council); and (iv) the Supreme Legislation Committee (the SLC). The Dubai Department of Economic Development (the DED) and the Dubai Department of Finance (the DoF) are administrative bodies. All six of these entities have distinct roles:

*Ruler's Court:* All matters that require the involvement of the Ruler of Dubai are channelled through the Ruler's Court.

*SFC:* The SFC was established in November 2007 pursuant to Decree No. 24 of 2007 to formulate the financial policies of the emirate of Dubai, establish and approve priorities, financing methods and completion dates for major Government projects, determine the public debt and expenditure limits and to issue recommendations in relation to key economic issues to the Ruler of Dubai. The SFC also aims to improve coordination between various Government entities and to enable these entities to meet their respective development targets in a cost-efficient manner.

*Executive Council:* The Executive Council seeks to ensure coordination amongst Government departments such as the courts, the police, the Dubai Health Authority, the Dubai Land Department, Dubai Airports Corporation,

the DED and the Department of Tourism and Commerce Marketing. The Executive Council works with these departments to implement an overall strategy for the Government, while considering the requirements and strategies of each particular department. The Executive Council also works with the DoF to prepare an overall budget to fund the requirements of the various government departments. In addition to this broad coordination role, the Executive Council also recommends new laws and regulations, and is involved in the implementation of laws promulgated at both the Dubai and federal levels.

*SLC:* The SLC was established in June 2014 pursuant to Decree No. 23 of 2014 with responsibility for overseeing all aspects of the legislative process in Dubai. Legislation in Dubai may only be passed by the Ruler of Dubai upon consultation with, and recommendation of, the SLC. The SLC is also responsible for issuing explanatory memoranda and bylaws relating to legislation in force in Dubai, and to provide legal consultation for government entities in respect of such legislation. The SLC may also form technical committees to review any proposed legislative amendments. The SLC reports directly to the Chairman of the Executive Council.

*DED:* The DED is a regulatory and administrative body responsible for licensing and regulation of the business sector. All businesses operating in Dubai are required to be registered with and licensed by the DED. The DED also helps formulate the Government's policy in relation to economic planning and the promotion of Dubai as a business centre. The DED works closely with relevant government bodies such as the Ministry of Labour and the Real Estate Regulatory Authority (RERA).

*DoF:* The DoF is the local ministry of finance and treasury for the Government. All revenues of the Government are collected within the DoF and all Government authorities are funded through the DoF. In addition, the DoF also functions as an administrative office of the SFC for executing and monitoring compliance with the SFC's decisions.

In addition to the above, Investment Corporation of Dubai (ICD) is the principal investment entity of the Government. ICD was formed in 2006 as a holding company for investments that had previously been held directly by the DoF. See "*Public Finance—Principal Investments*". ICD's role is to consolidate and manage the Government's investment portfolio and provide strategic oversight of the portfolio by developing and implementing best practice corporate governance policies. Following the initial transfer of assets by the Government, ICD is self-funding and may contribute to the budget of the Government. See "*Public Finance—Dubai Government Budget*".

### Strategy of Dubai

Since the establishment of the UAE in 1971, Dubai has developed its status as a major city, enhancing the well-being of its people and creating an environment that attracts businesses and individuals. To support, maintain and develop this status, the Government intends to focus on: (i) achieving comprehensive development and building human resources; (ii) promoting economic development and government modernisation; (iii) sustaining growth and prosperity; (iv) protecting UAE nationals' interests, the public interest and well-being; and (v) providing an environment conducive for growth and prosperity in all sectors.

### 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 UAE BANKING SECTOR AND REGULATIONS

### Summary

According to data published by the UAE Central Bank, as at 30 September 2017 there were a total of 48 banks (22 locally incorporated banks and 26 foreign banks) licensed to operate in the UAE, to serve a national population of approximately 9.3 million people at the end of 2016 (source: Statistical Yearbook 2016 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 on 30 March 2017, 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 the Statistics Centre (Statistical Yearbook of Abu Dhabi 2016), the financial and insurance sectors in Abu Dhabi contributed approximately AED 66.9 billion (or 7.0 per cent.) to Abu Dhabi's nominal GDP in 2015. 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 UAE Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the UAE Central Bank.

Historically, the UAE Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirs of each Emirate. However, the introduction by the UAE Central Bank in 2014 of the Interim Marginal Lending Facility (the "IMLF") is expected to enable non-Islamic UAE banks to use certain rated or UAE federal government entity issued assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management. See "*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 48 different banks (comprising 22 locally incorporated banks and 26 foreign banks) licensed to operate inside the UAE as at 30 September 2017 (excluding the DIFC) (source: UAE Central Bank), serving a population estimated to be in the region of approximately 9.3 million people at the end of 2016 (source: Statistical Yearbook 2016 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, 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 IT system development.

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

### ***Domestic Focus***

The UAE incorporated banks are predominantly focused on the 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, IT costs have been a prominent feature of many UAE banks' expenses.

### ***Limited Foreign Ownership***

In 1987, the UAE federal government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the UAE Central Bank following an agreement to permit market access to banks of GCC state origin in line with continuing efforts in regional integration.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

In 2013, the Government sought to replicate the success of the DIFC by announcing its intention to establish the Abu Dhabi Global Market in Abu Dhabi (the "**ADGM**"), as an international financial free zone with its own legal framework (closely based on English common law). The ADGM became operational in mid-2015 and, as at the date of this 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 on 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 the Statistics Centre (Statistical Yearbook of Abu Dhabi 2016), the oil and gas industry contributed 50.9 per cent. to nominal GDP in Abu Dhabi in 2015 as compared with a contribution of 55.0 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 Union Law No. 10 of 1980 (the "**Union Law**") which established the UAE Central Bank. The UAE Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the UAE, although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the UAE federal government would ultimately stand as *de facto* defender of the currency and the "lender of last resort".

The Union Law grants the UAE 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 International Monetary Fund (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 UAE Central Bank to issue UAE federal government debt. However, the UAE Central Bank does issue certificates of deposit ("**CDs**") to UAE banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the UAE Central Bank at any time. In 2007, the UAE Central Bank introduced an auction system which allows U.S. dollar drawings against UAE dirham CD holdings.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in practice, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices. However, see "*Risk Factors – Risk relating to the UAE and the Middle East – Any alteration to, or abolition of, the foreign exchange "peg" of the UAE dirham or other regional currencies at a fixed exchange*

*rate to the U.S. dollar will expose the Bank to U.S. dollar foreign exchange movements against the UAE dirham or other such currencies".*

The UAE Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 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 UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC, while the ADGM Financial Services Regulatory Authority regulates activity in the financial services sector in the ADGM. The UAE Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

### ***Lack of Developed Capital Markets***

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the Abu Dhabi Securities Exchange (the "ADX") (both of which were established in 2000), have grown over recent years and have benefitted from the inclusion of the UAE in the MSCI Emerging Markets Index since 2014, they continue to experience bouts of volatility.

Nasdaq Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009 the Dubai Financial Market announced its intention to acquire Nasdaq Dubai, with completion of the acquisition having occurred in July 2010. The Dubai Financial Market and the ADX were upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014 which could lead to an increase in interest and investment from international institutional investors in the UAE.

### ***Government Involvement***

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to manifest in practice. The state and its related entities are together the banking sector's largest customers, in terms of both deposits and project financing.

### ***Expatriate Workforce***

An unusual feature of the UAE economy is its reliance on overseas labour, with expatriates making up approximately 81 per cent. of the workforce according to estimates published by the Statistics Centre in mid-2016. The banking sector is no exception to this and expatriates are employed in 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 supplemented by, and operates in tandem with, 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 30 September 2017 (source: UAE Central Bank), are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by UAE nationals. Licensed foreign banks, of which there were 26 as at 30 September 2017 (source: UAE Central Bank), need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the UAE. 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 2016, with the ADX's General Index declining from 2,719.9 as at 31 December 2010 to 2,402.3 as at 31 December 2011 before increasing to 2,630.9 as at 31 December 2012, 4,290.3 as at 31 December 2013 and 4,528.9 as at 31 December 2014, before declining again to 4,546.4 as at 31 December 2016, and the Dubai Financial Market index declining from 1,630.5 as at 31 December 2010 to 1,353.4 as at 31 December 2011 before increasing to 1,662.5 as at 31 December 2012, 3,371.4 as at 31 December 2013 and 3,774.0 at 31 December 2014, before declining again to 3,636.2 as at 31 December 2016 (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 UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after 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 UAE Central Bank, together, these deposits constituted approximately 75.3 per cent. of total deposits of the UAE banking sector as at 30 September 2017. The UAE federal government and the public sector constituted approximately 24.1 per cent. of total deposits within the UAE banking sector as at 30 September 2017. Non-resident and other sources contributed approximately 11.8 per cent. as at the same date (source: UAE Central Bank Statistical Bulletin September 2017).

In response to the global 2008 financial crisis, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50.0 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 UAE 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 UAE Central Bank.

In addition to these measures, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the UAE federal government deposits made with them into Tier II 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 I capital notes issued by the five largest Abu Dhabi banks: NBAD, Abu Dhabi Commercial Bank P.J.S.C., FGB, Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank P.J.S.C.

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 UAE Central Bank. In November 2009, a second U.S.\$5.0 billion tranche was fully subscribed equally by NBAD and Al Hilal Bank P.J.S.C.

In line with Basel III requirements, the UAE 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 UAE Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
  - regular internal stress testing of the portfolio for a variety of scenarios (both institution specific and market-wide); results being communicated to the board of directors and the UAE Central Bank on request;
  - incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
  - establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
  - setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the UAE Central Bank upon request);
  - establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
  - a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which are intended to apply until the Basel III LCR and NSFR come into effect. These include the following:

	<b>Ratio</b>	<b>Applicability Period</b>
Interim ratios:	Liquid Asset Ratio (LAR $\geq$ 10%)	1 January 2013 – 30 June 2015
	Eligible Liquid Assets Ratio (ELAR $\geq$ 10%)	1 July 2015 – December 2017
	Advances to Stable Resources Ratio (ASRR $<$ 100%)	Until December 2017
Basel III ratios:	Liquidity Coverage Ratio (LCR $>$ 100%)	January 2018 onwards
	Net Stable Funding Ratio (NSFR $<$ 100%)	January 2018 onwards

The UAE Central Bank's former liquid assets ratio ("**LAR**") was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the ELAR. Under the ELAR, UAE banks are required to hold an amount equivalent to at least 10 per cent. of their liabilities in high quality liquid assets (including cash held with the UAE Central Bank, the UAE Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also included the option for UAE banks to apply to the UAE Central Bank to move to assessment and reporting of bank liquidity to the UAE Central Bank as against the LCR, 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 are required to move to a dual-compliance regime as to liquidity as against the ELAR and the LCR (subject to receipt of UAE Central Bank approval). The Bank has

chosen to take up this option and accordingly manages its liquidity position through compliance with the LCR (in addition to its ongoing obligation to report its ELAR, NSFR and ASRR ratios to the UAE Central Bank).

The LCR represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with HQLAs at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible HQLAs for this purpose. See *"Risk Factors – The Bank's cash flow from its operations may not be sufficient at all times to meet its contractual payment obligations"*.

The ASRR is an interim ratio that recognises 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 mirrors the Basel III NSFR standard. 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 NSFR standard.

#### Interim Marginal Lending Facility

On 15 April 2014, the UAE Central Bank introduced the IMLF which is expected to enable non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access UAE Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF will let lenders use certain assets as collateral to obtain one-day overnight loans from the UAE Central Bank. Eligible assets that can be used as collateral must be tradeable and include bonds, sukuk and securities issued by the UAE federal government or government-related entities in individual Emirates, as well as by UAE banks and corporations. Securities issued by foreign governments, banks, corporates and supranational agencies can also be used as collateral, but must carry a minimum 'A' credit rating from one of the three main international rating agencies. Banks accessing the IMLF must borrow a minimum of AED 10 million and will be charged 100 basis points over the official UAE "Repo Rate".

#### *Position of Depositors*

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

#### *Prudential Regulations*

The UAE Central Bank has supervisory responsibility for banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the UAE Central Bank with more up to date information on credit, market and operational risks within the banking sector.

## *Capital Adequacy*

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of UAE Central Bank Circular Number 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier I capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital. Pursuant to the February 2017 Regulations, the Bank, as a D-SIB, is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 12.5 per cent., effective from 1 February 2017, increasing to a minimum total capital adequacy ratio of 13.5 per cent., effective from 1 January 2018 and a minimum total capital adequacy ratio of 14.5 per cent., effective 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 UAE Central Bank.

The Basel Committee has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued the Basel III reforms, constituting guidance on the eligibility criteria for Tier I and Tier II 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 I and Tier II 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:

- (i) the governing jurisdiction of the bank has in place laws that:
  - (a) require such Tier I and Tier II 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;
- (ii) a peer group review confirms that the jurisdiction conforms with clause (i); and
- (iii) 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 (i).

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 I or Tier II 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 Central Bank has (as set out in its Financial Stability Report for 2014) commenced the process of updating its regulatory framework in line with Basel III principles and international best practice. However, as at the date of this Base Prospectus, there has been no official proposal for the implementation of the Non-Viability Requirement in the UAE. In the absence of new UAE legislation or such a confirmation, the terms and conditions of any notes or certificates which are intended to qualify as regulatory capital may still need to provide for the Non-Viability Requirement in order to qualify as regulatory capital under Basel III.

In May 2016, the UAE Central Bank published the Consultation Document detailing the Basel III requirements expected to be followed by banks operating in the UAE, once applicable legislation has been implemented domestically. In particular, the Consultation Document outlines the general quantitative requirements expected to be followed by UAE banks, with regards to Regulatory Capital. It also outlines, amongst other things, the Regulatory Capital ratios that UAE banks will be expected to follow and adhere to, the individual UAE bank minimum capital conservation standards and the required disclosure standards expected to be made available by UAE banks with respect to Regulatory Capital.

On 23 February 2017, the UAE Central Bank published the February 2017 Regulations in the Official Gazette issue 612, which are effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements, whilst implementing the measures contained in the Consultation Document. The February 2017 Regulations are supported by the Accompanying Standards which, as at the date of this Base Prospectus, are yet to be issued. The Accompanying Standards will elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements. Banks which are classified as D-SIBs by the UAE Central Bank (such as the Bank) will be required to hold additional capital buffers as notified to it by the UAE Central Bank. In addition, a bank may also be subject to additional capital add-on requirements following a Supervisory Review and Evaluation process of the UAE Central Bank. As at the date of this Base Prospectus, the UAE has not fully implemented the Basel III reforms.

### ***Reserve Requirements***

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

### ***Credit Controls***

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

The UAE Central Bank'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 UAE 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 UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. The 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 UAE 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 UAE Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

	<b>Individual</b>	<b>New Limit Aggregate</b>	<b>Old Limit Individual</b>	<b>Aggregate</b>
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 UAE 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 UAE 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/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***

Al Etihad Credit Bureau ("**AECB**") is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the UAE Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations. As at the date of this Base Prospectus, the Bank 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.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).*

### **Master Purchase Agreement**

The Master Purchase Agreement will be entered into on 5 April 2018 between Noor Sukuk Company Ltd. (in its capacities as Trustee and as Purchaser) and the Bank (in its capacity as Seller) and will be governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE. A Supplemental Purchase Contract between the same parties will be entered into on the Issue Date of the first Tranche of a Series and on each date on which any additional Certificates are issued and will also be governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE (the Master Purchase Agreement as supplemented by the relevant Supplemental Purchase Contract for each Series, the **Purchase Agreement**).

On the Issue Date of the first Tranche of a Series, pursuant to the Purchase Agreement, the Seller will sell, transfer and assign to the Purchaser, and the Purchaser will purchase and accept the transfer and assignment from the Seller, of the Initial Wakala Portfolio together with all of the Seller's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprising the Initial Wakala Portfolio for an amount equal to the Issue Proceeds (the **Purchase Price**), which will be payable on the Issue Date of the relevant Series.

On each date on which any additional Certificates are issued, pursuant to the Purchase Agreement, the Seller will sell, transfer and assign to the Purchaser, and the Purchaser will purchase and accept the transfer and assignment from the Seller, of the relevant Additional Wakala Portfolio together with all of the Seller's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprising the Additional Wakala Portfolio for the Purchase Price, which will be payable on the date on which any additional Certificates are issued.

The Wakala Assets the subject of the Purchase Agreement will consist of Self-Use Assets, Ijara Finance Assets, Other Tangible Assets and Other Intangible Assets. The details of the Initial Wakala Portfolio purchased pursuant to the Purchase Agreement will be set out in the schedule to the relevant Supplemental Purchase Contract.

The proportion of the Purchase Price payable in respect of each such Self-Use Asset, Ijara Finance Asset, Other Tangible Asset and Other Intangible Asset shall be an amount in the Specified Currency equal to the Value of such asset.

For the purposes of the Purchase Agreement, the **Value** in respect of any Wakala Asset means the amount in the Specified Currency of the relevant Series (following conversion, if necessary, of any relevant amount(s) at the applicable Wakala Exchange Rate) determined by the Seller on the relevant date as being equal to, in respect of:

- (i) Self-Use Assets, the initial value of any such Self-Use Asset at the time that it first became part of the Wakala Portfolio (as determined by the Servicing Agent on the basis of the market value of such asset at such time and, where relevant, as set out in the Lease Agreement or the relevant substitution request or substitution notice, as applicable);
- (ii) Ijara Finance Assets, which are (i) leased on the Ijara Muntahiah Bittamleek (finance lease) basis, the aggregate of all outstanding fixed rental instalments payable by the lessee or other equivalent fixed instalment amounts payable by the obligor in the nature of capital or principal payments in respect of the relevant asset and (ii) not leased on the Ijara Muntahiah Bittamleek (finance lease) basis, the initial agreed value or the outstanding base amounts payable by the lessee or other equivalent fixed instalment amounts payable by the obligor in the nature of capital or principal payments in respect of the relevant asset;
- (iii) Other Tangible Assets having associated with them underlying tangible assets including tradable sukuk, the outstanding capital or investment amounts; and

- (iv) Intangible Assets, the aggregate of the outstanding amounts payable in respect of such Intangible Asset, provided that for the purposes of: (A) the consideration payable in connection with (x) the purchase of the Initial Wakala Portfolio and each Intangible Asset subsequently originated and comprising part of the Wakala Portfolio from time to time, (y) the substitution of any Intangible Asset in accordance with the Master Purchase Agreement or the Service Agency Agreement and (z) the sale and purchase or (as applicable) assignment, transfer and/or conveyance of any Intangible Asset pursuant to the Purchase Undertaking or (as applicable) the Sale Undertaking; and (B) any representations and warranties given in respect of the Value of an Intangible Asset and the requirement to maintain the Value of the Wakala Portfolio from time to time, in each case of (A) and (B) in accordance with the applicable provisions of the relevant Transaction Documents, the Value shall mean the aggregate of the outstanding amounts payable in respect of such Intangible Asset in the nature of capital or principal payments.

The Seller will provide limited representations and warranties to the Trustee (as Purchaser) on the date of the Master Purchase Agreement, including in respect of its power to enter into the transactions contemplated by the Master Purchase Agreement. In addition, on each Issue Date, the Seller will represent and warrant to the Trustee (as Purchaser) that:

- (a) each Wakala Asset, immediately prior to its sale, assignment and/or transfer, as applicable, to the Purchaser, is owned by the Seller free and clear of any adverse claim (subject to certain limited exceptions) and upon the payment by or on behalf of the Purchaser of the Purchase Price therefor, the Purchaser will acquire such Wakala Asset, together with all the rights, title, interests, benefits and entitlements in, to and under such Wakala Asset, free and clear of any adverse claim (subject as aforesaid);
- (b) that each Wakala Asset is an Eligible Wakala Asset;
- (c) the Value of each Wakala Asset ascribed by the Seller is true, accurate and correct as at such date; and
- (d) that each Wakala Asset complies in all material respects with *Shari'a* principles as laid down by the Bank's *Fatwa* and *Shari'a* Supervisory Board.

If the Seller is in breach of any of the representations and warranties listed above, it shall be required to substitute the Wakala Asset(s) in respect of which the representations and warranties are inaccurate for new Wakala Assets in respect of which the representations and warranties can be given whereupon the Seller shall be required to deliver a substitution instruction to the Purchaser in respect of such Wakala Assets and upon delivery thereof the Trustee shall be deemed to exercise its right under the Purchase Undertaking to require the substitution of such Wakala Assets with new Wakala Assets in respect of which such representations and warranties can be given by the Seller, subject to and in accordance with the Purchase Agreement and the Purchase Undertaking.

For these purposes:

**applicable Wakala Exchange Rate** means, in the case of any amount paid or payable in respect, or any face amount, principal amount or par value, of a Wakala Asset that is in a currency (the **Wakala Currency**) other than the Specified Currency, the spot rate of exchange at which the Seller is able to purchase the Specified Currency with such amount of the Wakala Currency on the date on which the Wakala Currency is required to be exchanged into the Specified Currency in accordance with the Master Purchase Agreement (or if it is not practicable to make such purchase on such date, on the immediately preceding date on which it is so practicable), without taking into account any premium or other costs of exchange; and

**Eligible Wakala Asset** means a Self-Use Asset, an Ijara Finance Asset, an Other Tangible Asset or an Other Intangible Asset:

- (i) in respect of which the lessee in respect of the related Ijara Contract or other obligor in the case of any other income generating Wakala Asset is not in breach of its payment obligations in respect of the relevant income generating Wakala Asset;
- (ii) which has been originated or is held or owned by the Seller in a manner consistent with its usual credit and origination and/or investment policies;

- (iii) which constitutes legal, valid, binding and (subject to the laws of bankruptcy and other laws affecting the rights of creditors generally) enforceable obligations of the relevant obligor in the jurisdiction in which it is located and the jurisdiction in which any related asset is located;
- (iv) in respect of which the Seller or the Servicing Agent (as applicable) is entitled to receive all payments due or proceeds of sale (as the case may be);
- (v) which is free and clear of any adverse claim (subject to certain limited exceptions); and
- (vi) which is capable of being sold, assigned and/or transferred, as applicable, by the Seller to the Purchaser in accordance with the terms set out in the Purchase Agreement or (as applicable) capable of being acquired and/or originated by the Servicing Agent in accordance with the terms set out in the Service Agency Agreement,

provided that, in the case of a Self-Use Asset, only paragraph (vi) shall be deemed to apply.

### ***Service Agency Agreement***

The Service Agency Agreement will be entered into on 5 April 2018 between the Trustee and the Bank (in its capacity as Servicing Agent) and will be governed by English law.

Pursuant to the Service Agency Agreement, the Trustee will appoint the Servicing Agent to provide certain services in respect of the Wakala Portfolio relating to each Series. In particular, the Servicing Agent, in relation to each Series:

- (i) shall manage the Wakala Portfolio in accordance with the investment plan for such Series which shall be in the form set out in the schedule to the Service Agency Agreement and scheduled to the relevant Supplemental Purchase Contract (the **Wakala Investment Plan**, which will include an expected return to be generated by the Wakala Portfolio on a periodic basis (the **Expected Wakala Portfolio Return**);
- (ii) it shall ensure that, on the Issue Date of each Tranche of a Series (but not necessarily thereafter) at least 51 per cent. of the Value of the Initial Wakala Portfolio, or the Additional Wakala Portfolio, as the case may be, is derived from Tangible Assets;
- (iii) shall use all reasonable endeavours to procure that, at all times after the Issue Date of the first Tranche of a Series, at least 33 per cent. of the Wakala Portfolio Value is derived from Tangible Assets (the **Minimum Tangible Assets Requirements**) and if, at any time, the Minimum Tangible Assets Requirement is not satisfied, the Servicing Agent shall use all reasonable endeavours to acquire as soon as reasonably practicable thereafter (and in any event, within six months from becoming aware of the Minimum Tangible Assets Requirement not being satisfied) (whether through the substitution, in accordance with the Service Agency Agreement and the Purchase Undertaking, of Intangible Assets for Tangible Assets or the acquisition, for and on behalf of the Trustee pursuant to paragraph (v) below, of further Tangible Assets through the utilisation of Wakala Portfolio Principal Revenues) sufficient Tangible Assets to satisfy the Minimum Tangible Assets Requirement;
- (iv) shall use all reasonable endeavours to manage the Wakala Portfolio to ensure that the Wakala Portfolio Value is at all times not less than the aggregate outstanding face amount of the Certificates for the relevant Series;
- (v) shall use all reasonable endeavours to invest (for and on behalf of the Trustee) all Wakala Portfolio Principal Revenues standing to the credit of the Wakala Principal Collection Account in additional Eligible Wakala Assets and, to the extent that Eligible Wakala Assets are not available, to hold or invest the cash sums representing such Wakala Portfolio Principal Revenues in principal protected *Shari'a* compliant investments including investment deposits until Eligible Wakala Assets become available. Such further Eligible Wakala Assets so acquired or originated shall form part of the Wakala Portfolio, subject to: (i) the Value of such further Eligible Wakala Assets being (A) in the case of Tangible Assets (or a portfolio of Wakala Assets which comprise, by Value, not less than 51 per cent. Tangible Assets), not less than and (B) in the case of Intangible Assets, equal to, the consideration given as the purchase price of or the amounts otherwise applied in the acquisition of such assets; (ii) in any case where the further Eligible Wakala Assets comprise Intangible Assets, the Servicing Agent shall be obliged to originate new

Intangible Assets; and (iii) such further Eligible Wakala Assets being Eligible Wakala Assets in respect of which the Servicing Agent shall represent and warrant on the date of such acquisition or origination (as the case may be) as follows:

- (a) that each Eligible Wakala Asset being acquired, immediately prior to its acquisition, by the Servicing Agent on behalf of the Trustee, is owned by the Bank free and clear of any adverse claim (subject to certain limited exceptions) and upon the utilisation of Wakala Portfolio Principal Revenues in respect thereof, the Servicing Agent will, on behalf of the Trustee, acquire such Eligible Wakala Asset, together with all the rights, title, interests, benefits and entitlements in, to and under such Eligible Wakala Asset, free and clear of any adverse claim (subject as aforesaid);
- (b) that each Wakala Asset in which Wakala Portfolio Principal Revenues are being reinvested is an Eligible Wakala Asset;
- (c) the Value of each Eligible Wakala Asset ascribed by the Servicing Agent is true, accurate and correct as of such date;
- (d) that it has the power and capacity to originate new Eligible Wakala Assets or (as applicable) to acquire the applicable Eligible Wakala Assets in the manner specified by the Service Agency Agreement; and
- (e) that each such Eligible Wakala Asset complies in all material respects with *Shari'a* principles as laid down by the Bank's *Fatwa* and *Shari'a* Supervisory Board,

it being acknowledged and agreed by the Servicing Agent that such acquisition of such Eligible Wakala Assets is conditional upon it being able to make the representations and warranties in accordance with this paragraph (iv);

- (vi) shall carry out all Major Maintenance and Structural Repair in respect of the Self-Use Assets on account and on behalf of the Trustee and in so doing the Servicing Agent shall:
  - (a) ensure that records are kept of all Major Maintenance and Structural Repair activities;
  - (b) conduct periodic inspection of the Self-Use Assets and ensure that Major Maintenance and Structural Repair is carried out with the appropriate quality of materials and workmanship; and
  - (c) ensure that Major Maintenance and Structural Repair is carried out by qualified persons and in accordance with all applicable regulations and law,

in each case, in accordance with good maintenance practice expected from a prudent person carrying on business and operations similar to that of the Servicing Agent on an arm's length basis and in order to maintain the value of the Self-Use Assets;

- (vii) (for so long as the Trustee remains the owner of the Self-Use Assets in its name and on behalf of the Certificateholders) shall pay, on behalf of the Trustee, all Proprietorship Taxes (if any) charged, levied or claimed in respect of the Self-Use Assets by any relevant taxing authority and promptly provide to the Trustee appropriate receipts or certificates from the relevant taxing authority for the full amount of all Proprietorship Taxes paid by it;
- (viii) shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers reasonably necessary to ensure the assumption of, and compliance by each Wakala Asset obligor with its covenants, undertakings or other obligations in respect of the Wakala Assets in accordance with the relevant contractual terms;
- (ix) shall discharge or procure the discharge of all obligations to be discharged by the Bank (in whatever capacity) in respect of any of the Wakala Assets under all related contracts, it being acknowledged that the Servicing Agent may appoint one or more agents to discharge these obligations on its behalf;
- (x) shall pay on behalf of the Trustee any actual costs, expenses, losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Portfolio. Such actual costs, expenses and losses shall be reimbursed in accordance with the Service Agency Agreement;

- (xi) shall use all reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues, investigate non-payment of Wakala Portfolio Revenues and generally make all reasonable endeavours to collect or enforce the collection of such Wakala Portfolio Revenues under all related contracts as and when the same shall become due;
- (xii) shall use all reasonable endeavours to ensure that the Wakala Portfolio Income Revenues are at least equal to the Expected Wakala Portfolio Return (together with any additional amounts to be paid pursuant to the Service Agency Agreement), provided that such Expected Wakala Portfolio Return shall be reduced from time to time upon any redemption and/or cancellation of any of the Certificates of the relevant Series in accordance with the Conditions such that the Expected Wakala Portfolio Return shall be determined by reference to the then outstanding Certificates of such Series;
- (xiii) shall maintain the Collection Accounts in accordance with the terms of the Service Agency Agreement;
- (xiv) shall obtain all necessary authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Service Agency Agreement;
- (xv) (subject as otherwise provided in the Service Agency Agreement), shall (i) as soon as reasonably practicable, accurately amend the Schedule of Leased Assets upon any Self-Use Asset being added to the Wakala Portfolio or any Leased Asset being removed from the Wakala Portfolio, in each case in accordance with the Purchase Undertaking, the Sale Undertaking and/or the Service Agency Agreement (as applicable); and (ii) as soon as reasonably practicable after each occasion on which a Self-Use Asset is added to the Wakala Portfolio, (on behalf of the Trustee acting in its capacity as Lessor) execute an Addendum to the relevant Supplemental Lease Contract setting out the particulars of such Self-Use Asset and thereafter forward a copy of the same to the Delegate;
- (xvi) if at any time the Bank proposes to add any one or more Self-Use Assets to the Wakala Portfolio either (i) in substitution for all of the existing Leased Assets at that time; or (ii) at a time when there are no Leased Assets, shall procure that the lessor and the lessee enter into a Supplemental Lease Contract and thereafter forward a copy of the same to the Delegate;
- (xvii) (on behalf of the Trustee acting in its capacity as Lessor) shall determine and/or notify the lessee of all Rental under and in accordance with the terms of the Lease Agreement;
- (xviii) may provide (or may procure the provision of, as applicable) a Liquidity Facility in the circumstances and on the terms described below; and
- (xix) will carry out any incidental matters relating to any of the above.

In relation to each Wakala Portfolio, the Servicing Agent will (on behalf of the Trustee):

- (a) ensure that the Self-Use Assets are insured, and shall effect such insurances in respect of the Self-Use Assets (the **Insurances**) including against a Total Loss Event. The Servicing Agent undertakes to ensure that the insured amount relating to a Total Loss Event, will, at all times, be at least equal to the Full Reinstatement Value;
- (b) promptly make a claim in respect of each loss relating to the Self-Use Assets in accordance with the terms of the Insurances; and
- (c) ensure that in the event of a Total Loss Event occurring all the proceeds of the Insurances against a Total Loss Event are in an amount equal to the Full Reinstatement Value and are credited in the Specified Currency to the Wakala Principal Collection Account by no later than the 30th day after the occurrence of the Total Loss Event.

If the Servicing Agent fails to comply with the above provisions and as a result of such breach the amount (if any) credited to the Wakala Principal Collection Account pursuant to the Service Agency Agreement is less than the Full Reinstatement Value (the difference between such Full Reinstatement Value and the amount credited to the Wakala Principal Collection Account being the **Total Loss Shortfall Amount**), then the Servicing Agent (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Service Agency Agreement relating to insurance)

irrevocably and unconditionally undertakes to credit (in the same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly to the Wakala Principal Collection Account by no later than close of business on the 31st day after the Total Loss Event has occurred. Thereafter, and subject to the Servicing Agent's strict compliance with the Service Agency Agreement, any insurance proceeds received from such insurer shall be for the Servicing Agent's sole account and the Trustee shall have no further rights against the Servicing Agent in respect of its breach. Any such breach will not however constitute an Obligor Event.

Wherever the Servicing Agent procures Insurances in accordance with the terms of the Servicing Agency Agreement (including the renewal of any Insurances in existence on the Issue Date) it will use its reasonable endeavours to obtain such Insurances on a *takaful* basis if such *takaful* insurance is available on commercially viable terms. A breach of this requirement will not, however, constitute an Obligor Event.

In relation to each Series, the Servicing Agent shall keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all amounts due in respect of the Wakala Assets.

The Servicing Agent shall perform its duties under the Service Agency Agreement in accordance with all applicable laws and regulations, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that complies in all material respects with the *Shari'a* principles laid down by the Bank's *Fatwa* and *Shari'a* Supervisory Board.

The Bank shall be entitled to receive a fee for acting as Servicing Agent which will comprise a fixed fee of U.S.\$100 and may also receive incentive payments as described below. In addition, the Servicing Agent shall be entitled to be reimbursed in respect of any Service Agency Liabilities Amounts.

In the Service Agency Agreement, the Trustee and the Servicing Agent agree that (a) (provided that no Dissolution Event has occurred and is continuing): the Bank may at any time and (b) (whether or not a Dissolution Event has occurred or is continuing) upon becoming aware of any default or potential default (howsoever described) in respect of any Wakala Asset, the Servicing Agent shall use its best endeavours to substitute on the applicable Substitution Date any one or more Wakala Assets (the **Substituted Wakala Assets**) as the Servicing Agent may in its absolute discretion select (subject to any Wakala Asset(s) to be substituted being the Wakala Asset(s) in respect of which a default or potential default (howsoever described) has occurred, if applicable) by delivering to the Trustee a substitution instruction in accordance with the Service Agency Agreement whereupon the Trustee shall be deemed to have exercised its right under the Purchase Undertaking. The substitute Wakala Asset(s) for these purposes (the **New Wakala Assets**) shall be Eligible Wakala Asset(s) of a Value not less than the value of the consideration paid for the Substituted Wakala Assets when they first became part of the Wakala Portfolio after deduction of all Wakala Portfolio Principal Revenues relating to such Substituted Wakala Assets which have been credited to the Wakala Principal Collection Account in accordance with the Service Agency Agreement, and provided further that the New Wakala Assets comprise, by Value, not less than 51 per cent. Tangible Assets. In addition, the Servicing Agent shall represent and warrant on the date on which the relevant substitution is effected that:

- (i) the New Wakala Assets, immediately prior to their assignment, transfer and/or conveyance (as applicable) in accordance with the Purchase Undertaking, are owned by the Bank free and clear of any adverse claim (subject to certain limited exceptions) and upon the assignment, transfer and/or conveyance (as applicable) of the applicable Substituted Wakala Assets therefor the Trustee will acquire such New Wakala Assets, together with all the rights, title, interests, benefits and entitlements in, to and under such New Wakala Asset, free and clear of any adverse claim (subject as aforesaid) pursuant to the provisions of the Purchase Undertaking;
- (ii) each New Wakala Asset is an Eligible Wakala Asset;
- (iii) the Value of each New Wakala Asset ascribed by the Servicing Agent is true, accurate and correct as of such date; and
- (iv) each New Wakala Asset complies in all material respects with *Shari'a* principles as laid down by the Bank's *Fatwa* and *Shari'a* Supervisory Board,

and any such substitution shall otherwise be undertaken on the terms and subject to the conditions of the Service Agency Agreement and the Purchase Undertaking.

The Servicing Agent will maintain, in relation to each Series, three separate book-entry ledger accounts (referred to as the **Wakala Principal Collection Account**, the **Wakala Income Collection Account** and the **Wakala Income Reserve Collection Account**, respectively, and, together, the **Collection Accounts**) in which all revenues from the Wakala Assets (the **Wakala Portfolio Revenues**) will be recorded.

All Wakala Portfolio Revenues relating to a Series in the nature of capital or principal payments in respect of the relevant Wakala Assets (which, in the case of any Murabaha Receivable, means all amounts received in respect of that Murabaha Receivable, including any proceeds from its assignment or transfer, to the extent such amounts correspond to the Value of the Murabaha Receivable other than any Murabaha profit) (the **Wakala Portfolio Principal Revenues**), shall be credited to the applicable Wakala Principal Collection Account and reinvested by the Servicing Agent in acquiring or originating further Eligible Wakala Assets. All Wakala Portfolio Revenues other than Wakala Portfolio Principal Revenues (the **Wakala Portfolio Income Revenues**) for that Series shall be credited to the applicable Wakala Income Collection Account.

In relation to each Series, amounts standing to the credit of the Wakala Income Collection Account will be applied by the Servicing Agent on the Business Day immediately preceding each Periodic Distribution Date in the following order of priority:

- (i) *first*, in repayment to the Servicing Agent of any amounts advanced by way of a Liquidity Facility;
- (ii) *second*, in payment to the Servicing Agent on behalf of the Trustee of any Service Agency Liabilities Amounts for the period corresponding to the Return Accumulation Period ending on that Periodic Distribution Date or any Service Agency Liabilities Amounts for any previous periods that remain unpaid;
- (iii) *third*, to pay into the Transaction Account an amount equal to the lesser of (i) the Required Amount payable on the immediately following Periodic Distribution Date and (ii) the balance of the Wakala Income Collection Account; and
- (iv) *fourth*, any amounts still standing to the credit of the Wakala Income Collection Account immediately following payment of all of the above amounts shall be debited from the Wakala Income Collection Account and credited to the Wakala Income Reserve Collection Account.

If there is a shortfall at any relevant time in relation to a Series between the amounts standing to the credit of the Transaction Account and the Required Amount payable on the immediately following Periodic Distribution Date, amounts standing to the credit of the Wakala Income Reserve Collection Account may be applied towards such shortfall. If a shortfall remains following such application the Servicing Agent may also advance (or may procure the advance of, as applicable) amounts to the Trustee by way of a Liquidity Facility to ensure the Trustee receives the Required Amount on such Periodic Distribution Date to pay the relevant Periodic Distribution Amount, by paying the amounts so advanced into the Transaction Account on the Business Day immediately preceding the relevant Periodic Distribution Date. Any Liquidity Facility shall be provided on terms that it is repayable from Wakala Portfolio Income Revenues in accordance with the Service Agency Agreement or on the Dissolution Date.

The Servicing Agent will be entitled to deduct amounts standing to the credit of the Wakala Income Reserve Collection Account at any time and use such amounts for its own account, provided that such amounts shall be repaid by it if so required to fund any shortfall as described above.

The Servicing Agent shall keep records of all movements in the Collection Accounts for each Series. Following payment of all amounts due and payable under the Certificates of a Series on its Dissolution Date, the Servicing Agent shall be entitled to retain any amounts that remain standing to the credit of the Collection Accounts for that Series for its own account as an incentive payment for acting as Servicing Agent.

The Servicing Agent will agree in the Service Agency Agreement that all payments by it under the Service Agency Agreement will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind. If there is any deduction or withholding, the Servicing Agent shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would

have been received by it if no deduction or withholding had been made. The payment obligations of the Servicing Agent under the Service Agency Agreement in relation to a Series will be direct, unconditional, unsecured and general obligations of the Bank which rank (save for such exceptions as may be provided by applicable legislation) at least *pari passu* with all other unsecured, unsubordinated monetary obligations of the Bank, present and future.

For these purposes:

**applicable Wakala Exchange Rate** means, in the case of any amount paid or payable in respect, or any face amount, principal amount or par value, of a Wakala Asset (including any amount of Wakala Portfolio Principal Revenues) that is in a currency (the **Wakala Currency**) other than the Specified Currency, the spot rate of exchange at which the Servicing Agent is able to purchase the Specified Currency with such amount of the Wakala Currency on the date on which the Wakala Currency is required to be exchanged into the Specified Currency in accordance with the Service Agency Agreement (or if it is not practicable to make such purchase on such date, on the immediately preceding date on which it is so practicable), without taking into account any premium or other costs of exchange;

**Intangible Asset** means a Murabaha Receivable or Other Intangible Asset that is an Eligible Wakala Asset;

**Major Maintenance and Structural Repair** means all structural repair and major maintenance (excluding Ordinary Maintenance and Repair), including doing such acts or things and taking such steps to ensure that the Self-Use Assets suffer no damage, loss or diminution in value without which the Self-Use Assets could not be reasonably and properly used by the lessee;

**Ordinary Maintenance and Repair** means all day-to-day repairs, replacements, acts, maintenance and upkeep works required for the general use and operation of the Self-Use Assets and to keep, repair, maintain and preserve the Self-Use Assets in good order, state and condition;

**Proprietorship Taxes** means all taxes in relation to the Self-Use Assets by law imposed, charged or levied, against a proprietor, but excluding all taxes that are by law imposed, charged or levied against a lessee or tenant;

**Rental** means the rental amounts payable in accordance with the terms of the Lease Agreement;

**Required Amount** means, in relation to each Series:

- (i) in respect of an amount payable on a Periodic Distribution Date, an amount equal to the aggregate of all Periodic Distribution Amounts payable on each such Periodic Distribution Date in respect of the Certificates of such Series; or
- (ii) in respect of an amount payable on a Dissolution Date (other than a Certificateholder Put Right Date or an Optional Dissolution Date), an amount equal to the aggregate of all accrued and unpaid Periodic Distribution Amounts payable on such Dissolution Date in respect of the Certificates of such Series; or
- (iii) in relation to an amount payable on a Certificateholder Put Right Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Certificateholder Put Right Date in respect of the Certificates to be redeemed on such Certificateholder Put Right Date; or
- (iv) in relation to an amount payable on an Optional Dissolution Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Optional Dissolution Date in respect of the Certificates to be redeemed on such Optional Dissolution Date,

together with, in each case, an amount equal to the amounts payable pursuant to Conditions 5(b)(i) and 5(b)(ii) (as the case may be), in each case provided that the Trustee and/or the Bank (as the case may be) have received notification from the relevant party by the date specified for such purpose in the Service Agency Agreement;

**Schedule of Leased Assets** means the list of leased assets set out as Schedule 1 to the relevant Supplemental Lease Contract as that Schedule is updated from time to time by the Servicing Agent;

**Self-Use Asset** means any plot of land or other real estate related asset which is either: (i) to be developed in accordance with a development plan; or (ii) already developed but not externally leased to third parties, which is to form part of the Wakala Portfolio;

**Service Agency Liabilities Amount** means, in relation to each Series, the amount of any claims, losses, costs and expenses properly incurred or suffered by the Servicing Agent or other payments made by the Servicing Agent on behalf of the Trustee as may from time to time be notified in writing by the Servicing Agent to the Trustee, in each case in providing the relevant services during the relevant period but does not include any amount due to the Servicing Agent under the Service Agency Agreement in respect of any Liquidity Facility;

**Tangible Asset** means a Leased Asset, an Ijara Finance Asset or an Other Tangible Asset that is an Eligible Wakala Asset;

**Total Loss Event** means the total destruction of, or damage to the whole of, the Self-Use Assets or any event or occurrence which renders the whole of the Self-Use Assets permanently unfit for any economic use and (but only after taking into consideration the proceeds of any insurances or other indemnity granted by any third party in respect of the Self-Use Assets) the repair or remedial work in respect thereof is wholly uneconomical;

**Value** means:

- (i) in respect of any Wakala Asset the amount in the specified currency of the relevant Series (following conversion, if necessary, of any relevant amount(s) at the applicable Wakala Exchange Rate) determined by Noor (in its capacity as Seller) on the relevant date as being equal to, in respect of:
  - (a) Self-Use Assets, the initial value of any such Self-Use Asset at the time that it first became part of the Wakala Portfolio and, where relevant, as set out in the Supplemental Lease Contract or the relevant Substitution Instruction, as applicable);
  - (b) Ijara Finance Assets, which are: (i) leased on the *Ijara Muntahiah Bittamleek* (finance lease) basis, the aggregate of all outstanding fixed rental instalments payable by the lessee or other equivalent fixed instalment amounts payable by the obligor in the nature of capital or principal payments in respect of the relevant asset and; (ii) not leased on the *Ijara Muntahiah Bittamleek* (finance lease) basis, the initial agreed value or the outstanding base amounts payable by the lessee or other equivalent fixed instalment amounts payable by the obligor in the nature of capital or principal payments in respect of the relevant asset;
  - (c) Other Tangible Assets having associated with them underlying tangible assets including tradable *sukuk*, the outstanding capital or investment amounts; and
  - (d) Intangible Assets, the aggregate of the outstanding amounts payable in respect of an Intangible Asset, provided that for the purposes of: (A) the consideration payable in connection with (x) the purchase of the Initial Wakala Portfolio and each Intangible Asset subsequently originated and comprising part of the Wakala Portfolio from time to time, (y) the substitution of any Intangible Asset in accordance with the Master Purchase Agreement or the Service Agency Agreement and (z) the sale and purchase or (as applicable) assignment, transfer and/or conveyance of any Intangible Asset pursuant to the Purchase Undertaking or (as applicable) the Sale Undertaking; and (B) any representations and warranties given in respect of the Value of an Intangible Asset and the requirement to maintain the Value of the Wakala Portfolio from time to time, in each case of (A) and (B) in accordance with the applicable provisions of the relevant Transaction Documents, the Value shall mean the aggregate of the outstanding amounts payable in respect of such Intangible Asset in the nature of capital or principal payments;
- (ii) in the case of any Wakala Portfolio Principal Revenues, the amount of such Wakala Portfolio Principal Revenues standing to the credit of the Wakala Principal Collection Account on such date; and
- (iii) the **Wakala Portfolio Value** means in respect of the relevant Wakala Portfolio, the sum of: (A) the Value of each Wakala Asset comprised in the Wakala Portfolio at the relevant time as determined under paragraph (i) above; and (B) any Wakala Portfolio Principal Revenues held by the Servicing Agent at the relevant time as determined under paragraph(ii) above and the principal amount then outstanding of any *Shari'a* compliant investments in which the Wakala portfolio Principal Revenues have been invested; and

**Wakala Portfolio** means, in relation to each Series (i) the Initial Wakala Portfolio related to that Series, (ii) the assets comprised in any Additional Wakala Portfolio related to that Series (as commingled with the Initial

Wakala Portfolio in accordance with the Declaration of Commingling (as defined in the Master Trust Deed)); (iii) from the time of any acquisition or origination of a Wakala Asset by the Servicing Agent in accordance with the Service Agency Agreement or substitution of a Wakala Asset in accordance with the Master Purchase Agreement or the Service Agency Agreement (as applicable) and in each case the Purchase Undertaking, shall include the Eligible Wakala Asset(s) so acquired or originated (as applicable) or substituted for the relevant Wakala Asset and cease to include the Wakala Asset so substituted (but shall not include in the case of (i), (ii) or (iii) above any obligations or liabilities of the Bank in respect of any such assets accruing prior to the date upon which the relevant Wakala Asset became part of the Wakala Portfolio (other than in its capacity as Servicing Agent)), (iv) from the time of any other sale or transfer of a Wakala Asset to the Bank in accordance with the Sale Undertaking or purchase or transfer of a Wakala Asset by the Bank pursuant to the Purchase Undertaking, shall cease to include the Wakala Asset so sold, transferred or purchased and (v) at any time, the Wakala Portfolio Principal Revenues standing to the credit of the Wakala Principal Collection Account on the relevant date.

### ***Purchase Undertaking***

The Purchase Undertaking will be executed as a deed on 5 April 2018 by the Bank in favour of the Trustee and the Delegate and will be governed by English law.

Pursuant to the Purchase Undertaking, the Bank will, in relation to each Series, irrevocably undertake in favour of the Trustee and the Delegate the right to require the Bank to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under:

- (i) the Wakala Assets on the Scheduled Dissolution Date, a Dissolution Event Redemption Date and each Certificateholder Put Right Date, in each case provided that all Certificates of the relevant Series are to be redeemed in full on such date; or
- (ii) a proportion of the Wakala Assets on each Certificateholder Put Right Date on which some but not all of the Certificates of a Series are to be redeemed, where such proportion of Wakala Assets to be so purchased will be equal to the proportion that the Certificates to be redeemed on the relevant Certificateholder Put Right Date bear to the aggregate of all such Certificates outstanding in respect of the relevant Series on such date,

in each case in consideration for payment by the Bank of the relevant Exercise Price.

For these purposes:

**Exercise Price** means, in relation to each Series, the price payable by the Bank to the Trustee in respect of the purchase by the Bank of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets (or the relevant proportion thereof), which shall be an amount in the Specified Currency equal to the aggregate of:

- (i) the aggregate outstanding face amount of the Certificates on the relevant Dissolution Event Redemption Date (in respect of the exercise of the right following the occurrence of a Dissolution Event) or the Business Day immediately preceding the Scheduled Dissolution Date or the Certificateholder Put Right Date, as the case may be;
- (ii) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates to be redeemed on such date;
- (iii) an amount equal to the amounts payable pursuant to Condition 5(b)(i) and 5(b)(ii) (as the case may be) in each case provided that the Trustee and/or the Bank have received notification from the relevant party by the date specified for such purpose in the Purchase Undertaking;
- (iv) (provided that all Certificates of the relevant Series are to be redeemed on such date and only to the extent not previously satisfied in accordance with the Service Agency Agreement) an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility and (ii) Service Agency Liabilities Amounts payable in respect of any distribution period (or part thereof, as applicable); and

- (v) Any other amounts payable in relation to the Certificates on the relevant Dissolution Event Redemption Date, Scheduled Dissolution Date or Certificateholders Put Right Date (as applicable) as specified in the applicable Final Terms.

If the Trustee or the Delegate exercises its option prior to the Scheduled Dissolution Date of the relevant Series, an exercise notice will be required to be delivered by the Trustee or the Delegate under the Purchase Undertaking.

Pursuant to the Service Agency Agreement, the Servicing Agent may, from time to time, and shall in certain circumstances substitute Substituted Wakala Assets for New Wakala Assets, as more particularly described above. In addition, pursuant to the Master Purchase Agreement, the Seller shall in certain circumstances substitute Substituted Wakala Assets for New Wakala Assets, as more particularly described above. To effect such substitution, the Bank shall irrevocably grant the right to the Trustee and the Delegate to require the Bank to purchase the New Wakala Assets against the assignment, transfer and or conveyance of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Substituted Wakala Assets pursuant to the Purchase Undertaking, provided that certain conditions are satisfied. This right shall be deemed to have been exercised by the Trustee upon delivery by the Servicing Agent to the Trustee of a substitution instruction in accordance with the Service Agency Agreement.

The Bank will undertake in the Purchase Undertaking that if it fails to pay all or part of any Exercise Price when due (the **Outstanding Exercise Price**), (i) it will automatically continue to act as Servicing Agent in respect of the relevant Wakala Assets in accordance with the terms of the Service Agency Agreement and (ii) any Leased Asset shall continue to be leased by the Lessor to the Lessee pursuant to the terms of the Lease Agreement until payment of the Exercise Price in full is made by it.

The Bank will further undertake to the Trustee in the Purchase Undertaking that if the Wakala Assets Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the rights, benefits and entitlements of the Trustee in, to and under the Wakala Assets or any of them, or for any other reason, the Bank shall (as an independent, severable and separately enforceable obligation and without double counting) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Wakala Assets Exercise Price.

The Bank will agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind. If there is any deduction or withholding, the Bank shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 10, the Bank will undertake in the Purchase Undertaking to pay to the Trustee an amount equal to such additional amounts so that the full amount which would otherwise have been due and payable under the Certificates is received by the Trustee.

Without prejudice to the negative pledge provisions contained in Condition 6(b), the payment obligations of the Bank under the Purchase Undertaking in relation to a Series will be direct, unconditional, unsubordinated and unsecured obligations of the Bank which rank (save for such exceptions as may be provided by applicable legislation) at least *pari passu* with all other unsecured, unsubordinated monetary obligations of the Bank, present and future.

In the Purchase Undertaking, the Bank will undertake to comply with Condition 6(b) and will agree that the Obligor Events applicable to it will be set out in full in the Conditions, and that the occurrence and continuation thereof shall constitute a Dissolution Event for the purposes of the Conditions and the Purchase Undertaking. In addition, the Bank will undertake to promptly upon becoming aware of its occurrence, notify the Trustee and the Delegate of any Obligor Event (and the steps, if any, being taken to remedy it), any Potential Obligor Event.

If a right granted pursuant to the Purchase Undertaking is exercised in accordance with its terms, the Trustee and the Bank will be required to enter into a sale or transfer agreement to give effect to the sale or transfer of the

Wakala Assets in respect of which the Purchase Undertaking has been exercised to the Bank, substantially in the form set out as a schedule to the Purchase Undertaking.

### ***Sale Undertaking***

The Sale Undertaking will be executed as a deed on 5 April 2018 by the Trustee in favour of the Bank and will be governed by English law.

Pursuant to the Sale Undertaking, the Trustee will grant the right to the Bank to oblige the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under:

- (i) the Wakala Assets on the Early Tax Dissolution Date or on an Optional Dissolution Date, in each case provided that all Certificates of the relevant Series are to be redeemed in full on such date; or
- (ii) a proportion of the Wakala Assets on each Optional Dissolution Date on which some but not all of the Certificates a Series are to be redeemed, where such proportion of Wakala Assets to be so purchased will be equal to the proportion that the Certificates to be redeemed on the relevant Optional Dissolution Date bears to the aggregate of all such Certificates outstanding in respect of the relevant Series on such date,

in each case in consideration for payment by the Bank of the relevant Exercise Price.

For these purposes:

**Exercise Price** means, in relation to each Series (if applicable), the price payable by the Bank to the Trustee in respect of the purchase by the Bank of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets (or the relevant portion thereof), which shall be an amount in the Specified Currency equal to the aggregate of:

- (i) the aggregate outstanding face amount of the Certificates on the Business Day immediately preceding the Early Tax Dissolution Date or the Optional Dissolution Date, as the case may be;
- (ii) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates to be redeemed on the Early Tax Dissolution Date or the Optional Dissolution Date, as the case may be;
- (iii) An amount equal to the amounts payable pursuant to Conditions 5(b)(i) and 5(b)(ii) (as the case may be), in each case provided that the Bank has received notification from the relevant party by the date specified for such purpose in the Sale Undertaking;
- (iv) (only where no Certificate of the relevant Series remains outstanding following the exercise of the Optional Dissolution Right or following an early redemption of Certificates for tax reasons and to the extent not previously satisfied in accordance with the Service Agency Agreement) an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility and (ii) Service Agency Liabilities Amounts payable in respect of any relevant distribution period (or part thereof, as applicable) in respect of the Wakala Portfolio.
- (v) Any other amounts payable in relation to the Certificates on the relevant Early Tax Dissolution Date or Optional Dissolution Date (as applicable) as specified in the applicable Final Terms.

The rights granted under the Sale Undertaking may be exercised by serving notice on the Trustee:

- (i) following the occurrence of a Tax Event and upon satisfaction of the conditions precedent relating thereto set out in Condition 8(b), by the Obligor delivering an exercise notice to the Trustee specifying the Early Tax Dissolution Date, which must be (a) not less than the minimum period nor more than the maximum period of notice as specified in the applicable Final Terms after the date on which the exercise notice is given and (b) if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable to the relevant Series, a Periodic Distribution Date, provided that no such exercise notice may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay the additional amounts referred to in Condition 8(b) were a payment in respect of the Certificates (in the case of the Trustee) or to the Trustee pursuant to any Transaction Document (in the case of the Obligor) then due; and

- (ii) if Optional Dissolution Right is specified in the applicable Final Terms as being applicable, by the Bank delivering an exercise notice to the Trustee specifying the Optional Dissolution Date which must be (a) not less than the minimum period nor more than the maximum period of notice as specified in the applicable Final Terms after the date on which the exercise notice is given and (b) an Optional Dissolution Date.

For the purposes of the foregoing, **Tax Event** means either (i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or, in each case, any authority thereof or therein having power to tax, 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 relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or (ii) (A) the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates, the Emirate of Dubai or any political subdivision or, in each case, any authority thereof or therein having power to tax, 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 relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it.

Pursuant to Condition 8(f) and 8(g), the Bank and its subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank chooses to cancel any Certificates so purchased, the Bank will also have the right under the Sale Undertaking to require the Trustee to transfer all of its rights, title, interests, benefits and entitlements in, to and under a portion of the Wakala Assets comprising the Wakala Portfolio to the Bank in consideration for cancellation of the relevant Certificates provided that certain conditions are satisfied, as more particularly described in the Sale Undertaking.

If a right granted pursuant to the Sale Undertaking is exercised in accordance with its terms, the Trustee and the Bank will be required to enter into a sale or transfer agreement to give effect to the sale or transfer of the Wakala Assets in respect of which the Sale Undertaking has been exercised to the Bank, substantially in the form set out as a schedule to the Sale Undertaking.

#### ***Master Lease Agreement***

The Master Lease Agreement will be entered into on 5 April 2018 between Noor (in its capacity as Lessee), Noor Sukuk Company Ltd. (in its capacity as Trustee and as Lessor) and the Delegate and is governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE. A Supplemental Lease Contract between the same parties will be entered into on the Issue Date of each Series and will also be governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE.

Under the terms of the Lease Agreement, the Lessor will lease to the Lessee, and the Lessee will lease from the Lessor, the Self-Use Assets identified in the schedule of leased assets (the **Schedule of Leased Assets**) set out in each Supplemental Lease Contract (the Leased Assets) during renewable rental periods falling within the lease term, commencing on the relevant rental payment date (or with respect to the first rental period, from, and including, the lease commencement date (each as defined in the relevant Supplemental Lease Contract), to but excluding, the immediately following rental payment date (unless the relevant Supplemental Lease Contract is terminated earlier in accordance with its terms). The Lessor and the Lessee will agree that there will be no obligation to register the lease of the relevant Leased Assets (to the extent such lease is registrable).

The Lessee will agree to use the relevant Leased Assets at its own risk. Accordingly, the Lessee shall from the date of the relevant Supplemental Lease Contract bear the entire risk of loss of or damage to the relevant Leased Assets or any part thereof arising from the usage or operation thereof by the Lessee to the extent that such loss or damage has resulted from the Lessee's negligence, default, or breach of its obligations under the Lease Agreement. Without limitation to the generality of the foregoing, the Lessor shall not be liable (and the Lessee will waive any claim or right, howsoever arising, to the contrary) for: (i) any defects, either patent or latent, in any part of the Leased Assets, or for any direct or indirect damage to persons or property resulting from any

such defects; or (ii) any indirect, consequential or other losses, howsoever arising, in connection with the Lessee's use or operation of the relevant Leased Assets.

Under the Lease Agreement, the Lessee shall, at its own cost and expense, be responsible for the performance of all Ordinary Maintenance and Repair (as defined in the Master Lease Agreement) in respect of the Leased Assets. The Lessor shall be responsible for: (i) the performance of all Major Maintenance and Structural Repair; (ii) the payment of any Proprietorship Taxes or other relevant taxes, and (iii) insuring the Leased Assets, and the Lessee has acknowledged that the Lessor may procure the performance of the Major Maintenance and Structural Repair, the payment of such Proprietorship Taxes or other relevant taxes and the taking out and maintenance of such insurance of the Leased Assets by the Servicing Agent on its behalf and in accordance with the provisions of the Service Agency Agreement.

The Lessee will agree: (i) to obtain and maintain in full force and effect all necessary licences, permits, consents, approvals or other authorisations (together, **Authorisations**); (ii) to make all necessary filings and serve all necessary notices; and (iii) to comply with all applicable Authorisations, laws, regulations and declarations, in each case in respect of its occupation or use of the Leased Assets.

The Lessor and the Lessee will agree that, to the extent that the Leased Assets include undeveloped land, the Lessee shall have the right to develop such land in accordance with the development plan summarised in the Schedule of Leased Assets (as such development plan may be amended by the Lessee from time to time) at any time during the lease term (provided that any such use of the land does not contravene the principles of *Shari'a*).

The parties will acknowledge the right of the Lessee at any time and from time to time to sub-lease the Leased Assets and will agree that any such sub-lease entered into shall not affect the obligations of the Lessee set out in the Lease Agreement, or the obligation of the Lessee to pay Rental as set out in the Lease Agreement. Any such sub-lease entered into must terminate prior to the expiration of the lease term.

All payments by the Lessee to the Lessor under each Lease Agreement shall be paid in full without set-off or counterclaim of any kind and free and clear of, and without any deduction or withholding for or on account of any taxes unless required by law. If any deduction or withholding on account of any tax is required by law to be made, the Lessee will agree, in the relevant Supplemental Lease Contract, to pay all additional amounts as will result in the receipt by the Lessor of such net amounts as would have been received by it if no deduction or withholding had been made. The payment obligations of the Lessee under each Lease Agreement will be direct, unconditional, unsubordinated and unsecured obligations of the Lessee which will rank (save for such exceptions as may be provided by applicable legislation and subject as provided in the Lease Agreement) at least *pari passu* with all other unsecured, unsubordinated and monetary obligations of the Lessee, present and future.

The rental amounts payable under each Lease Agreement will be paid into the Wakala Income Collection Account in order to fund, together with the other Wakala Portfolio Income Revenues, the Periodic Distribution Amount payable on each Periodic Distribution Date.

Each Lease Agreement will provide that it shall automatically terminate, but without prejudice to any right or remedy the Lessor may have under any Transaction Document or by law, if a Total Loss Event occurs and, in such a case, the Lessor will be entitled to any accrued and unpaid rental to the date on which the Total Loss Event occurred.

For these purposes:

**Lease Agreement** means the Master Lease Agreement and the relevant Supplemental Lease Contract.

***Master Trust Deed***

The Trust Deed will be entered into on 5 April 2018 between the Bank, the Trustee, and the Delegate and will be governed by English law. A Supplemental Trust Deed between the same parties shall be entered into on the Issue Date of each Tranche of Certificates and shall also be governed by English law.

Upon issue of a Tranche of Certificates, the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed shall together constitute the Trust declared by the Trustee in relation to such Series (the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed for each Series being referred to herein as the **Trust Deed**).

The Trust Assets in respect of each Series shall comprise:

- (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
  - (ii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio;
  - (iii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (excluding the Excluded Representations (as defined in the Conditions) and the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed);
  - (iv) all moneys standing to the credit of the Transaction Account from time to time,
- and all proceeds of the foregoing.

Pursuant to the relevant Trust Deed, the Trustee will, in relation to each Series of Certificates, amongst other things, hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficiaries *pro rata* according to the face amount of Certificates of that Series held by each Certificateholder and act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the relevant Trust Deed. Pursuant to the Master Trust Deed, the Trustee will irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed to:

- (i) execute, deliver and perfect all documents; and
- (ii) exercise all of the present and future duties, powers (including the power to sub-delegate), trusts, rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed and the Certificates,

that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Conditions and the Trust Deed (together the **Delegation of the Relevant Powers**), provided that (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation); (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, authority or discretion to dissolve the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee will undertake in the Master Trust Deed to ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of its powers pursuant to the Delegation.

The Delegation is to be made by the Trustee to the Delegate for the benefit of the Delegate and the Certificateholders, subject to the terms of the Conditions and the Master Trust Deed. Each of the Obligor and the Trustee will confirm in the Master Trust Deed that the Delegate may consult with or request and rely on (without liability to any person for so doing) the advice of any lawyer, valuer, banker, broker, accountant or other expert in exercising the rights, powers or actions delegated to it under the Master Trust Deed.

In addition to the Delegation of the Relevant Powers, certain powers under the Trust Deed will be been vested solely in the Delegate, including, amongst other things, the power to call and conduct meetings at the request of Certificateholders, to determine the occurrence of a Dissolution Event or a Potential Dissolution Event, to waive or authorise a breach of an obligation or determine that a Dissolution Event or Potential Dissolution Event shall

not be treated as such, and the power to consent to certain types of amendments to any Transaction Document or the memorandum and articles of association of the Trustee, in each case as more particularly described in the Master Trust Deed.

Pursuant to the Master Trust Deed, the Bank will undertake to the Trustee that if the Wakala Assets Exercise Price (as defined in the Master Trust Deed) is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the rights, benefits and entitlements of the Trustee in, to and under the Wakala Assets or any of them, or for any other reason, the Bank shall (as an independent, severable and separately enforceable obligation and without double counting) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Wakala Assets Exercise Price.

Pursuant to the Master Trust Deed, the Bank will agree to pay certain fees and expenses incurred by the Trustee and/or the Delegate and will grant certain indemnities in favour of the Trustee and the Delegate in respect of any liabilities incurred in connection with their involvement in the Programme.

If and to the extent the Trustee has exercised its rights under Condition 18 to issue additional Certificates in respect of a Series, on the date of issue of such additional Certificates, the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so issued, declaring that the assets comprising the relevant Additional Wakala Portfolio transferred to the Trustee (in respect of the issuance of the additional Certificates) and the Assets comprising the Portfolio immediately prior to the acquisition of the Additional Wakala Portfolio (in respect of the relevant Series as in existence immediately prior to the issue of such additional Certificates) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common pro rata according to the face amount of Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

#### **Agency Agreement**

The Agency Agreement will be entered into on 5 April 2018 in relation to the Certificates between, amongst others, the Trustee, the Bank, the Delegate, the Principal Paying Agent and the Registrar. The Agency Agreement will govern the arrangements between the Trustee and the agents named therein for the issuance of Certificates and the making of payments in respect thereof. The Agency Agreement will be governed by English law.

#### **Shari'a Compliance**

Each Transaction Document provides that each of Noor Sukuk Company Ltd. and Noor Bank PJSC agrees that it has accepted the Shari'a compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of Shari'a;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which is a party are not compliant with the principles of Shari'a.

## TAXATION

*The following is a general description of certain UAE, Cayman Islands and European Union tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

### **Cayman Islands**

*The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.*

Under existing Cayman Islands laws, payments on Certificates to be issued under the Programme will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has applied for and expects to receive an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Law (as amended). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. However, an instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee 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 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**

There is currently in force in the Emirate of Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments of profit and principal to any holder of the Certificates or any payments to be made by the Bank to the Trustee pursuant to the Transaction Documents. If any such withholding or deduction is required to be made in respect of payments due by the Bank under any Transaction Document to which it is party, the Bank has undertaken to gross-up the payment(s) due by it accordingly. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates, (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions) and (ii) the Bank has undertaken to pay such additional amounts to the Trustee to enable it to discharge such obligation.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE having the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into "Double Taxation Arrangements" with certain other countries, 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 Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to 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 Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

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 Certificates are advised to seek their own professional advice in relation to the FTT.

### **FATCA Disclosure**

#### ***Foreign Account Tax Compliance Act***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as **FATCA**, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the UAE and the Cayman Islands) 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 Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, 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 Certificates, such withholding would not apply prior to 1 January 2019 and Certificates 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 generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Certificates (as described under "*Terms and Conditions of the Certificates—Further Issues*") that are not distinguishable from previously issued Certificates are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Certificates, including the Certificates offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Certificates.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the **Programme Agreement**) dated 5 April 2018, agreed with the Trustee and the Bank a basis upon which they or any of them may from time to time agree to purchase Certificates. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Certificates*".

In accordance with the terms of the Programme Agreement, each of the Trustee and the Bank has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The Trustee and the Bank will pay each relevant Dealer a commission as agreed between them in respect of Certificates subscribed by it.

The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Certificates in certain circumstances prior to payment for such Certificates being made to the Trustee.

Certain of the Dealers and their respective affiliates have from time to time performed, and may perform in the future, investment banking, commercial banking and various financial and advisory services for, and have from time to time provided, or may provide, credit facilities to the Bank for which they have received, or may in the future receive, customary fees and expenses. Each of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Bank in the ordinary course of their respective businesses.

### **General**

Neither the Trustee, nor the Bank nor any Dealer has made any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Certificates, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it shall, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Certificates or has in its possession or distributes the Base Prospectus or any other offering material or any Final Terms, in all cases at its own expense.

If a jurisdiction requires that an offering be made by a licensed broker or dealer and a Dealer or any affiliate of the relevant Dealer is a licensed broker or dealer in that jurisdiction such offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Trustee in such jurisdiction.

### **United States**

The Certificates have not been and will not be registered under the Securities Act, as amended, or the securities laws of any state or other jurisdiction of the United States 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, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Certificates (i) as part of their distribution at any time or (ii) otherwise until expiration of 40 days after the completion of the distribution of all Certificates of the Tranche of which such Certificates are a part, as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of a Tranche of Certificates sold to or through more than one Dealer, by each of such Dealers with respect to Certificates of a Tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Certificates during the distribution compliance period a confirmation or other notice setting out the

restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until the expiration of 40 days after the commencement of the offering of any Tranche of Certificates, an offer or sale of Certificates within the United States by any dealer (whether or not participating in the offering of such Tranche of Certificates) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Trustee and the Bank for use in connection with the offer and sale of the Certificates outside the United States. The Trustee, the Bank and the Dealers reserve the right to reject any offer to purchase the Certificates, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Trustee of any of its contents to any such U.S. person or other person within the United States, is prohibited.

### **Public Offer Selling Restrictions under the Prospectus Directive**

In relation to each Member State of the European Economic Area (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 Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable 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 Certificates to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) 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 Trustee for any such offer;
- (iii) at any time if the denomination per Certificate being offered amounts to at least €100,000 (or equivalent);  
or
- (iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to in paragraphs (i) to (iv) (inclusive) above shall require the Trustee, the Bank 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: (i) the expression an **offer of Certificates to the public** in relation to any Certificates 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 Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; (ii) the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), to the extent implemented in the relevant Member State, and includes any relevant implementing measure in each Relevant Member State; and (iii) the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Certificates which have a maturity of less than one year: (a) 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 (b) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;

- (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 Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Bank; 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 Certificates in, from or otherwise involving the United Kingdom.

### **Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to the public in 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 Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

### **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 Certificates to be issued under the Programme 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 rulebook.

### **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 Certificates, except on a private placement basis to persons in 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).

### **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 9 or Article 10 of the "Rules on the Offers of Securities and Continuing Obligations" as issued by the Board of the

Capital Market Authority (the **CMA**) resolution number 3-123-2017 dated 27 December 2017 (the **KSA Regulations**), made through an authorised person licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 11 of 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 9 of the KSA Regulations or by way of a limited offer under Article 10 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 Article 9 or Article 10 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Notes are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer of sale is otherwise in compliance with Article 15 of the KSA Regulation.

### **State of Qatar**

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 Certificates in Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

### **Japan**

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, offer or sell any Certificates 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 of 1949 (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **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 Certificates other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**); or (b) in other circumstances which do not result in the document being a **prospectus** as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (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, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

## Malaysia

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 (the **CSMA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates have been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons 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 CSMA, 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 Certificates. 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 Certificates as aforesaid without the necessary approvals being in place.

## Singapore

This Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. 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 any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell such Certificates or cause such Certificates 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 such Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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 Certificates 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 Certificates pursuant to an offer made under Section 275 of the SFA except:

- (a) 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;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **GENERAL INFORMATION**

### **Listing of the Certificates**

Application has been made to the DFSA for Certificates issued under the Programme to be admitted to the DFSA Official List. An application may be made for any Tranche of Certificates to be admitted to trading on Nasdaq Dubai.

### **Authorisation**

Each of the Trustee and the Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the entry into and performance of the Transaction Documents to which it is a party. The update of the Programme was authorised by a Resolution of the Board of Directors of the Trustee dated 3 April 2018 and by a resolution of the Board of Directors of the Bank dated 15 February 2018.

### **Significant or Material Change**

There has been no significant change in the financial or trading position, or material adverse change in the financial position or prospects, of the Trustee since the date of its incorporation.

There has been no significant change in the financial or trading position of the Bank and there has been no material adverse change in the financial position or prospects of the Bank since 31 December 2017.

### **Litigation**

Neither the Trustee nor the Bank is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee or the Bank is aware) in the twelve months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Trustee or the Bank.

### **Clearing Systems**

Certificates have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Tranche of Certificates will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

### **Third party information**

Where information in this Base Prospectus has been sourced from third parties this information has been accurately reproduced and as far as each of the Trustee and the Bank is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

### **Condition for determining price**

The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, the Bank and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

### **Documents Available**

For the period of 12 months from the date of this Base Prospectus and for as long as any Certificates are outstanding, physical copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Paying Agents:

- (i) each Final Terms and the other Transaction Documents in relation to each Series;
- (ii) the constitutional documents of the Trustee and the Bank;

- (iii) the audited financial statements of the Bank in respect of the two financial years ended 31 December 2016 and 31 December 2017, in each case together with the audit reports prepared in connection therewith;
- (iv) the most recently published audited financial statements of the Bank; and
- (v) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus.

This Base Prospectus will be available for viewing on the website of Nasdaq Dubai (<http://www.nasdaqdubai.com>).

#### **Auditors**

PricewaterhouseCoopers has audited the financial statements of the Bank for the two years ended 31 December 2017 and 31 December 2016, as stated in each of the auditor's reports appearing herein. PricewaterhouseCoopers has no material interest in the Trustee or the Bank.

PricewaterhouseCoopers are independent auditors registered to practice as auditors with the Ministry of Economy in the UAE, as set forth in the auditor's reports included in this Base Prospectus. Their address is at Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, United Arab Emirates.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements, or appoint an auditor.

#### ***Shari'a Approvals***

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Fatwa and Shari'a Supervisory Board of the Bank, the Shariah Supervisory Committee of Standard Chartered Bank and by Dr. Hussein Hamed Sayed Hassan. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari'a* principles.

***Description of the members of the Fatwa Shari'a Supervisory Board of the Bank, the Shariah Supervisory Committee of Standard Chartered Bank and Dr. Hussein Hamid Hassain, Shari'a adviser to Deutsche Bank AG, London Branch***

#### ***Shariah Supervisory Committee of Standard Chartered Bank***

##### ***Dr Mohamed Ali Elgari***

Dr. Elgari is a former Professor of Islamic Economics at King Abdulaziz University in Jeddah and a former Director of the Centre for Research in Islamic Economics of the same university. He serves as an expert at the Islamic jurisprudence academy of the Organisation of Islamic Cooperation and the Islamic Jurisprudence Academy of the Islamic World League and is a member of the Shari'a Council of the AAOIFI. He is a member of the editorial board of several academic publications in the field of Islamic finance and jurisprudence, including the Journal of the Jurisprudence Academy of the Islamic World League, the Journal of Islamic Economic Studies (IDB), the Journal of Islamic Economic (IAIE, London) and the advisory board of Harvard Series in Islamic Law, Harvard Law School.

Dr. Elgari is a member of numerous Shari'a boards of Islamic banks and takaful companies internationally. He has authored several books in Islamic finance and published numerous articles on the subject both in Arabic and English. Dr. Elgari is also a frequent speaker at conferences worldwide. Dr. Elgari holds a PhD in Economics from the University of California.

##### ***Sheikh Dr. Abdussattar Abu Ghuddah***

Dr. Abu Ghuddah holds a PhD in Comparative Jurisprudence from Al-Azhar University, a Bachelors in Shari'a from Damascus University, a Bachelors of Law from Damascus University, a Masters in Shari'a from Al-Azhar University and a Masters in Al-Hadith Sciences from Al-Azhar University. Dr. Abu Ghuddah is Chairman and

General Secretary of the Unified Shari'a Board of Al-Baraka Banking Group, an expert and a former reporter of the Jurisprudence Encyclopaedia at the Kuwaiti Ministry of Awqaf & Islamic affairs, and a visiting professor at Saleh Kamel's Center for Islamic Economic Studies, Al-Azhar University.

He is also a member of the International Islamic Fiqh Academy in Jeddah, the Zakat International Shari'a Board, the Accounting Standards Council and the Shari'a Council of AAOIFI. He also serves as vice chairman of the Shari'a Board of Dubai Financial Market (DFM), an executive member of the Shari'a Board of the Central Bank of Syria, a member of the Shari'a Committee of the Central Bank of Bahrain, vice chairman of the Shari'a Board of the Abu Dhabi Islamic Bank, a member of the Shari'a Board of the Sharjah Islamic Bank, chairman of the Shari'a Board of Abu Dhabi National Takaful Co., a member of the Shari'a Board of Takaful Re Limited, chairman of the Al Hilal Bank Shari'a Board, in addition to being the chairman or a member of many other Shari'a boards, including those of Standard Chartered Bank, Dow Jones Islamic Market Indices, Crédit Agricole CIB, SAMBA Financial Group, Qatar Islamic Bank and Jordan Islamic Bank.

#### ***Sheikh Nizam Yaquby***

Sheikh Nizam Yaquby studied traditional Islamic studies under the guidance of eminent Islamic scholars from different parts of the world. He has a BA in economics & comparative religions from McGill University, Canada. He has served in Bahrain Mosques from 1981 to 1990 where he taught Tafsir, Hadith and Fiqh in Bahrain since 1976. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, Sheikh Nizam Yaquby is a member of the Islamic Fiqh Academy and Auditing and Accounting Organisation for Islamic Financial Institutions. He has published several articles and books on various Islamic subjects including banking and finance.

#### ***Fatwa and Shari'a Supervisory Board of the Bank***

#### ***Dr Mohamed Ali Elgari***

See the description of Dr Mohamed Ali Elgari set out above.

#### ***Dr. Mohammed Daud Bakar***

Dr. Daud Bakar was previously the deputy vice-chancellor at the International Islamic University, Malaysia. He received his first degree in *Shari'a* from the University of Kuwait in 1988 and obtained his PhD from the University of St. Andrews, United Kingdom, in 1993. In 2002, he completed his external Bachelor of Jurisprudence at the University of Malaya. He has published a number of articles in various academic journals and has made numerous presentations at conferences both locally and overseas.

Dr. Daud Bakar is currently the chairman of the *Shari'a* Advisory Council of the Central Bank of Malaysia, the SACSC and the *Shari'a* Supervisory Council of Labuan Financial Services Authority. He is also a member of the *Shari'a* board of Dow Jones Islamic Market Index (New York), Oasis Asset Management (Cape Town, South Africa), The National Bank of Oman, Financial Guidance (USA), BNP Paribas (Bahrain), Morgan Stanley (Dubai), Jadwa-Russell Islamic Fund (Kingdom of Saudi Arabia), Bank of London and Middle East (London), Islamic Bank of Asia (Singapore) and other financial institutions both locally and abroad. Dr. Bakar also actively advises on capital markets product structuring, such as sukuk.

#### ***Mr. Amjad Naser***

Mr. Naser is currently the Bank's Head of *Shari'a* and a member of its *Shari'a* Supervisory Committee. Mr Naser represents the Bank in several Islamic regulatory bodies, including the Islamic Banking Committee of UAE Banking Federation, the AAOIFI and the Islamic Centre for Reconciliation and Arbitration (ICRA).

Mr. Naser graduated from Yarmouk University, Jordan and is a certified *Shari'a* adviser and auditor, and is also a certified Islamic Professional Accountant from AAOIFI. Mr. Naser has worked with prominent *Shari'a* scholars in Islamic finance for a number of years and has gained significant knowledge and experience in *Shari'a* practices.

As a founder member of Noor Investment Group, Mr. Naser played a key role in establishing the Bank, Noor Takaful, Noor Awqaf and Noor Trade. He also plays a significant role in designing products, structuring deals and providing *Shari'a* consultations. He has more than 23 years' experience both in *Shari'a* and banking sciences.

***Dr. Hussein Hamid Hassain, (Shari'a adviser to Deutsche Bank AG, London Branch)***

Dr. Hussein is the chairman and member of the Sharia supervisory boards of numerous Islamic financial institutions including Dubai Islamic Bank, Emirates Islamic Bank and Tamweel Dr. Hussein holds a Ph.D. from the faculty of Sharia, Al Azhar University, Cairo, Egypt and a Masters in Comparative Jurisprudence and Diploma in Comparative Law from the International Institute of Comparative Law, University of New York, United States.

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