

# Emirates NBD

## EMIRATES NBD 2014 TIER 1 LIMITED

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

### U.S.\$500,000,000 Perpetual Tier 1 Capital Securities

**irrevocably guaranteed by**

#### EMIRATES NBD PJSC

*(incorporated with limited liability in the United Arab Emirates)*

The U.S.\$500,000,000 Perpetual Tier 1 Capital Securities (the **"Capital Securities"**) shall be issued by Emirates NBD 2014 Tier 1 Limited (the **"Issuer"**) on 17 September 2014 (the **"Issue Date"**). The payments of all amounts due in respect of the Capital Securities will be irrevocably guaranteed (the **"Guarantee"**) by Emirates NBD PJSC (**"ENBD"** and, in its capacity as the guarantor, the **"Guarantor"**) under a deed of guarantee dated the Issue Date (the **"Deed of Guarantee"**). The Guarantee is subordinated to substantially all of the Guarantor's other obligations, including in respect of ordinarily subordinated debt instruments.

Interest Payment Amounts (as defined herein) shall be payable subject to and in accordance with **"Terms and Conditions of the Capital Securities"** (the **"Conditions"**) on the outstanding principal amount of the Capital Securities from (and including) the Issue Date to (but excluding) 17 September 2020 (the **"First Call Date"**) at a rate of 6.375 per cent. per annum. If the Capital Securities are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Call Date, Interest Payment Amounts shall be payable from (and including) the First Call Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Call Date and every six years thereafter, equal to the Relevant Six Year Reset Rate (as defined in the Conditions) plus a margin of 4.237 per cent. per annum. Interest Payment Amounts will (subject to the occurrence of a Non-Payment Event (as defined in, and as more particularly provided in, Condition 7.1 (*Interest Restrictions – Non-Payment Event*)) be payable semi-annually in arrear on 17 March and 17 September in each year, commencing on 17 March 2015 (each, an **"Interest Payment Date"**). Payments on the Capital Securities will be made without deduction for, or on account of, taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction (as defined herein) (the **"Taxes"**) to the extent described under Condition 12 (*Taxation*). All payments by the Issuer in respect of the Capital Securities and by the Guarantor under the Guarantee shall be conditional upon satisfaction of the Solvency Conditions (as defined in the Conditions) (as further described in Condition 4.2 (*Status, Subordination – Subordination of the Capital Securities*) and Condition 4.4 (*Status, Subordination – Subordination of the Guarantee*)). See, in particular, **"Risk Factors – The Capital Securities are subordinated and unsecured obligations of ENBD"**.

The Issuer and the Guarantor may elect, and in certain circumstances shall be required, not to pay interest falling due on the Capital Securities. Any Interest Payment Amounts not paid as aforesaid will not accumulate and the holder of the Capital Security shall not have any claim in respect thereof.

The Capital Securities are undated and have no final maturity. Unless the Capital Securities have previously been redeemed or purchased and cancelled as provided in the Conditions, the Capital Securities may, at the option of the Issuer and the Guarantor, subject to the prior approval of the Central Bank of the United Arab Emirates (the **"UAE Central Bank"**), be redeemed at par (in whole but not in part) on the First Call Date or any Interest Payment Date thereafter. In addition, the Capital Securities may, in the event of a Tax Event or Capital Event (each as defined in the Conditions), be redeemed (in whole but not in part) at other times, subject to the prior approval of the UAE Central Bank.

**An investment in the Capital Securities involves certain risks. For a discussion of these risks, see **"Risk Factors"**.**

The Capital Securities may only be offered, sold or transferred in registered form in minimum principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Delivery of the Capital Securities in book-entry form will be made on the Issue Date. The Capital Securities will be represented by interests in a global certificate in registered form (the **"Global Certificate"**) deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depositary (the **"Common Depositary"**) for Euroclear Bank SA/NV (**"Euroclear"**) and Clearstream Banking, *société anonyme* (**"Clearstream, Luxembourg"**). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Individual Certificates (as defined in **"Form of the Capital Securities"**) evidencing holdings of interests in the Capital Securities will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **"CSSF"**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for

securities (the “**Luxembourg Law**”) to approve this document (this “**Prospectus**”) as a prospectus. The CSSF assumes no responsibility as to the economic and financial soundness of the Capital Securities or in respect of the quality or solvency of the Issuer or ENBD pursuant to Article 7(7) of the Luxembourg Law. Application has also been made to the Luxembourg Stock Exchange for the Capital Securities to be admitted to trading on the Luxembourg Stock Exchange’s regulated market (the “**Regulated Market**”) and to be listed on the official list (the “**Official List**”) of the Luxembourg Stock Exchange.

This Prospectus has been approved by the Dubai Financial Services Authority (the “**DFSA**”) under the DFSA’s Markets Rule 2.6 and is therefore an Approved Prospectus for the purposes of Article 14 of the DFSA’s Markets Law 2012. Application has also been made to the DFSA for the Capital Securities to be admitted to the official list of securities (the “**DFSA Official List**”) maintained by the DFSA and to NASDAQ Dubai for such Capital Securities to be admitted to trading on NASDAQ Dubai.

References in this Prospectus to Capital Securities being “**listed**” (and all related references) shall mean that: (i) the Capital Securities have been admitted to listing on the Official List and admitted to trading on the Regulated Market which is a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”); and/or (ii) the Capital Securities have been admitted to trading on NASDAQ Dubai and have been admitted to the Official List of securities maintained by the DFSA.

The DFSA does not accept any responsibility for the content of the information included in this Prospectus, including the accuracy or completeness of such information. The liability for the content of this Prospectus lies with each of ENBD and the Issuer. The DFSA has also not assessed the suitability of the Capital Securities to which this Prospectus relates to any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the Capital Securities to which this Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor.

ENBD has a long term rating of A+ and a short term rating of F1 from Fitch Ratings Ltd. (“**Fitch**”); and a long term rating of Baa1 and a short term rating of P-2 by Moody’s Investors Service Ltd. (“**Moody’s**”). The United Arab Emirates has been assigned a credit rating of Aa2 by Moody’s Investors Service Singapore Pte. Ltd. (“**Moody’s Singapore**”), which has been endorsed by Moody’s in accordance with Regulation (EC) No. 1060/2009, as amended (the “**CRA Regulation**”).

Moody’s Singapore is not established in the European Union and has not applied for registration under the CRA Regulation. Each of Fitch and Moody’s is established in the European Union and is registered under the CRA Regulation. Each of Fitch and Moody’s appears on the latest update of the list of registered credit rating agencies on the European Securities and Markets Authority (“**ESMA**”) website at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

**A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

Neither the Capital Securities nor the Guarantee have been, nor will be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Capital Securities may be offered or sold solely to persons who are not U.S. Persons outside the United States in reliance on Regulation S. Each purchaser of the Capital Securities is hereby notified that the offer and sale of Capital Securities to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

*Joint Global Coordinators and Structuring Banks*

**Morgan Stanley**

**Standard Chartered Bank**

*Joint Lead Managers*

**Citigroup  
Emirates NBD Capital**

**Commerzbank  
Morgan Stanley**

**Deutsche Bank  
Standard Chartered Bank**

The date of this Prospectus is 16 September 2014

## IMPORTANT NOTICE

This Prospectus complies with the requirements in Part 2 of the Markets Law (DIFC Law No. 1 of 2012) and Chapter 2 of the Markets Rules and comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (which includes the amendment made by Directive 2010/73/EU (the “**2010 Amending Directive**”) to the extent that such amendments have been implemented in a Relevant Member State of the European Economic Area) (the “**Prospectus Directive**”) and for the purpose of giving information with regard to the Issuer, the Guarantor and the Capital Securities which, according to the particular nature of the Issuer and the Guarantor is necessary to enable investors to make an informed assessment of the assets, liabilities, financial position, profit, loss and prospects of the Issuer and the Guarantor.

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

This Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein (see “*Documents Incorporated by Reference*”).

Certain information contained in “*Risk Factors*”, “*Description of Emirates NBD PJSC – ENBD’s Competition*”, “*Overview of the UAE and the Emirate of Dubai*” and “*The United Arab Emirates Banking and Financial Services System*” (as indicated therein) has been extracted from independent, third party sources. Each of the Issuer and ENBD confirms that all third party information contained in this Prospectus has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by the relevant, third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Prospectus is stated where such information appears in this Prospectus.

The Joint Lead Managers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by any of the Issuer or ENBD in connection with the issuance of the Capital Securities. No Joint Lead Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by any of the Issuer or ENBD in connection with the issuance of the Capital Securities.

No person is or has been authorised by the Issuer or ENBD to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the issuance of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or ENBD or any of the Joint Lead Managers.

Neither this Prospectus nor any other information supplied in connection with the issuance of the Capital Securities: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer, ENBD or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the issuance of the Capital Securities should purchase any Capital Securities. Each investor contemplating purchasing any Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and ENBD. Neither this Prospectus nor any other information supplied in connection with the issuance of the Capital Securities constitutes an offer or invitation by or on behalf of the Issuer or ENBD or any of the Joint Lead Managers to any person to subscribe for or to purchase any Capital Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Capital Securities shall in any circumstances imply that the information contained herein concerning the Issuer or ENBD is correct at any time subsequent to the date hereof or that any other information supplied in connection with the issuance of the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of any of the Issuer or ENBD during the life of the issuance or to advise any investor in the Capital Securities of any information coming to

their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Capital Securities.

The Capital Securities have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Capital Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (see "*Subscription and Sale*").

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

This Prospectus has not been submitted for clearance to the *Autorité des marchés financiers* in France.

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

All references in this document to "**U.S. dollars**", "**U.S.\$**" and "**\$**" refer to United States dollars, to "**Dirham**" and "**AED**" refer to United Arab Emirates Dirham and all references to "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. In addition, all references in this Prospectus to "**UAE**" are to the United Arab Emirates and all references to "**Emirate**" are to an Emirate of the UAE.

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue" or similar terminology. Although the Issuer and ENBD believe that the expectations reflected in their forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct.

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities will have on its overall investment portfolio;

- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including Capital Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Capital Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

### **STABILISATION**

In connection with the issue of the Capital Securities, Standard Chartered Bank (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the Capital Securities and sixty (60) days after the date of the allotment of the Capital Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

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

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

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

### **CAYMAN ISLANDS NOTICE**

No invitation may be made to any member of the public of the Cayman Islands to subscribe for the Capital Securities.



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

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

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This 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 Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this 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 Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

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

This Prospectus does not and is not intended to constitute an offer, sale or delivery of the Capital Securities under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Central Bank or the Qatar Exchange. The Capital Securities are not and will not be traded on the Qatar Exchange.

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## RISK FACTORS

*Each of the Issuer and ENBD believes that the following factors may affect their ability to fulfil their obligations under the Capital Securities or under the Guarantee, respectively. All of these factors are contingencies which may or may not occur and neither the Issuer nor ENBD is in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Capital Securities are also described below.*

*If any of the risks described below actually materialise, the Issuer's and/or ENBD's business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to occur, the trading price of the Capital Securities could decline and investors could lose all or part of their investment.*

*Each of the Issuer and ENBD believes that the factors described below represent all the material risks inherent in investing in the Capital Securities, but the inability of either the Issuer or ENBD to pay interest, principal or other amounts on or in connection with any Capital Securities or to pay any amount in respect of the Guarantee, respectively, may occur for other reasons which may not be considered significant risks by the Issuer and/or ENBD based on information currently available to them or which they may not currently be able to anticipate and neither the Issuer nor ENBD represents that the statements below regarding the risks of holding any Capital Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*Words and expressions defined in "Form of the Capital Securities" and "Terms and Conditions of the Capital Securities" shall have the same meanings in this section.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Capital Securities**

#### ***The Issuer has a limited operating history and no material assets***

At the date of this Prospectus, the Issuer is an exempted company with limited liability, incorporated under the laws of the Cayman Islands on 7 May 2014 and has a limited operating history. The Issuer will not engage in any business activity other than the issuance of the Capital Securities, the issuance of shares in its capital and other activities incidental or related to the foregoing. The Issuer is not expected to have any income except payments received from ENBD, which will be the only material sources of funds available to meet the claims of the holders of the Capital Securities. As a result, the Issuer is subject to all of the risks to which ENBD is subject, to the extent that such risk could limit ENBD's ability to satisfy in full and on a timely basis its obligations to the Issuer under the Guarantee.

As the Issuer is a Cayman Islands company, it may not be possible for holders of the Capital Securities to effect service of process outside of the Cayman Islands.

### **Factors that may affect ENBD's ability, in its capacity as Guarantor, to fulfil its obligations under the Capital Securities and/or the Guarantee**

#### ***Principal shareholder and governmental interests***

As at the date of this Prospectus, the Government of Dubai (the "Government") indirectly holds 55.6 per cent. of the total issued share capital of ENBD. Investment Corporation of Dubai ("ICD"), which is wholly-owned by the Government, holds shares in ENBD directly. However, the Government does not explicitly or implicitly guarantee the financial obligations of ENBD (including in respect of the Capital Securities and the Guarantee) nor does it, like any other shareholder (acting through ICD), have any legal obligation to provide any support or additional funding for any of ENBD's future operations.

Investors should also be aware that in June 2009, Emirates Bank International PJSC issued AED 4 billion of Tier 1 securities to ICD in order to help satisfy the requirements of the UAE Central Bank. Following the amalgamation of EBI and National Bank of Dubai PJSC ("NBD") with ENBD, described further at "Description of Emirates NBD PJSC" below, ENBD is now considered to be the issuer of the securities.

However, notwithstanding the Tier 1 securities issued to ICD described in the previous paragraph, the funding support received from the UAE Federal Government during the difficult period of the global financial crisis that occurred from late 2008 to early 2009 and the conversion of AED 12.6 billion of deposits from the UAE Federal Government with ENBD into Tier 2 capital in March 2009, of which AED 7.8 billion has been repaid in 2013 (see "– Capital Adequacy" under



*“Description of Emirates NBD PJSC”* below), neither the Government nor the UAE Federal Government are under any obligation to continue to invest in, make deposits with, do business with or otherwise support ENBD. The Government and the UAE Federal Government may, whether directly or through government-owned entities, at any time and for any reason, dispose of its investments in, withdraw its deposits from, cease to do business with or otherwise cease to support ENBD. The reduction or elimination of governmental support could have a material adverse effect on the business, results of operations, financial condition and prospects of ENBD.

### **Competition**

ENBD faces high levels of competition for all products and services. ENBD competes primarily with a large number of other domestic banks in the UAE, some of which are also owned, directly or indirectly, by the governments of the relevant Emirates, government-related entities or members of the ruling families of the relevant Emirates. As at the date of this Prospectus, there were a total of 51 banks registered in the UAE (source: the UAE Central Bank). ENBD’s main domestic competitors in terms of size of banking franchise and product and customer segments are the Abu Dhabi Commercial Bank PJSC, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Mashreqbank, Union National Bank, Abu Dhabi Islamic Bank and HSBC. Among banks in the UAE market, as at 31 December 2013, ENBD ranked first by total assets (Source: Bank Financial Statements and Press Releases for FY 2013, Bloomberg). However, there can be no assurance that ENBD will be able to maintain this ranking in the future.

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

Further, although the UAE could be viewed as an over-banked market, even by regional standards, there has traditionally been little impetus for consolidation (see *“The United Arab Emirates Banking and Financial Services System – Principal Banks in Dubai – Characteristics of the Banking System”*).

In addition, the UAE’s membership of the World Trade Organisation will require greater economic liberalisation, which may lead to increased competition for ENBD in the future. If ENBD is unable to compete successfully, it could adversely impact ENBD’s business, results of operations, financial condition and prospects.

### **Foreign exchange movements may adversely affect the profitability of ENBD**

ENBD maintains its accounts and reports its results in AED. The UAE dirham has been pegged at a fixed exchange rate to the U.S. dollar since 22 November 1980. ENBD is exposed to the potential impact of any alteration to or abolition of this foreign exchange peg.

### **Majority of business in the UAE**

ENBD has the majority of its operations and assets in the UAE and accordingly its business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East generally.

These markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment is only suitable for sophisticated investors who fully appreciate the significance of the risks involved (see also *“– Risk factors relating to the UAE and the Middle East – Political, economic and related considerations”* below).

### **Importance of key personnel**

ENBD’s ability to maintain and grow its business will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. ENBD may face challenges in recruiting and retaining qualified personnel to manage its business from time to time and, if it is to continue to grow, will need to continue to increase its employee numbers.

Additionally, the UAE Federal Government has a recommended policy that companies operating in the UAE recruit UAE nationals representing at least 4 per cent. of their total employees each year. In common with other banks in the UAE, ENBD experiences a shortage of, and competition to recruit and retain, qualified UAE national employees. If ENBD is unable to meet or exceed the UAE Federal Government's recommended policy for recruiting UAE nationals, it may be subject to legal penalties including with respect to its current licences, and may be prevented from obtaining additional licences necessary in order to allow it to expand its business. Due to UAE federal labour laws, ENBD may also face difficulties that could delay or prevent dismissal of underperforming UAE national employees.

While ENBD currently meets the UAE Federal Government's "Emiratisation" requirements (in particular, see "*Management of Emirates NBD PJSC – Emiratisation*") and believes that it has effective staff recruitment, training and incentive programmes in place, if it was unable to retain key members of its senior management and/or remove underperforming staff and/or hire new qualified personnel in a timely manner, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

### ***Risks relating to the business of ENBD***

In the course of its business activities, ENBD is exposed to a variety of risks, the most significant of which are market risks, liquidity risks, credit risks and operational risks.

In the last five years in particular, difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect ENBD's business.

#### *Market risks*

Since the second half of 2007, disruptions in global capital and credit markets, coupled with the re-pricing of credit risk and the deterioration of the real estate markets in the United States, Europe, the UAE, the other countries of the GCC and elsewhere, have created difficult conditions in the financial markets. These conditions have resulted in historically high levels of volatility across many markets (including capital markets) and the failures of a number of financial institutions in the United States and Europe. Further market disruption may be caused by certain European countries experiencing debt servicing problems.

The countries of the GCC were affected by the global financial crisis in the second half of 2007; however, the most significant adverse effects only impacted the region in the second half of 2008. Since then, there has been a significant slowdown or reversal of the high growth rates that had been experienced by many countries within the GCC and the UAE, especially in Dubai (as described further in the next paragraph). Consequently, certain sectors of the GCC economy that had benefited from the high rate of growth, such as real estate, construction and financial institutions, have been materially adversely affected by the crisis.

During the second half of 2008 and into 2009, world oil prices fell by approximately 70 per cent. with the OPEC Reference Basket price falling from its peak level of U.S.\$140 per barrel in July 2008 to around U.S.\$43 per barrel in February 2009, before returning to above U.S.\$108 in December 2012. According to the OPEC website, the price of the OPEC Reference Basket had a year-end figure in 2008 of U.S.\$94.45 per barrel, a year-end figure in 2009 of U.S.\$61.06 per barrel, a year-end figure in 2010 of U.S.\$77.45 per barrel, a year-end figure in 2011 of U.S.\$107.46 per barrel, a year-end figure in 2012 of U.S.\$109.45 per barrel and a year-end figure in 2013 of U.S.\$105.87 per barrel. Oil prices remain volatile and have the potential to adversely affect the UAE economy in the future. In addition, the credit crisis in the global financial markets, which was particularly acute in 2008 and 2009, and the resultant deterioration in the global economic outlook led to a general reduction in liquidity and available financing and generally increased financing costs. These events affected Dubai and the UAE in a number of ways. First, gross domestic product ("**GDP**") was adversely affected in 2009 reflecting the significant contributions of the oil and gas sector to the UAE's GDP and, in the case of Dubai, through the impact of these events on the construction and real estate sectors. Second, the UAE's trade surplus declined in 2009 reflecting the reduced value of hydrocarbon exports and its current account balance was additionally impacted as a result of declining services receipts and lower investment income. Third, certain "government related entities" wholly or substantially owned by the Government have suffered from asset value deterioration and limited cash flow. Although Dubai enjoys a relatively diverse economy, with the oil sector accounting for less than 1.5 per cent. of Dubai's GDP in 2012, any significant impact on international oil prices may have a negative impact on regional

spending and liquidity and consequently is likely to affect Dubai's economy indirectly through its impact on the trade, construction, real estate, tourism and banking sectors in particular, given also the openness of the economy with no capital or exchange controls.

In response to the global financial crisis, governments and regulators in the UAE, Europe, the United States and other jurisdictions enacted legislation and took measures intended to help stabilise the financial system and increase the flow of credit to their economies. These measures included recapitalisation through the purchase of securities issued by financial institutions (including ordinary shares, preferred shares, or other quasi-equity instruments), guarantees by governments outside of the UAE of debt issued by financial institutions, and government-sponsored mergers and acquisitions of and divestments by financial institutions. There can be no assurance that any or all of these measures will continue to positively affect volatility and credit availability or that governments will continue to support recovery in this way.

Whilst ENBD believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks (please see "*Description of Emirates NBD PJSC – Risk Management*"), investors should note that a worsening of current financial market conditions could lead to further decreases in investor and consumer confidence, further market volatility, further economic disruption and, as a result, could have an adverse effect on the business, results of operations, financial condition and prospects of each of the Issuer and ENBD irrespective of steps currently taken to adequately control these risks.

#### *Liquidity risks*

Liquidity risks could arise from the inability of ENBD to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the ability of ENBD to meet its obligations when they fall due.

In the second half of 2008, a liquidity crisis arose in the global credit markets which was initially caused by a large number of borrower defaults in the sub-prime mortgage loan market in the United States of America, but which has expanded to affect all levels of the international economy.

In particular, and in part reflecting the effects of the global economic crisis, the UAE financial markets experienced comparatively reduced levels of liquidity from the third quarter of 2008 and through 2009. Liquidity is essential to the performance of the banking sector and the business of ENBD, and during this period, a number of measures were taken in an attempt to improve the liquidity levels in the UAE by the UAE Ministry of Finance and the UAE Central Bank, including, but not limited to, regular contact and intervention with respect to UAE banks to provide liquidity to the market (UAE Ministry of Finance deposits and UAE Central Bank funding support). While the liquidity situation began to improve in 2010, and continues to improve to date, and whilst ENBD and other UAE banks generally currently enjoy healthy levels of liquidity, there is no guarantee that this will persist or that such improvement will continue in the future and any future shortage of liquidity in the UAE and Dubai financial markets could have an adverse effect on the businesses, financial condition, results of operations and prospects of ENBD.

#### *Credit risks*

Credit risks arising from adverse changes in the credit quality and recoverability of loans/financing receivables, advances and amounts due from counterparties are inherent in the business of ENBD. Credit risks could arise from a deterioration in the credit quality of specific counterparties of ENBD, from a general deterioration in local or global economic conditions or from systemic risks with the financial systems, all of which could affect the recoverability and value of the assets of ENBD and which could cause an increase in the provisions for the impairment of its assets and other credit exposures.

As mentioned above under "*– Risks relating to the business of ENBD*", the UAE economy was negatively impacted by the global economic downturn, which has affected some of the UAE's key economic sectors including trade, tourism, real estate and commerce. As a result of these adverse market conditions, certain of the customers to which ENBD directly extends credit and counterparties of ENBD have experienced, and may continue to experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing, increased funding costs and problems servicing their debt obligations or other expenses as they become due. Accordingly, ENBD may experience a higher level of credit defaults (including impaired loans and consequential

increases in impairment allowances for doubtful loans and advances) in the immediate future, which could have a material adverse effect on its financial condition and results of operations.

#### *Operational risks*

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems, equipment and external systems and occurrence of natural disasters. Although ENBD has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to eliminate any of the operational risks entirely, which could have a material adverse effect on its financial condition and results of operations.

Notwithstanding anything in this operational risks risk factor, this risk factor should not be taken as implying that ENBD will be unable to comply with its obligations as a company with securities: (i) admitted to the Official List and its obligations as a supervised firm regulated by the CSSF; and/or (ii) admitted to the DFSA's Official List of securities and consequent obligations.

#### *Concentration risk*

Concentrations in the loan/financing receivable and deposit portfolio of ENBD subject it to risks from default by its larger borrowers, from exposure to particular sectors of the UAE economy and from withdrawal of large deposits. The loans and receivables/finance receivables portfolio of ENBD shows industry and borrower concentration.

The ten largest funded private sector borrowers (which excludes those borrowers which are either wholly or majority owned by the Government or the Ruler of Dubai, H.H. Sheikh Mohammed bin Rashid Al Maktoum) of ENBD and its subsidiaries (together with ENBD, the "**Group**") represented 3.2 per cent. of its total loans and receivables as at 31 December 2013. As at 31 December 2013, ENBD's largest funded exposure to a private sector borrower was AED 2.5 billion, which constitutes 1.0 per cent. of its total loans and receivables (as at 31 December 2013) and 5.6 per cent. of its total regulatory capital (total regulatory capital being AED 44.6 billion as at 31 December 2013).

In terms of the industry concentration of the Group's total credit risk portfolio, as at 31 December 2013, banks and financial institutions accounted for 19.1 per cent., construction and real estate combined accounted for 17.1 per cent., trade and manufacturing accounted for 6.4 per cent., government accounted for 31.5 per cent., personal finance accounted for 16.6 per cent. and other sectors accounted for 9.3 per cent.

As at 31 December 2013, the Group's wholesale banking customers represented 35.9 per cent. of its combined total deposits. Although ENBD considers that it has adequate access to sources of funding, the withdrawal of a significant portion of these large deposits may have an adverse effect on ENBD's financial condition or results of operations as well as its ability to meet the UAE Central Bank target stable resources ratio of 100 per cent. A downturn in the fortunes of any of ENBD's depositors, or in the sectors in which they operate, could have a material adverse effect on the financial condition or results of operations of ENBD.

#### *Real estate exposure*

As at 31 December 2013, exposures to real estate and construction constituted 14.7 per cent. and 2.4 per cent. respectively, of the Group's total credit risk portfolio. The Group's total funded real estate and construction exposure stood at AED 51.6 billion.

Between late 2008 and the second quarter of 2009, a real estate correction took place in Dubai's real estate market such that according to the Colliers International House Price Index ("**The Colliers Index**"), the average price of residential property in Dubai decreased by 50.5 per cent. between the third quarter of 2008 and the second quarter of 2009. From the second quarter of 2009 to the end of 2012, the average price of residential property in Dubai remained relatively constant, such that, according to The Colliers Index, the price of residential property in the fourth quarter of 2012 had only increased marginally from the prices recorded in the second quarter of 2009. Further, according to a report entitled "*Dubai Real Estate Market Overview*" published by Jones Lang LaSalle, covering the fourth quarter of 2012, the average prime rentals price for commercial office property in Dubai remained stable from the fourth quarter of 2010 to the fourth quarter of 2012.

However Dubai has witnessed healthy activity across all segments of the real estate market in 2013 on the back of a favourable rebalancing of the underlying demand/supply dynamics and improved investor interest. With supply set to expand in the 2013-2014 period, the positive trend in the residential segment is likely to continue in the medium term. Dubai's successful Expo 2020 bid is anticipated to encourage a further positive trend in real estate prices.

Nevertheless, a further real estate correction or default of ENBD's main real estate-related clients in the future could have a material adverse effect on the financial condition and results of operation of ENBD.

#### *Changes in Accounting Policies*

Potential future changes to accounting policies or reclassifications could have a material adverse effect on the financial condition or results of operation of ENBD.

### **Risk factors relating to the UAE and the Middle East**

#### ***Political, economic and related considerations***

While the UAE has historically enjoyed significant economic growth and relative political stability, there can be no assurance that such growth or stability will continue. Investors should note that ENBD's businesses and financial performance may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and the Middle East. This is particularly so in light of significant adverse financial and economic conditions experienced worldwide commencing in early 2008. Since that time, there has been a slowdown or reversal of the high rates of growth that had been experienced by many countries within the GCC and the UAE, especially in Dubai. Consequently, certain sectors of the GCC economy such as financial institutions that had benefited from such high growth rates could be adversely affected by any future crisis.

No assurance can be given that the UAE Government will not implement regulations or fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have an adverse effect on ENBD's business, financial condition, results of operations, prospects or ability to perform its obligations under the Guarantee, or which could adversely affect the market price and liquidity of the Capital Securities.

The UAE is seen as a relatively stable political environment with generally healthy international relations. However, as a country located in the Middle East and North Africa ("**MENA**") region, there is a risk that regional geopolitical instability could impact the UAE and it should be noted that in the first half of 2011 there was significant political and social unrest, including violent protests and armed conflict, in a number of countries in the MENA region, with armed conflict in Syria ongoing as at the date of this Prospectus. The situation has caused significant disruption to the economies of affected countries and has had a destabilising effect on oil and gas prices. Continued instability affecting the countries in the MENA region could adversely impact the UAE, although to date the impact on Dubai and the UAE has not been significant.

Dubai is also dependent on expatriate labour and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to the Emirate (see "*Overview of the UAE and the Emirate of Dubai – Population*"). These steps make it potentially more vulnerable should regional instability increase.

A general downturn, political instability or instability in certain sectors of the UAE or the regional economy could have an adverse effect on ENBD's businesses, financial condition, results of operations and prospects.

#### ***Impact of regulatory changes***

ENBD is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure its compliance with economic, social and other objectives and limit their exposure to risk. These regulations include UAE federal laws and regulations (particularly those of the UAE Federal Government and the UAE Central Bank), as well as the laws and regulations of the other countries in which ENBD operates – in particular, see "*The United Arab Emirates Banking and Financial Services System – Response to the Global Financial Crisis – Capital*" and "*The United Arab Emirates Banking and Financial Services System – Response to the Global Financial Crisis – Recent Trends in Banking*". Such regulations may limit ENBD's ability to increase its loan/financing receivable portfolios or raise capital or may increase its cost of doing



business. In addition, as a result of the recent financial crisis, the regulations currently governing UAE commercial banks are being reviewed, which may lead to the establishment of more stringent regulations in the future. Any changes in such laws and regulations and/or the manner in which they are interpreted or enforced may have a material adverse effect on ENBD's business, results of operations, financial condition and prospects. In particular, changes in UAE Central Bank regulations or policy may affect ENBD's reserves, provisions, impairment allowances and other applicable ratios. Furthermore, non-compliance with regulatory guidelines could expose ENBD to potential liabilities and fines. Although ENBD works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

### ***The GCC may enter into a monetary union***

There is the possibility that the Kingdom of Bahrain, the State of Kuwait, the Kingdom of Saudi Arabia and the State of Qatar may each abandon their respective national currencies in favour of a single GCC currency within the next few years. If a single GCC currency is adopted, the necessary convergence of laws, policies and procedure will bring significant changes to the economic and political infrastructure in each of the GCC states. As yet there has been no announcement of an official timetable for the progression of monetary union and there are currently no details of new legislation or policies. Investors should, however, be aware that new legislation and any resulting shift in policy and procedure in the UAE could affect the ability of ENBD to perform its obligations in respect of the Guarantee.

### ***Enforcement risks***

#### *UAE bankruptcy law*

In the event of the insolvency of ENBD, UAE bankruptcy law may adversely affect its ability to perform its obligations under the Guarantee. There is little precedent to predict how any claims by holders of the Capital Securities against ENBD would be resolved in the case of the insolvency of ENBD and therefore there can be no assurance that holders of the Capital Securities will receive payment of their claims in full or at all in these circumstances.

#### *Enforcing foreign arbitration awards and foreign judgments in Dubai*

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

Each of the Issuer and ENBD has irrevocably agreed to the Capital Securities, the Agency Agreement (as defined in the Conditions), the Deed of Covenant (as defined in the Conditions), the Subscription Agreement (as defined in "Subscription and Sale") and/or the Guarantee (as applicable) being governed by English law. Unresolved disputes in relation to the Capital Securities, the Agency Agreement, the Deed of Covenant, the Subscription Agreement and/or the Guarantee (as applicable) will, unless the option to litigate set out therein is exercised, be referred to arbitration under the LCIA Arbitration Rules with the seat of arbitration in Paris. In the event that such option to litigate set out therein is exercised, ENBD has irrevocably agreed to the courts of England having exclusive jurisdiction to settle disputes. Notwithstanding that a judgment may be obtained in an English court there is no assurance that ENBD has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. ENBD is a UAE company and is incorporated in and has its operations and the majority of its assets located in the UAE. To the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the courts.

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



however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

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 Paris 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. How the Dubai courts will interpret and apply the New York Convention remains uncertain and this is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused, with, for example, a decision where the requirements for the enforcement of domestic awards being applied instead of the requirements for the enforcement of foreign awards under the UAE Federal Law No. 1 of 1992 as amended, or not applying the provisions of Article 238 of the Civil Procedure Law. Article 238 provides that Articles 235 to 237 (which deal with enforcement of foreign judgments, orders and instruments and which contain onerous requirements which must be satisfied before enforcement will be considered by the Dubai courts) apply only in the absence of multilateral or bilateral conventions such as the New York Convention. Therefore, there remains a risk that when faced with an action for enforcement of a foreign arbitration award under the New York Convention the Dubai courts might not apply Article 238 of the Civil Procedure Law and instead apply Articles 235 to 237. If Article 238 is not applied, there is a risk that a foreign arbitration award will be refused enforcement by the Courts.

#### *Claims for specific enforcement*

In the event that ENBD fails to perform its obligations under the Guarantee, the potential remedies available to the holders of the Capital Securities include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. An order for specific enforcement is at the discretion of the court and there is no assurance that a court will provide such an order.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the holders of the Capital Securities to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by ENBD to perform its obligations as set out in the Guarantee.

#### *Enforceability of ENBD's obligations under the Guarantee*

Under UAE law, the obligations of a guarantor are incidental to the obligations of the principal debtor, and the obligations of the guarantor will only be valid to the extent of the continuing obligations of the principal debtor. In addition, in order to enforce a guarantee under UAE law, the underlying debt obligation for which such guarantee has been granted may need to be proved before the UAE courts.

The obligations of ENBD under the Guarantee are, therefore, incidental obligations and dependent on the validity and the enforceability of the Issuer's obligations under the Capital Securities. Accordingly the Issuer's obligations under the Capital Securities may, therefore, need to be proved before the courts of the UAE in order for the obligations of ENBD under the Guarantee to be enforceable.

#### *Sovereign immunity*

Under the Capital Securities and/or the Guarantee (as applicable) each of the Issuer and ENBD has waived its rights in relation to sovereign immunity in respect of such documents. However, there can be no assurance as to whether such waivers of immunity from suit, execution or attachment

or other legal process by each of the Issuer and ENBD under the Capital Securities and/or the Guarantee (as applicable) are valid and binding under the laws of the UAE and applicable in Dubai.

#### *Change of law*

The Conditions are based on English law in effect as at the date of this Prospectus. However, no assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practices after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Capital Securities to be issued under the issuance or of the Guarantor, as the case may be, to comply with its obligations under the Guarantee.

### **Factors which are material for the purpose of assessing the risks associated with the Capital Securities**

#### ***The Capital Securities are subordinated and unsecured obligations of ENBD***

Prospective investors should note that the payment obligations of ENBD under the Guarantee are subordinated to the claims of the Guarantor Senior Creditors (as defined in the Conditions) and rank *pari passu* with the Guarantor *Pari Passu* Obligations (as defined in the Conditions). Potential investors should note that payment of all amounts by ENBD under the Guarantee (and consequently, the corresponding payments by the Issuer under the Conditions) are conditional upon:

- (a) ENBD being Solvent at all times from (and including) the first day of the relevant Interest Period (as defined in the Conditions) (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Guarantor Obligations (as defined in the Conditions);
- (b) ENBD being capable of making payment of the Guarantor Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Guarantor Senior Obligations and all Guarantor *Pari Passu* Obligations (each as defined in the Conditions) and still be Solvent immediately thereafter; and
- (c) the total share capital of ENBD being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Guarantor Obligations.

Further, the payment obligations of ENBD under the Guarantee are unsecured and no collateral is or will be given by ENBD in relation thereto (see Condition 4.4 (*Status, Subordination – Subordination of the Guarantee*)).

A holder of the Capital Securities may exercise its enforcement rights in relation to the Capital Securities only in the manner provided in Condition 11 (*Enforcement Events*). If ENBD were wound up, liquidated or dissolved, ENBD's liquidator would apply the assets of ENBD to satisfy all claims of the Guarantor Senior Creditors. In such a situation, and if the conditions as to solvency set out above are not satisfied, the holders of the Capital Securities shall not be entitled to receive any amounts under the Capital Securities.

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

Other than the limitations in relation to the issue of further Tier 1 Capital (as defined in the Conditions) by ENBD as set out in Condition 4.5 (*Status, Subordination – Other Issues*) which limits the circumstances in which Tier 1 Capital of ENBD can be issued that ranks senior to the Capital Securities, there is no restriction on ENBD (in its capacity as the Guarantor or otherwise) incurring additional indebtedness or on issuing securities or creating any guarantee or contractual support arrangement which would rank senior to, or *pari passu* with, the Capital Securities and the obligations of ENBD under the Guarantee (defined in the Conditions as Guarantor Senior Obligations). The issue of or the creation of any such Guarantor Senior Obligations may reduce the amount recoverable by holders of the Capital Securities on a winding-up of ENBD. Accordingly, in the winding-up of ENBD and after payment of the claims of the Guarantor Senior Creditors, there may not be a sufficient amount to satisfy the amounts owing to the holders of the Capital Securities. See also “– *The Capital Securities are subordinated and unsecured obligations of ENBD*”.

***Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative***

No Interest Payment Amounts are payable if a Non-Payment Event (as defined in, and as more particularly provided in, Condition 7.1 (*Interest Restrictions – Non-Payment Event*)) occurs.

In each of the following events (each, a “**Non-Payment Event**”), interest shall not be paid on any Interest Payment Date:

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by ENBD on any Guarantor Senior Obligations or Guarantor Pari Passu Obligations having the same dates in respect of payment of such distributions or amounts as the dates for payment of interest under the Capital Securities, exceeds, on the relevant date for payment of interest, Distributable Profits (as defined in the Conditions);
- (b) ENBD is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any capital buffers imposed on ENBD by the Regulator) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (c) the Regulator requires that the Interest Payment Amount due on that Interest Payment Date shall not be paid as a result of ENBD declaring a net loss during the relevant financial period, or for any other reason as the Regulator may deem necessary;
- (d) the Solvency Conditions are not satisfied; or
- (e) the Issuer, in its sole discretion, has elected that Interest Payment Amounts shall not be paid to holders of the Capital Securities on any Interest Payment Date (other than in respect of any amounts due on any date on which the Capital Securities are to be redeemed in full, in respect of which this sub-paragraph (e) does not apply).

In the event of a Non-Payment Event, certain restrictions on declaration of dividends and redemption of certain securities by ENBD will be made in accordance with Condition 7.3 (*Interest Restrictions – Dividend and Redemption Restrictions*). However, the holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of a Non-Payment Event and the consequential non-payment of any Interest Payment Amount in such a circumstance shall not constitute an Enforcement Event. ENBD shall not have any obligation to make any subsequent payment in respect of any such unpaid amount.

In such case, the holders of the Capital Securities will not receive Interest Payment Amounts on their investment in the Capital Securities and shall not have any claim in respect thereof.

***Perpetual Securities***

The Capital Securities are perpetual securities which have no scheduled repayment date. Holders of the Capital Securities have no ability to require the Issuer to redeem their Capital Securities unless an Enforcement Event occurs (see Condition 11 (*Events of Default*)). The Guarantor has the option to redeem the Capital Securities in certain circumstances as more particularly described in Condition 10 (*Redemption and Variation*), although there is no assurance that it will do so.

This means that the holders of the Capital Securities have no ability to cash in their investment, except:

- (a) if the Guarantor exercises its rights to redeem the Capital Securities in accordance with Condition 10 (*Redemption and Variation*);
- (b) upon the occurrence of an Enforcement Event; or
- (c) by selling their Capital Securities.

There can be no assurance that holders of the Capital Securities will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities.

***Basel regulatory framework as implemented in the UAE may have an effect on the Capital Securities***

The Basel Committee on Banking Supervision (the “**Basel Committee**”) has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010, 13 January 2011 and 1 June 2011, the Basel Committee issued guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum

liquidity standards for credit institutions ("**Basel III**"). The international implementation of the Basel III reforms began on 1 January 2013; however, the requirements are subject to a series of transitional arrangements that will be phased in over a period of time and are expected to be fully effective by 2019. 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 qualification requirement for Tier 1 and Tier 2 capital instruments under Basel III.

This requirement (the "**Non-Viability Requirement**") requires contractual or legislative terms providing for, at the option of the relevant authority, the writing-off of the principal amount of Tier 1 instruments or the conversion of such Tier 1 instruments into ordinary shares upon the occurrence of the earlier of: (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary; and (b) the decision to make a public sector injection of capital, without which the relevant bank would become non-viable, in each case as determined by the relevant authority (a "**Non-Viability Event**"). This definition is for illustrative purposes only and may not necessarily reflect the meaning ascribed to the term "Non-Viability Event" (or any term equivalent thereto) pursuant to any law or regulation implementing the Basel III framework in the UAE.

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as Tier 1 or Tier 2 instruments for regulatory capital purposes. As at the date of this Prospectus, a first draft of the Basel III implementation text has not been published in the UAE and there has been no official proposal for a legislative implementation of the Non-Viability Requirement in the UAE. Investors should note that the Conditions do not include contractual provisions reflecting such Non-Viability Requirement (a "**Contractual Non-Viability Clause**").

Although it is expected that the UAE Central Bank will issue specific guidelines regarding Basel III requirements, it is not possible to predict the timing or substance of the legislative and rulemaking process. If the implementation by the UAE of the Basel III reforms or any other relevant laws, rules or guidelines in the future imposes the inclusion of a Contractual Non-Viability Clause in Tier 1 instruments, the Capital Securities may be fully or partially disqualified from the Tier 1 capital of ENBD. This may give rise to a Capital Event in respect of the Capital Securities, allowing the Capital Securities to be redeemed, subject to the prior approval of the Regulator.

To the extent that the UAE introduces a statutory resolution regime to implement loss absorbency upon the occurrence of a Non-Viability Event, either through the writing-off of the principal amount of the instruments or the conversion of such instruments into ordinary shares, it is unclear how such a regime will apply to banks in the UAE or how it may be interpreted within the UAE and whether and to what extent it will affect the Capital Securities.

***Due to the deeply subordinated nature of the obligations arising under the Capital Securities, the Conditions contain limited Enforcement Events and remedies***

The Capital Securities are perpetual instruments with no fixed redemption date and there is no obligation on the Issuer to repay the principal amount of the Capital Securities other than in accordance with the exercise of a call option in accordance with Condition 10.1(b) (*Issuer's Call Option*) or following the occurrence of an Enforcement Event in accordance with Condition 11 (*Enforcement Events*). In addition, the Issuer may be prohibited from making, or instructed by ENBD not to make, payments of Interest Payment Amounts on the Capital Securities in accordance with Condition 7 (*Interest Restrictions*) and Interest Payment Amounts will not therefore be due other than in the limited circumstances described in the Conditions.

The Enforcement Events in the Conditions are limited to: (i) a default by the Issuer or Guarantor for a period of seven days or more in the payment of any principal and fourteen days or more in the case of interest; (ii) a final determination is made by a court or other official body that the Issuer or Guarantor is insolvent or bankrupt or unable to pay its debts; (iii) an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution or administration of the Issuer or the Guarantor or the Issuer of the Guarantor (as the case may be) applies or petitions for a winding-up or administration order in respect of itself or ceases, or through an official action of its board of directors threatens to cease, to carry on all or substantially all of its business or operations, except, in each case: (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital

Securities; or (b) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or (iv) any event occurs which under the laws of the United Arab Emirates has an analogous effect to those described above.

Furthermore, the claims in relation to Guarantor Senior Obligations will first have to be satisfied in any winding-up, liquidation or analogous proceedings before the holders of Capital Securities may expect to obtain any amounts in respect of their Capital Securities and prior thereto holders of Capital Securities will have only limited (if any) ability to influence the conduct of such winding-up, liquidation or analogous proceedings.

***Resettable fixed rate instruments have a market risk***

A holder of an instrument with a fixed interest rate that will be reset during the term of the instrument (as will be the case for the Capital Securities with effect from each Reset Date if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating interest rate levels and an uncertain interest rate. While the expected interest rate on the Capital Securities is fixed until the First Call Date (with a reset of the Initial Interest Rate on the First Call Date as set out in the Conditions and every sixth anniversary thereafter), the current investment return rate in the capital markets (the “**market return rate**”) typically changes on a daily basis. As the market return rate changes, the market value of the Capital Securities may also change, but in the opposite direction. If the market return rate increases, the market value of the Capital Securities would typically decrease. If the market return rate falls, the market value of the Capital Securities would typically increase. The holders of Capital Securities should be aware that movements in these market return rates can adversely affect the market value of the Capital Securities and can lead to losses for the holders of Capital Securities if they sell the Capital Securities.

***Variation upon the occurrence of a Capital Event or a Tax Event***

Upon the occurrence and continuation of a Capital Event or a Tax Event, the Issuer shall (but only upon the instructions of ENBD (acting in its sole discretion)), subject as provided in Condition 10.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or 10.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) (as the case may be) and without the need for any consent of the holders of the Capital Securities, either redeem or vary the terms of the Capital Securities such that they become or remain (as appropriate) Qualifying Tier 1 Instruments (as defined in the Conditions) and, as the case may be, so that no Tax Event is continuing.

A Capital Event will arise if ENBD is notified by the Regulator that the Capital Securities will cease or have ceased to qualify for inclusion in the consolidated Tier 1 Capital of ENBD such that the outstanding principal amount would be fully excluded from the consolidated Tier 1 Capital of ENBD. A Tax Event will arise if ENBD or the Issuer (as the case may be) would, as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of a Tax Jurisdiction, or any change in the application or interpretation of such laws or regulations, in making any payments under the Capital Securities and/or the Guarantee (as the case may be) on the next due date for such payment, be required to pay Additional Amounts (and such requirement cannot be avoided by ENBD or the Issuer (as the case may be)). A Capital Event and a Tax Event are each more fully described in Condition 1 (*Interpretation*).

The tax and stamp duty consequences of holding the Capital Securities following variation as contemplated in Condition 10.1 (*Redemption and Variation*) could be different for certain holders of the Capital Securities from the tax and stamp duty consequences for them of holding the Capital Securities prior to such variation and neither the Issuer nor ENBD shall be responsible to any holder of the Capital Securities for any such consequences in connection therewith. Further, while the Conditions stipulate that the variation (as contemplated by the Conditions) must not be materially less favourable to the holders of the Capital Securities, no assurance can be given as to whether any of these changes will negatively affect any particular holder of the Capital Securities.

***The Capital Securities may be subject to early redemption; redemptions conditional***

Upon the occurrence of a Tax Event or a Capital Event, the Issuer shall (but only upon the instructions of ENBD (acting in its sole discretion)), at any time, having given not less than 20 nor more than 30 days’ prior notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable) redeem in accordance with the



Conditions, all, but not some only, of the Capital Securities together with any accrued but unpaid Interest Payment Amounts (as more particularly described in Condition 10.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) in relation to a Tax Event, and Condition 10.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) in relation to a Capital Event).

Any redemption of the Capital Securities is subject to the requirements in Condition 10.1(a) (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*), including obtaining the prior written consent of the Regulator. There can be no guarantee that the consent of the Regulator will be received on time or at all.

There is no assurance that the holders of the Capital Securities will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities. During any period when ENBD may instruct the Issuer to redeem the Capital Securities, the market value of the Capital Securities generally will not rise substantially above the Tax Redemption Amount or the Capital Event Redemption Amount (each as defined in the Conditions) payable, as the case may be. Potential investors should consider re-investment risk in light of other investments available at that time.

### **Modification**

The Conditions contain provisions for calling meetings of holders of the Capital Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Capital Securities including holders of the Capital Securities who did not attend and vote at the relevant meeting and holders of the Capital Securities who voted in a manner contrary to the majority.

The Conditions also provide that the Fiscal Agent and the Issuer may agree, without the consent of holders of the Capital Securities, to any modification of any Capital Securities, in the circumstances specified in Condition 17 (*Meetings of holders of the Capital Securities and Modification*).

The Conditions also provide that the Issuer may, without the consent or approval of the holders of the Capital Securities, vary the Conditions so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments and, as the case may be, so that no Tax Event is continuing, as provided in Condition 10.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and Condition 10.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*).

### **No third-party guarantees**

Investors should be aware that no guarantee is given in relation to the Capital Securities by the Government (see also “– *Principal shareholder and governmental interests*” above) or any other third parties other than ENBD.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC (the “**Savings Directive**”) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments, deducting tax at a rate of 35.0 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

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



The Council of the European Union formally adopted a Council Directive amending the Savings Directive on 24 March 2014 (the “**Amending Directive**”). The Amending Directive broadens the scope of the requirements described above. Member States are required to apply the new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of “interest payment” to cover additional types of income payable on securities.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or an amount in respect of, tax were to be withheld from that payment, none of the Issuer, the Guarantor nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Capital Security as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer and the Guarantor will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

### ***Foreign Account Tax Compliance withholding may affect payments on the Capital Securities***

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Capital Securities are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer’s obligations under the Capital Securities are discharged once it has paid the clearing systems, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section “*Taxation – Foreign Account Tax Compliance Act*”.

### ***Trading in the clearing systems***

As the Capital Securities have a denomination consisting of the minimum Authorised Denomination (as defined in the Conditions and further described in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*)) plus one or more higher integral multiples of another smaller amount, it is possible that such Capital Securities may be traded in amounts that are not integral multiples of such minimum Authorised Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Authorised Denomination in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding (should Individual Certificates be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to an Authorised Denomination.

If a holder of the Capital Securities holds an amount which is less than the minimum Authorised Denomination in his account with the relevant clearing system at the relevant time, such holder of the Capital Securities may not receive an Individual Certificate in respect of such holding (should Individual Certificates be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to at least an Authorised Denomination in order to be eligible to receive an Individual Certificate.

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

### ***Reliance on Euroclear and Clearstream, Luxembourg procedures***

The Capital Securities will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Individual Certificates. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Capital Securities are represented by a Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants. While Capital Securities are represented by a Global Certificate, the Issuer will discharge its payment obligation under such Capital Security by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Capital Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate.

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

### ***Factors related to market risks generally***

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

#### ***Absence of secondary market/limited liquidity***

There is no assurance that a secondary market for the Capital Securities will develop or, if it does develop, that it will provide the holders of the Capital Securities with liquidity of investment or that it will continue for the life of the Capital Securities. The Capital Securities generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see “– *Perpetual Securities*”), are subordinated (see “– *The Capital Securities are subordinated and unsecured obligations*”) and payments of Interest Payment Amounts may be restricted in certain circumstances (see “– *Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative*”).

Application has been made for the Capital Securities to be admitted to the Official List of the Luxembourg Stock Exchange and for such Capital Securities to be admitted to trading on the Luxembourg Stock Exchange’s Regulated Market. Application has also been made for the Capital Securities to be admitted to the official list of securities maintained by the DFSA and to be admitted to trading on NASDAQ Dubai. However, there can be no assurance that any such listing will occur or will enhance the liquidity of the Capital Securities.

Illiquidity may have an adverse effect on the market value of the Capital Securities. Accordingly, a holder of the Capital Securities may not be able to find a buyer to buy its Capital Securities readily or at prices that will enable the holder of the Capital Securities to realise a desired yield. The market value of the Capital Securities may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Capital Securities. Accordingly, the purchase of Capital Securities is suitable only for investors who can bear the risks associated with a lack of liquidity in the Capital Securities and the financial and other risks associated with an investment in the Capital Securities.

#### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Capital Securities and the Guarantor will make any payments under the Guarantee in U.S. dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s

Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (a) the Investor's Currency-equivalent yield on the Capital Securities; (b) the Investor's Currency-equivalent value of the principal payable on the Capital Securities; and (c) the Investor's Currency-equivalent market value of the Capital Securities.

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

#### *Emerging markets*

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

#### *Taxation risks on payments*

Payments made by the Issuer and the Guarantor in respect of the Capital Securities and the Guarantee, respectively, could become subject to taxation. Condition 12 (*Taxation*) requires the Issuer or Guarantor to pay additional amounts in certain circumstances in the event that any withholding or deduction is imposed by the Cayman Islands and/or the UAE in respect of payments under the Capital Securities or the Guarantee, as the case may be, such that net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Capital Securities in the absence of such withholding or deduction.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Prospectus:

- (a) the unaudited condensed consolidated interim financial statements of ENBD for the six months ended 30 June 2014, including:
  - (i) interim statement of financial position (page 2);
  - (ii) interim income statement (page 3);
  - (iii) interim statement of comprehensive income (page 4);
  - (iv) interim statement of cash flows (pages 5-6);
  - (v) interim statement of changes in equity (page 7);
  - (vi) accounting policies and explanatory notes (pages 8-34); and
  - (vii) auditors' review report (page 1);
- (b) the audited consolidated annual financial statements of ENBD for the year ended 31 December 2013 including:
  - (i) statement of financial position (page 3);
  - (ii) income statement (page 4);
  - (iii) statement of comprehensive income (page 5);
  - (iv) statement of cash flows (pages 6-7);
  - (v) statement of changes in equity (pages 8-9);
  - (vi) accounting policies and explanatory notes (pages 10-117); and
  - (vii) auditors' report (pages 1-2); and
- (c) the audited consolidated annual financial statements of ENBD for the year ended 31 December 2012 including:
  - (i) statement of financial position (page 2);
  - (ii) income statement (page 3);
  - (iii) statement of comprehensive income (page 4);
  - (iv) statement of cash flows (pages 5-6);
  - (v) statement of changes in equity (pages 7-8);
  - (vi) accounting policies and explanatory notes (pages 9-119); and
  - (vii) auditors' report (page 1).

Each of the Issuer and ENBD will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of the Capital Securities, prepare a supplement to this Prospectus.

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

Copies of documents incorporated by reference in this Prospectus can be obtained from the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu) and, upon request, free of charge, from the registered office of ENBD and from the specified offices of the Paying Agents for the time being in London and Luxembourg.

The information incorporated by reference in this Prospectus that is not included in (a) to (c) (inclusive) above is to be considered as additional information and is not required by the relevant schedules of Regulation (EC) No. 809/2004 of 29 April 2004 implementing the Prospectus Directive.

## OVERVIEW OF THE ISSUANCE

*The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus.*

Words and expressions defined in "*Form of the Capital Securities*" and "*Terms and Conditions of the Capital Securities*" shall have the same meanings in the following description.

<b>Issuer:</b>	Emirates NBD 2014 Tier 1 Limited
<b>Guarantor:</b>	Emirates NBD PJSC
<b>Description:</b>	U.S.\$500,000,000 Perpetual Tier 1 Capital Securities
<b>Joint Global Coordinators and Structuring Banks:</b>	Morgan Stanley & Co. International plc and Standard Chartered Bank
<b>Joint Lead Managers:</b>	Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, Emirates NBD Capital Limited, Morgan Stanley & Co. International plc and Standard Chartered Bank
<b>Fiscal Agent and Calculation Agent:</b>	Deutsche Bank AG, London Branch
<b>Registrar and Transfer Agent:</b>	Deutsche Bank AG Luxembourg S.A.
<b>Issue Date:</b>	17 September 2014
<b>Issue Price:</b>	100 per cent.
<b>Interest Payment Dates:</b>	17 March and 17 September every year, commencing on 17 March 2015
<b>Interest Payment Amounts:</b>	<p>Subject to Condition 7 (<i>Interest Restrictions</i>), interest shall be payable on the Capital Securities semi-annually in arrear to (but excluding) the First Call Date at a rate of 6.375 per cent. per annum (the "<b>Initial Interest Rate</b>") on the outstanding principal amount of the Capital Securities (being the aggregate of an initial margin of 4.237 per cent. per annum and the Relevant Six Year Reset Rate) from (and including) the Issue Date. The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$31.875 per U.S.\$1,000 in principal amount of the Capital Securities. For the purpose of calculating payments of interest on and from the First Call Date, the Interest Rate will be reset on each Reset Date on the basis of the aggregate of a margin of 4.237 per cent. per annum and the Relevant Six Year Reset Rate on the relevant Determination Date, as determined by the Calculation Agent (see Condition 6 (<i>Interest</i>)).</p> <p>If a Non-Payment Event occurs, the Issuer shall not pay the corresponding Interest Payment Amounts and neither ENBD nor the Issuer shall have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 7 (<i>Interest Restrictions</i>). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.</p>
<b>Form of Capital Securities:</b>	The Capital Securities will be issued in registered form as described in " <i>Form of the Capital Securities</i> ". The Capital Securities will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each

relevant clearing system and its participants. Individual Certificates evidencing holding of Capital Securities will be issued in exchange for interests in the Global Certificate only in limited circumstances.

**Clearance and Settlement:**

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

**Denomination:**

The Capital Securities will be issued in registered form in principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

**Status of the Capital Securities:**

The payment obligations of the Issuer under the Capital Securities will: (a) constitute direct, unsecured, conditional (as described below) and subordinated obligations of the Issuer; (b) rank junior to all Issuer Senior Obligations; (c) rank *pari passu* with all Issuer Pari Passu Obligations; and (d) rank in priority only to all Issuer Junior Obligations.

To the extent that any of the Solvency Conditions (as defined below) are not satisfied, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.

**Status of the Guarantee:**

The payment obligations of the Guarantor under the Guarantee will: (a) constitute Tier 1 Capital of the Guarantor; (b) constitute direct, unsecured, conditional (as described below) and subordinated obligations of the Guarantor; (c) rank junior to all Guarantor Senior Obligations; (d) rank *pari passu* with all Guarantor Pari Passu Obligations; and (e) rank in priority only to all Guarantor Junior Obligations.

To the extent that any of the Solvency Conditions are not satisfied, all claims of the holders of the Capital Securities under the Guarantee will be extinguished without any further payment to be made by the Guarantor under the Guarantee.

**Solvency Conditions:**

Payments in respect of the Issuer Obligations by the Issuer and the Guarantor Obligations by the Guarantor are conditional upon the following (together, the "**Solvency Conditions**"):

- (i) the Guarantor being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Guarantor Obligations;
- (ii) the Guarantor being capable of making payment of the Guarantor Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Guarantor Senior Obligations and all Guarantor Pari Passu Obligations and still be Solvent immediately thereafter; and
- (iii) the total share capital of the Guarantor being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Guarantor Obligations.

**Redemption and Variation:**

The Capital Securities are perpetual securities in respect of which there is no fixed or final redemption date. The Capital Securities may be redeemed in whole but not in part, or the terms thereof may be varied by the Issuer (but only upon the instructions of



ENBD (acting in its sole discretion)) only in accordance with the provisions of Condition 10 (*Redemption and Variation*).

Pursuant to Condition 10.1(b) (*Redemption and Variation – Issuer's Call Option*), the Issuer shall (but only upon the instructions of ENBD (acting in its sole discretion)), on the First Call Date or on any Call Date (as defined in the Conditions) thereafter, redeem all, but not some only, of the Capital Securities at the Early Redemption Amount.

In addition (on any date on or after the Issue Date, whether or not an Interest Payment Date), upon the occurrence of a Tax Event or a Capital Event, all but not some only, of the Capital Securities may be redeemed or the terms of the Capital Securities may be varied, in each case in accordance with Conditions 10.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and 10.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*).

Any redemption of the Capital Securities is subject to the conditions described in Condition 10.1 (*Redemption and Variation – Redemption and Variation*).

**Enforcement Events:**

Upon the occurrence of an Enforcement Event, any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10.1 (*Redemption and Variation*), become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind.

**Withholding Tax:**

All payments in respect of the Capital Securities will be made without deduction for or on account of withholding taxes imposed by the relevant Tax Jurisdiction, subject as provided in Condition 12 (*Taxation*). In the event that any such deduction is made, the Issuer or the Guarantor will, save in certain limited circumstances provided in Condition 12 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

**Issuer Covenants:**

The Issuer has agreed to certain restrictive covenants as set out in Condition 5 (*Issuer Covenants*).

**Ratings:**

ENBD has a long term rating of A+ and a short term rating of F1 from Fitch and a long term rating of Baa1 and a short term rating of P-2 by Moody's. The Capital Securities will not be rated by any rating organisation upon their issue.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued or endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation).

**Approval of the Prospectus:**

Application has been made to the CSSF to approve this Prospectus as a prospectus. The CSSF assumes no responsibility as to the economic and financial soundness of the Capital Securities or in respect of the quality or solvency of the Issuer or ENBD pursuant to Article 7(7) of the Luxembourg Law.

<b>Listing and Admission to Trading:</b>	<p>An application has been made for this Prospectus to be approved by the DFSA under Markets Rule 2.6.</p> <p>Application has also been made to the Luxembourg Stock Exchange for the Capital Securities issued to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.</p>
<b>Transaction Documents:</b>	<p>Application has also been made to the DFSA for the Capital Securities issued to be admitted to the Official List of securities and to be admitted to trading on NASDAQ Dubai.</p> <p>The Agency Agreement, the Deed of Covenant and the Deed of Guarantee.</p>
<b>Governing Law and Jurisdiction:</b>	<p>The Capital Securities and any non-contractual obligations arising out of or in connection with the Capital Securities will be governed by, and shall be construed in accordance with, English law.</p> <p>The Subscription Agreement, the Transaction Documents and any non-contractual obligations arising out of, relating to or having any connection with the Subscription Agreement and the Transaction Documents will be governed by, and shall be construed in accordance with, English law. In respect of any dispute, claim, difference or controversy under the Subscription Agreement and the Transaction Documents to which it is a party, the Issuer and the Guarantor have each consented to arbitration in accordance with the LCIA Arbitration Rules unless any Joint Lead Manager (in the case of the Subscription Agreement) or Agent (in the case of the Agency Agreement) elects to have the dispute, claim, difference or controversy resolved by a court, in which case the English courts will have exclusive jurisdiction to settle such dispute.</p>
<b>Waiver of Immunity:</b>	<p>The Issuer and the Guarantor have irrevocably and unconditionally waived with respect to the Capital Securities any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence (see Condition 19.6 (<i>Governing Law and Dispute Resolution – Waiver of Immunity</i>)).</p>
<b>Selling Restrictions:</b>	<p>There are restrictions on the offer, sale and transfer of the Capital Securities in Hong Kong, the United States, the United Kingdom, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (excluding the Qatar Financial Centre) and the Cayman Islands and such other restrictions as may be required in connection with the offering and sale of the Capital Securities (see "<i>Subscription and Sale</i>").</p>

## FORM OF THE CAPITAL SECURITIES

*The Global Certificate contains the following provisions which apply to the Capital Securities whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, words and expressions defined in "Terms and Conditions of the Capital Securities" shall have the same meanings in the following description.*

### Form of the Capital Securities

The Capital Securities will be in registered form and will be issued outside the United States to persons who are not U.S. Persons in reliance on Regulation S.

The Capital Securities will be represented by ownership interests in a global certificate in registered form (the "**Global Certificate**"). The Global Certificate will be deposited with a common depository for Euroclear and Clearstream, Luxembourg (the "**Common Depository**") and will be registered in the name of a nominee for the Common Depository. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Individual Certificates in fully registered form.

### Holders

For so long as the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the "**Registered Holder**"). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate principal amount of such Capital Securities (the "**Accountholders**") (in which regard any Capital Security or other document issued by a clearing system as to the aggregate principal amount of such Capital Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of the Capital Securities in respect of the aggregate principal amount of such Capital Securities standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Issuer and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions "**holder of Capital Securities**" and related expressions shall be construed accordingly. In addition, holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the relevant Capital Securities. 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.

### Cancellation

Cancellation of any Capital Security represented by the Global Certificate will be effected by reduction in the aggregate principal amount of the Capital Securities in the Register.

### Payments

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made:

- (a) in the case of a Global Certificate, to the person shown on the Register as the registered holder of the Global Certificate at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business; and
- (b) in the case of an Individual Certificate, to the persons shown on the Register on the relevant Record Date (as defined in the Conditions) immediately preceding the due date for payment in the manner provided in Condition 8.1 (*Payments – Payments in respect of the Capital Securities*).

None of the Issuer, ENBD or any Agent will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of ownership interests in the

Capital Securities or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Redemption Amount in respect of Capital Securities represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Agency Agreement. Distributions of amounts with respect to book-entry interests in the Capital Securities held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Capital Securities will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

### **Notices**

So long as all the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders rather than by publication and delivery as required by the Conditions except that, so long as the Capital Securities are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Whilst any of the Capital Securities held by a holder of the Capital Securities are represented by the Global Certificate, notices to be given by such holder of the Capital Securities may be given (where applicable) through Euroclear and/ or Clearstream, Luxembourg and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

### **Registration of Title**

The Registrar will not register title to the Capital Securities in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Interest Payment Amount or the Redemption Amount in respect of the Capital Securities.

### **Transfers**

Transfers of book-entry interests in the Capital Securities will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

### **Exchange for Individual Certificates**

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to holders of the Capital Securities in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that (i) an Enforcement Event (as defined in the Conditions) has occurred; or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of legal holiday) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Issuer is available. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Individual Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the holders of the Capital Securities. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Issuer and the Registrar may require) to complete, execute and deliver such Individual Certificates.

## General

In this Prospectus, “**Individual Certificate**” means a Capital Security in definitive registered form issued by the Issuer in accordance with the provisions of the Agency Agreement in exchange for the Global Certificate, such Capital Security substantially in the form set out in schedule 4 to the Agency Agreement.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may be approved by the Issuer and the Fiscal Agent.

A Capital Security may be accelerated by the holder thereof in certain circumstances described in Condition 11 (*Enforcement Events*). In such circumstances, where any Capital Security is still represented by a Global Certificate and the Global Certificate (or any part thereof) has become due and repayable in accordance with the Conditions of such Capital Securities and payment in full of the amount due has not been made in accordance with the provisions of the Global Certificate, then the Global Certificate will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Certificate credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the “**Deed of Covenant**”) dated 17 September 2014 and executed by the Issuer.

## TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

*The following is the text of the Terms and Conditions of the Capital Securities which (except for the text in italics) will be endorsed on each Individual Certificate and will apply to the Global Certificate.*

Each of the U.S.\$500,000,000 Perpetual Tier 1 Capital Securities, and any further capital securities issued pursuant to Condition 16 (*Further Issues*), (the "**Capital Securities**") is issued by Emirates NBD 2014 Tier 1 Limited (in its capacity as issuer (the "**Issuer**")) pursuant to the Agency Agreement (as defined below).

The payment of all amounts in respect of the Capital Securities issued by the Issuer have been irrevocably guaranteed (the "**Guarantee**") by Emirates NBD PJSC ("**ENBD**" and in such capacity the "**Guarantor**") pursuant to a deed of guarantee (the "**Deed of Guarantee**") dated 17 September 2014 (the "**Issue Date**") and executed by the Guarantor. The original Deed of Guarantee is held by the Fiscal Agent on behalf of the holders of the Capital Securities at its specified office.

Payments relating to the Capital Securities will be made pursuant to an agency agreement dated the Issue Date (the "**Agency Agreement**") made between the Issuer, the Guarantor, Deutsche Bank AG, London Branch as fiscal agent (in such capacity, the "**Fiscal Agent**" and together with any further or other paying agents appointed from time to time in respect of the Capital Securities, the "**Paying Agents**"), Deutsche Bank Luxembourg S.A. as registrar (in such capacity, the "**Registrar**") and as transfer agent (in such capacity, the "**Transfer Agent**" and, together with the Registrar and any further or other transfer agents appointed from time to time in respect of the Capital Securities, the "**Transfer Agents**") and Deutsche Bank AG, London Branch as calculation agent (the "**Calculation Agent**", which expression includes the Calculation Agent for the time being). The Paying Agents, the Calculation Agent and the Transfer Agents are together referred to in these terms and conditions (the "**Conditions**") as the **Agents**. References to the "**Agents**" or any of them shall include their successors.

Any reference to "**holders**" in relation to any Capital Securities shall mean the persons in whose name the Capital Securities are registered and shall, in relation to any Capital Securities represented by a Global Certificate, be construed as provided below.

The holders of the Capital Securities are entitled to the benefit of the Deed of Covenant (the "**Deed of Covenant**") dated the Issue Date and made by the Guarantor and the Issuer. The original Deed of Covenant is held by the common depositary for Euroclear and Clearstream, Luxembourg (each as defined in Condition 2.1).

Copies of the Agency Agreement, the Guarantee and the Deed of Covenant are obtainable during normal business hours at the specified office of the Agents. The holders of the Capital Securities are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee and the Deed of Covenant. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

### 1. Interpretation

Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between any such document and these Conditions, these Conditions will prevail. In addition, in these Conditions the following expressions have the following meanings:

"**Additional Amounts**" has the meaning given to it in Condition 12 (*Taxation*);

"**Applicable Regulatory Capital Requirements**" means any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Guarantor, including transitional rules and waivers granted in respect of the foregoing;

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



**“Authorised Denomination”** has the meaning given to that term in Condition 2.1 (*Form and Denomination*);

**“Basel III Documents”** means the Basel Committee on Banking Supervision document “A global regulatory framework for more resilient banks and banking systems” released by the Basel Committee on Banking Supervision on 16 December 2010 and revised in June 2011 and the Annex contained in its document “Basel Committee issues final elements of the reforms to raise the quality of regulatory capital” on 13 January 2011;

**“Basel III Implementation Date”** means the date from which legislation, rules or other measures implementing Basel III in the UAE (or, if the UAE Central Bank ceases to have primary bank supervisory authority with respect to the Guarantor, in the jurisdiction of the relevant entity having primary bank supervisory authority with respect to the Guarantor) are applied to the Guarantor;

**“Business Day”** means a day, other than a Friday, Saturday, Sunday or public holiday, on which registered banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Dubai, New York City and London;

**“Call Date”** means the First Call Date and every Interest Payment Date thereafter;

**“Capital Event”** is deemed to have occurred if the Guarantor is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities are held by the Guarantor or whose purchase is funded by the Guarantor) of the Capital Securities would cease to qualify for inclusion in the consolidated Tier 1 Capital of the Guarantor (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) such that the outstanding principal amount would be fully excluded from the consolidated Tier 1 Capital of the Guarantor;

**“Capital Event Redemption Amount”** in relation to a Capital Security means 101 per cent. of its outstanding principal amount together with any Outstanding Payments;

**“Capital Event Redemption Date”** means the date on which the Capital Securities are redeemed following the occurrence of a Capital Event;

**“Capital Regulations”** means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the United Arab Emirates, including those of the Regulator;

**“Central Bank”** means the Central Bank of the United Arab Emirates or any successor thereto;

**“Common Equity Tier 1”** means capital qualifying as, and approved by the Regulator as, core tier 1 capital in accordance with the Capital Regulations and, from the Basel III Implementation Date, as common equity tier 1 as implemented in Applicable Regulatory Capital Requirements at such time;

**“Day-count Fraction”** means the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Interest Period in which the relevant period falls (including the first such day but excluding the last);

**“Determination Date”** means, in respect of a Reset Period, the third Business Day prior to the commencement of such Reset Period;

**“Directors”** means the executive and non-executive directors of the Guarantor who make up its board of directors;

**“Dispute”** has the meaning given to it in Condition 19.2 (*Arbitration*);

**“Distributable Profits”** means the amount of the Guarantor’s consolidated retained earnings and reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable reserves, all as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Guarantor;

**“Dividend Stopper Date”** has the meaning given to it in Condition 7.3 (*Dividend and Redemption Restrictions*);

**“Early Redemption Amount”** in relation to a Capital Security, means its outstanding principal amount together with any Outstanding Payments;

**“Enforcement Event”** means:

- (i) **Non-payment:** the Issuer or the Guarantor (as the case may be) fails to pay an amount in the nature of principal or interest (including Additional Amounts) due and payable by it pursuant to the Conditions or the Guarantee and the failure continues for a period of seven days in the case of principal and fourteen days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event); or
- (ii) **Insolvency:** a final determination is made by a court or other official body that the Issuer or the Guarantor is insolvent or bankrupt or unable to pay its debts; or
- (iii) **Winding-up:** an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Guarantor (as the case may be) or the Issuer or the Guarantor (as the case may be) 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: (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; or (b) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or
- (iv) **Analogous Event:** any event occurs which under the laws of the United Arab Emirates has an analogous effect to any of the events referred to in paragraph (ii) or (iii) above.

References in subparagraph (ii) (*Insolvency*) above to **“debts”** 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* and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly by the Issuer or the Guarantor (as the case may be);

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

**“First Call Date”** means 17 September 2020;

**“First Interest Payment Date”** means 17 March 2015;

**“Global Certificate”** means a global registered certificate;

**“Guarantor Junior Obligations”** means all claims of the holders of Guarantor Ordinary Shares and all payment obligations of the Guarantor in respect of its other Common Equity Tier 1 capital;

**“Guarantor Obligations”** has the meaning given to it in Condition 4.4 (*Subordination of the Guarantee*);

**“Guarantor Ordinary Shares”** means ordinary shares of the Guarantor;

**“Guarantor Pari Passu Obligations”** means all subordinated payment obligations of the Guarantor which rank, or are expressed to rank, *pari passu* with the Guarantor Obligations;

**“Guarantor Senior Creditors”** means creditors of the Guarantor (including depositors (in respect of their due claims) and, for this purpose, holders of any instrument issued by, or other obligation of, the Guarantor which ranks senior to the payment obligations of the Guarantor under the Guarantor Obligations) other than creditors in respect of obligations the claims in relation to which rank or are expressed to rank *pari passu* with, or junior to, the claims of the holders of the Capital Securities in respect of the Guarantor Obligations;

**“Guarantor Senior Obligations”** means all unsubordinated payment obligations of the Guarantor (including depositors) and all subordinated payment obligations (if any) of the Guarantor to which the Guarantor Obligations rank or are expressed to rank junior;

**“Individual Certificate”** means a registered certificate in definitive form;

**"Initial Interest Rate"** has the meaning given to it in Condition 6.1 (*Interest Payments*);

**"Initial Period"** means the period from and including the Issue Date, to but excluding the First Call Date;

**"Interest Payment Amount"** means the interest payable, subject to Condition 7 (*Interest Restrictions*) and Condition 8 (*Payments*), on each Interest Payment Date;

**"Interest Payment Date"** means each 17 March and 17 September in each year, starting on (and including) 17 March 2015;

**"Interest Period"** means, in the case of the first Interest Period, the period from (and including) the Issue Date, to (but excluding) the first Interest Payment Date and, subsequently, the period from (and including) an Interest Payment Date, to (but excluding) the succeeding Interest Payment Date;

**"Interest Rate"** means, in respect of the Initial Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 6.1(a) (*Interest Rate*);

**"Issuer Junior Obligations"** means all claims of the holders of Issuer Ordinary Shares;

**"Issuer Obligations"** has the meaning given to it in Condition 4.2 (*Subordination of the Capital Securities*);

**"Issuer Ordinary Shares"** means ordinary shares of the Issuer;

**"Issuer Pari Passu Obligations"** means all subordinated payment obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Issuer Obligations;

**"Issuer Senior Creditors"** means creditors of the Issuer and, for this purpose, holders of any instrument issued by, or other obligation of, the Issuer which ranks senior to the payment obligations of the Issuer under the Issuer Obligations) other than creditors in respect of obligations the claims in relation to which rank or are expressed to rank *pari passu* with, or junior to, the claims of the holders of the Capital Securities in respect of the Issuer Obligations;

**"Issuer Senior Obligations"** means all unsubordinated payment obligations of the Issuer and all subordinated payment obligations (if any) of the Issuer to which the Issuer Obligations rank or are expressed to rank junior;

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

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

**"Margin"** has the meaning given to it in Condition 6.1(a) (*Interest Rate*);

**"Non-Payment Event"** has the meaning given to it in Condition 7.1 (*Non-Payment Event*);

**"Other Common Equity Tier 1 Instruments"** means securities issued by the Guarantor that constitute Common Equity Tier 1 of the Guarantor other than Guarantor Ordinary Shares;

**"Outstanding Payments"** means, in relation to any amounts payable on redemption of the Capital Securities, an amount representing accrued and unpaid interest for the Interest Period during which redemption occurs to the date of redemption plus Additional Amounts thereon, if any;

**"Payment Day"** has the meaning given to it in Condition 8.4 (*Payment Day*);

**"Proceedings"** has the meaning given to it in Condition 19.4 (*Submission to jurisdiction*);

**"Qualifying Tier 1 Instruments"** means instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) other than Guarantor Ordinary Shares or Other Common Equity Tier 1 Instruments, issued directly or indirectly by the Guarantor that:

- (i) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 1 Capital;

- (ii) have terms and conditions not materially less favourable to a holder of the Capital Securities than the Capital Securities (as reasonably determined by the Guarantor **(provided that** in making this determination the Guarantor is not required to take into account the tax treatment of the new instrument in the hands of all or any holders of the Capital Securities, or any transfer or similar taxes that may apply on the acquisition of the new instrument) **provided that** a certification to such effect of two Directors shall have been delivered to the Fiscal Agent prior to the variation of the terms of the instruments);
- (iii) continue to be obligations of the Guarantor, directly or indirectly or by a guarantee or equivalent support undertaking by the Guarantor;
- (iv) rank on a winding up at least *pari passu* with the Guarantor Obligations;
- (v) have the same outstanding principal amount and interest payment dates as the Capital Securities and at least equal interest or distribution rate or rate of return as the Capital Securities;
- (vi) (where the instruments are varied prior to the First Call Date) have the same first call date as the Capital Securities; and
- (vii) have the same optional redemption dates as the Capital Securities,

and which may include such technical changes as necessary to reflect the requirements of Tier 1 Capital under the Capital Regulations then applicable to the Guarantor (including, without limitation, such technical changes as may be required in the adoption and implementation of the Basel III Documents);

**"Record Date"** means in the case of the payment of interest, the date falling on the 15<sup>th</sup> day before the relevant Interest Payment Date and, in the case of the payment of a Redemption Amount, the date falling two Payment Days before the date for payment of the relevant Redemption Amount (as the case may be);

**"Redemption Amount"** means the Early Redemption Amount, the Tax Redemption Amount or the Capital Event Redemption Amount (as the case may be);

**"Register"** has the meaning given to it in Condition 2.1 (*Form and Denomination*);

**"Regulator"** means the Central Bank or any successor entity having primary bank supervisory authority with respect to the Guarantor in the United Arab Emirates;

**"Relevant Date"** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to holders of the Capital Securities in accordance with Condition 15 (*Notices*);

**"Relevant Jurisdiction"** means the Cayman Islands (in the case of any payment made by the Issuer) and the United Arab Emirates and/or the Emirate of Dubai (in the case of any payment made by the Guarantor) or, in each case, any political sub-division or authority thereof or therein having the power to tax;

**"Relevant Obligations"** means the Issuer Obligations and the Guarantor Obligations (as the case may be);

**"Relevant Six Year Reset Rate"** means the mid-swap rate for U.S. dollar swap transactions with a maturity of six years displayed on Reuters 3000 page "ISDAFIX1" (or such other page as may replace that page on Bloomberg, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) at or around 11.00 a.m. (New York time) on the Determination Date. If the correct mid swap rate does not appear on that page, the six year U.S. dollar mid swap rate shall instead be determined by the Calculation Agent on the basis of the arithmetic mean of quotations provided by the principal office of each of four major banks in the U.S. dollar swap market of the rates at which swaps in U.S. dollars are offered by it at approximately 11.00 a.m. (New York time) on the Determination Date to participants in the U.S. dollar swap market for a six-year period, expressed as a percentage and rounded, if necessary, to the nearest 0.0001 per cent. (0.00005 per cent. being rounded upwards);

**"Reserved Matter"** has the meaning given to it in the Agency Agreement;

**“Reset Date”** means the First Call Date and every sixth anniversary thereafter;

**“Reset Period”** means the period from and including the first Reset Date to but excluding the following Reset Date, and each successive period thereafter from and including such Reset Date to the next succeeding Reset Date;

**“Rules”** has the meaning given to it in Condition 19.2 (*Arbitration*);

**“Solvency Conditions”** has the meaning given to it in Condition 4.4.2;

**“Solvent”** means that: (i) the Guarantor is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities;

**“Tax Event”** means on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay Additional Amounts or, the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such Additional Amounts (in each case, whether or not a Non-Payment Event has occurred), in each case as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of a Tax Jurisdiction, or any change in the application or interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (and such requirement cannot be avoided by the Guarantor or the Issuer (as the case may be) taking reasonable measures available to it);

**“Tax Jurisdiction”** has the meaning given to it in Condition 12 (*Taxation*);

**“Tax Redemption Amount”** in relation to a Capital Security, means its outstanding principal amount together with any Outstanding Payments; and

**“Taxes”** has the meaning given to it in Condition 12 (*Taxation*);

**“Tier 1 Capital”** means capital qualifying as, and approved by the Regulator as, tier 1 capital with respect to ENBD.

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

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

### **2.1 Form and Denomination**

The Capital Securities are issued in registered form in principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an **“Authorised Denomination”**). A Capital Security will be issued to each holder of the Capital Securities in respect of its registered holding of Capital Securities. Each Capital Security will be numbered serially with an identifying number which will be recorded on the relevant Capital Security and in the register of holders of the Capital Securities (the **“Register”**).

*Upon issue, the Capital Securities 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, société anonyme (**“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 certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive Individual Certificates representing their holdings of Capital Securities. See **“Form of the Capital Securities”**.*

### **2.2 Title**

For so long as any of the Capital Securities is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Capital Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Capital Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by each of the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Capital Securities for all purposes other than with



respect to the payment of principal or interest on such nominal amount of such Capital Securities, for which purpose the registered holder of the relevant Global Certificate (as the case may be) shall be treated by each of the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Capital Securities in accordance with and subject to the terms of the relevant Global Certificate.

### **3. Transfers of Capital Securities**

#### **3.1 *Transfers of interests in Global Certificates***

Capital Securities which are represented by a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg (as the case may be).

#### **3.2 *Transfer of Individual Certificates***

Subject to the conditions set forth in the Agency Agreement, an Individual Certificate may be transferred in whole or in part (in Authorised Denominations). In order to effect any such transfer: (i) the holder or holders must (A) surrender the Capital Security for registration of the transfer of the Capital Security (or the relevant part of the Capital Security) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and (ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar and the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Individual Certificate of a like aggregate nominal amount to the Capital Security (or the relevant part of the Capital Security) transferred. In the case of the transfer of part only of an Individual Certificate, a new Individual Certificate in respect of the balance of the Capital Security not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

#### **3.3 *Costs of registration***

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

#### **3.4 *Other***

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as shall have been approved by the Issuer and the Fiscal Agent.

### **4. Status, Subordination**

#### **4.1 *Status of the Capital Securities***

Each Capital Security will rank *pari passu* without preference or priority, with all other Capital Securities. The rights and claims of the holders of the Capital Securities are subordinated as described in Condition 4.2 (*Subordination of the Capital Securities*).

#### **4.2 *Subordination of the Capital Securities***

4.2.1 The payment obligations of the Issuer under the Capital Securities (the “**Issuer Obligations**”) will: (a) constitute direct, unsecured, conditional (as described in Conditions 4.2.3 and 4.5 (*Solvency Conditions*)) and subordinated obligations of the

Issuer; (b) rank junior to all Issuer Senior Obligations; (c) rank *pari passu* with all Issuer Pari Passu Obligations; and (d) rank in priority only to all Issuer Junior Obligations.

- 4.2.2 The rights of the holders of the Capital Securities against the Issuer under the Issuer Obligations are subordinated in right of payment to the claims of all Issuer Senior Creditors.
- 4.2.3 Notwithstanding any other provisions in these Conditions, to the extent that any of the Solvency Conditions are not satisfied, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.
- 4.2.4 Subject to applicable law, no holder of the Capital Securities may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Capital Securities and each holder of the Capital Securities shall, by virtue of being a holder of the Capital Securities, be deemed to have waived all such rights of set-off.

#### 4.3 **Status of the Guarantee**

The payment of principal and interest in respect of the Capital Securities issued by the Issuer and all other moneys payable by the Issuer in relation to the Capital Securities has been irrevocably guaranteed by the Guarantor under the Guarantee. The obligations of the Guarantor under the Guarantee in respect of the Capital Securities will rank *pari passu* without preference or priority, among themselves. The rights and claims of the holders of the Capital Securities under the Guarantee are subordinated as described in Condition 4.4. (*Subordination of the Guarantee*).

#### 4.4 **Subordination of the Guarantee**

- 4.4.1 The payment obligations of the Guarantor under the Guarantee (the “**Guarantor Obligations**”) will: (a) constitute Tier 1 Capital of the Guarantor; (b) constitute direct, unsecured, conditional (as described in Conditions 4.4.2 and 4.5 (*Solvency Conditions*)) and subordinated obligations of the Guarantor; (c) rank junior to all Guarantor Senior Obligations; (d) rank *pari passu* with all Guarantor Pari Passu Obligations; and (e) rank in priority only to all Guarantor Junior Obligations.
- 4.4.2 Notwithstanding any other provisions in these Conditions, to the extent that any of the Solvency Conditions are not satisfied, all claims of the holders of the Capital Securities under the Guarantee will be extinguished without any further payment to be made by the Guarantor under the Guarantee.
- 4.4.3 Subject to applicable law, no holder of the Capital Securities may exercise or claim any right of set-off in respect of any amount owed to it by the Guarantor arising under or in connection with the Guarantee and each holder of the Capital Securities shall, by virtue of being a holder of the Capital Securities, be deemed to have waived all such rights of set-off.

#### 4.5 **Solvency Conditions**

The rights of the holders of the Capital Securities against the Issuer under the Issuer Obligations and the Guarantor under the Guarantor Obligations are subordinated in right of payment to the claims of all Issuer Senior Creditors and, as the case may be, all Guarantor Senior Creditors and, accordingly, payments in respect of the Issuer Obligations by the Issuer and the Guarantor Obligations by the Guarantor are conditional upon the following (the “**Solvency Conditions**”):

- (i) the Guarantor being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Guarantor Obligations;
- (ii) the Guarantor being capable of making payment of the Guarantor Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Guarantor Senior Obligations and all Guarantor Pari Passu Obligations and still be Solvent immediately thereafter; and

- (iii) the total share capital of the Guarantor being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Guarantor Obligations.

#### 4.6 **Other Issues**

So long as any of the Capital Securities remain outstanding, each of the Issuer and the Guarantor will not issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (whether on a solo, or a solo consolidated or a consolidated basis) issued Tier 1 Capital of the Guarantor if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Relevant Obligations. This prohibition will not apply if at the same time or prior thereto: (a) these Conditions and are amended to ensure that the Issuer obtains and/or (b) the Relevant Obligations have, the benefit of, such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Relevant Obligations rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

### 5. **Issuer Covenants**

The Issuer has covenanted that, *inter alia*, for so long as any Capital Security is outstanding, it shall not:

- (a) incur any indebtedness in respect of borrowed money whatsoever (whether structured in accordance with the principles of *Shari'a* or otherwise), or give any guarantee 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 these Conditions;
- (b) secure any of its present or future indebtedness for borrowed money (whether structured in accordance with the principles of *Shari'a* or otherwise) grant or permit to be outstanding 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);
- (c) enter into any contract, document, transaction, amendment or incur any obligation or liability other than in connection with the Capital Securities or as contemplated in these Conditions;
- (d) have any subsidiaries or employees; and
- (e) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders.

### 6. **Interest**

#### 6.1 **Interest Payments**

Subject to Condition 7 (*Interest Restrictions*), the Capital Securities bear interest to (but excluding) the First Call Date at a rate of 6.375 per cent. per annum (the "**Initial Interest Rate**") on the outstanding principal amount of the Capital Securities (being the aggregate of an initial margin of 4.237 per cent. per annum and the Relevant Six Year Reset Rate) from (and including) the Issue Date in accordance with the provisions of this Condition 6 (*Interest*). The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$31.875 per U.S.\$1,000 in principal amount of the Capital Securities.

Subject to Condition 7 (*Interest Restrictions*), interest shall be payable on the Capital Securities semi-annually in arrear on each Interest Payment Date, in each case as provided in this Condition 6 (*Interest*). Interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.

If interest is required to be calculated in respect of a period of less than a full Interest Period (the “**Relevant Period**”), it shall be calculated as an amount equal to the product of: (a) the applicable Interest Rate; (b) the principal amount of the relevant Capital Security; and (c) the applicable Day-count Fraction for the Relevant Period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(a) *Interest Rate*

For the purpose of calculating payments of interest on and from the First Call Date, the Interest Rate will be reset on each Reset Date on the basis of the aggregate of a margin of 4.237 per cent. per annum (the “**Margin**”) and the Relevant Six Year Reset Rate on the relevant Determination Date, as determined by the Calculation Agent.

The Calculation Agent will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Interest Rate and the corresponding Interest Payment Amount to be notified to each of the Paying Agents and the Luxembourg Stock Exchange and to be notified to holders of the Capital Securities in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the second Business Day thereafter.

(b) *Determinations of Calculation Agent Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (*Interest*), shall (in the absence of manifest error) be binding on the Calculation Agent, the Paying Agents and the holders of the Capital Securities and (in the absence of manifest error) no liability to the holders of the Capital Securities shall attach to the Calculation Agent in connection with the exercise or non-exercise by them of any of its powers, duties and discretions.

## **7. Interest Restrictions**

### **7.1 Non-Payment Event**

Notwithstanding Condition 6.1 (*Interest Payments*), if any of the following events occurs (each, a “**Non-Payment Event**”), Interest Payment Amounts shall not be paid on any Interest Payment Date:

- (i) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Guarantor on any Guarantor Senior Obligations or Guarantor Pari Passu Obligations having the same dates in respect of payment of such distributions or amounts as the dates for payment of Interest Payment Amounts, exceeds, on the relevant date for payment of such Interest Payment Amount, the Distributable Profits;
- (ii) the Guarantor is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any capital buffers imposed on the Guarantor by the Regulator) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (iii) the Regulator requires that the Interest Payment Amount due on that Interest Payment Date shall not be paid as a result of the Guarantor declaring a net loss during the relevant financial period, or for any other reason as the Regulator may deem necessary;
- (iv) the Solvency Conditions are not satisfied; or
- (v) the Issuer, in its sole discretion, has elected that Interest Payment Amounts shall not be paid to holders of the Capital Securities on any Interest Payment Date (other than in respect of any amounts due on any date on which the Capital Securities are to be redeemed in full, in respect of which this sub-paragraph (v) does not apply).

### **7.2 Effect of Non-Payment Event**

If a Non-Payment Event occurs, then the Issuer shall give notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*), providing details of the Non-Payment Event: (i) where the Non-Payment Event occurs in accordance with Condition 7.1(v), no more

than seven and no less than five Business Days prior to the relevant Interest Payment Date, and (ii) in the case of any other Non-Payment Event, as soon as practicable after such occurrence, but in any case no later than five Business Days prior to the relevant Interest Payment Date. Such notice shall be irrevocable.

Holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of a Non-Payment Event and any non-payment of an Interest Payment Amount in such circumstances shall not constitute an Enforcement Event. Neither the Issuer nor the Guarantor shall have any obligation to make any subsequent payment in respect of any such unpaid Interest Payment Amount.

### 7.3 **Dividend and Redemption Restrictions**

If any interest is not paid as a consequence of a Non-Payment Event pursuant to Condition 7.1 (*Non-Payment Event*), then, from the date of such Non-Payment Event (the “**Dividend Stopper Date**”), the Guarantor will not, so long as any of the Capital Securities are outstanding:

- (i) 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, Guarantor Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- (ii) pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities, ranking, as to the right of payment of dividend, distributions or similar payments, *pari passu* with the Guarantor Obligations (excluding securities the terms of which do not at the relevant time enable the Guarantor to defer or otherwise not to make such payment), only to the extent such restrictions on payment or distribution is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time; or
- (iii) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Guarantor Ordinary Shares; or
- (iv) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Guarantor ranking, as to the right of repayment of capital, *pari passu* with the Guarantor Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time,

in each case unless or until one Interest Payment Amount following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the holders of the Capital Securities).

## 8. **Payments**

### 8.1 **Payments in respect of Individual Certificates**

Subject as provided below, payments will be made by credit or transfer to an account maintained by the payee with, or, at the option of the payee, by a cheque drawn on, a bank in New York City.

Payments of principal in respect of each Capital Security (whether or not in global form) will be made against presentation and surrender of the Individual Certificate at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Individual Certificate appearing in the Register at the close of business on the third business day (being for this purpose a day on which banks are open for business in Luxembourg) before the relevant due date. Notwithstanding the previous sentence, if: (i) a holder does not have a Designated Account; or (ii) the principal amount of the Capital Securities held by a holder is less than U.S.\$200,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account maintained by a holder with a “**Designated Bank**” and identified as such in the Register and Designated Bank means a bank in New York City.



Payments of interest in respect of each Capital Security will be made by a cheque in U.S. dollars drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Capital Security appearing in the Register at the close of business on the 15<sup>th</sup> day (whether or not such 15<sup>th</sup> day is a business day) before the relevant due date (the “**Record Date**”) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of an Individual Certificate, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Capital Securities which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Capital Security on redemption will be made in the same manner as payment of the principal amount of such Capital Security.

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

Neither the Issuer, the Guarantor nor the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## 8.2 **General provisions applicable to payments**

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

## 8.3 **Payments Subject to Laws**

All payments are subject in all cases to: (i) any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law in any jurisdiction implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the holders of the Capital Securities in respect of such payments.

## 8.4 **Payment Day**

If the date for payment of any amount in respect of the Capital Securities is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 13 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and, in the case of presentation of an Individual Certificate, in the place in which the Individual Certificate is presented.

## 8.5 ***Interpretation of principal and interest***

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

- (i) any Additional Amounts which may be payable with respect to principal under Condition 12 (*Taxation*);
- (ii) the Early Redemption Amount of the Capital Securities;
- (iii) the Capital Event Redemption Amount of the Capital Securities; and
- (iv) the Tax Redemption Amount of the Capital Securities.

Any reference in the Conditions to interest in respect of the Capital Securities shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 12 (*Taxation*).

## 9. **Agents**

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

Each of the Issuer and the Guarantor is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that:**

- (a) there will at all times be a Fiscal Agent and a Registrar; and
- (b) with effect from the First Call Date, and so long as any Capital Securities remain outstanding thereafter, there will be a Calculation Agent; and
- (c) so long as the Capital Securities are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (d) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (e) there will at all times be a Paying Agent and a Transfer Agent with a specified office in western Europe.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the holders of the Capital Securities in accordance with Condition 15 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any holders of the Capital Securities. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## 10. **Redemption and Variation**

### 10.1 ***Redemption and variation***

- (a) *No Fixed Redemption Date and Conditions for Redemption and Variation*

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date and the Guarantor shall (subject to the provisions of Condition 4.4.2 and Condition 11 (*Enforcement Events*)) and without prejudice to the provisions of Condition 13 (*Prescription*)) only have the right to redeem the Capital Securities or vary the terms thereof in accordance with the following provisions of this Condition 10 (*Redemption and Variation*).

The redemption of the Capital Securities or variation of the Conditions, in each case pursuant to this Condition 10 (*Redemption and Variation*), is subject to the following conditions:

- (i) the prior consent of the Regulator;

- (ii) the requirement that both at the time when the relevant notice of redemption or variation is given and immediately following such redemption or variation (as applicable), the Guarantor is or will be (as the case may be) in compliance with the Applicable Regulatory Capital Requirements;
  - (iii) the Solvency Conditions are satisfied; and
  - (iv) (in the case of Conditions 10.1(c) (*Redemption or Variation due to Taxation*) or 10.1(d) (*Redemption or Variation for Capital Event*) only) the change of law or regulation or change in interpretation giving rise to the right to redeem the Capital Securities becomes effective after the Issue Date.
- (b) *Issuer's Call Option*
- Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), the Issuer shall (upon the instructions of the Guarantor (acting in its sole discretion)), by giving:
- (i) not less than 20 nor more than 30 days' prior notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*); and
  - (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Fiscal Agent and the Registrar;
- which notices shall be irrevocable, redeem all but not some only, of the Capital Securities at the Early Redemption Amount.
- Redemption of the Capital Securities pursuant to this Condition 10.1(b) (*Issuer's Call Option*) may only occur on the First Call Date or any Call Date thereafter.
- (c) *Redemption or Variation due to Taxation*
- (i) Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Tax Event, the Issuer shall (upon the instructions of the Guarantor (acting in its sole discretion)), by giving not less than 10 nor more than 15 days' prior notice to the Fiscal Agent and the holders of the Capital Securities in accordance with Condition 15 (*Notices*), which notices shall be irrevocable: (a) redeem all, but not some only, of the Capital Securities at the Tax Redemption Amount; or (b) vary the terms of the Capital Securities so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments and so that no Tax Event is continuing, in each case without any requirement for consent or approval of the holders of the Capital Securities.
  - (ii) Redemption of the Capital Securities, or variation of the Conditions, pursuant to this Condition 10.1(c) (*Redemption or Variation due to Taxation*) may occur on any date on or after the Issue Date (whether or not an Interest Payment Date), **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which either the Issuer or the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Capital Securities then due.
  - (iii) Prior to the publication of any notice of redemption or variation (as the case may be) pursuant to this Condition 10.1(c) (*Redemption or Variation due to Taxation*), the Issuer or the Guarantor (as the case may be) shall give to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer or the Guarantor (as the case may be) stating that: (A) the conditions set out in Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (B) a Tax Event has occurred; and (C) in the case of a variation only, the varied Capital Securities are Qualifying Tier 1 Instruments and that the Regulator has confirmed that they satisfy limb (i) of the definition of Qualifying Tier 1 Instruments; and (ii) an opinion of independent legal advisors of recognised standing to the effect that the Issuer or the Guarantor (as the case may be) has or will become obliged to pay Additional Amounts as a result of the Tax Event. Such certificate delivered in accordance with this Condition shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above. Upon expiry of such notice, the Issuer shall redeem or vary the terms of the Capital Securities (as the case may be).

*The Capital Regulations, as in force at the time of implementation of Basel III reforms in the UAE, may oblige the Issuer to demonstrate to the satisfaction of the Regulator that (among other things) the Tax Event was not reasonably foreseeable at the Issue Date.*

(d) *Redemption or Variation for Capital Event*

- (i) Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Capital Event, the Issuer shall (upon the instructions of the Guarantor (acting in its sole discretion)), by giving not less than 10 nor more than 15 days' prior notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*), which notice shall be irrevocable: (a) redeem all, but not some only, of the Capital Securities at the Capital Event Redemption Amount; or (b) solely for the purpose of ensuring compliance with Applicable Regulatory Capital Requirements vary the terms of the Capital Securities so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments without any requirement for consent or approval of the holders of the Capital Securities.
- (ii) Redemption of the Capital Securities, or variation of the Conditions, pursuant to this Condition 10.1(d) (*Redemption or Variation for Capital Event*) may occur on any date on or after the Issue Date (whether or not an Interest Payment Date).
- (iii) At the same time as the delivery of any notice of redemption or variation (as the case may be) pursuant to this Condition 10.1(d) (*Redemption or Variation for Capital Event*), the Issuer shall give to the Fiscal Agent a certificate signed by two Directors stating that: (A) the conditions set out in Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (B) a Capital Event has occurred; and (C), in the case of a variation only, the varied Capital Securities are Qualifying Tier 1 Instruments and that the Regulator has confirmed that they satisfy limb (i) of the definition of Qualifying Tier 1 Instruments. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above. Upon expiry of such notice the Issuer shall redeem or vary the terms of the Capital Securities (as the case may be).

*The Capital Regulations, as in force at the time of implementation of Basel III reforms in the UAE, may oblige the Issuer to demonstrate to the satisfaction of the Regulator that (among other things) the Capital Event was not reasonably foreseeable at the Issue Date.*

(e) *Taxes upon Variation*

In the event of a variation in accordance with Conditions 10.1(c) (*Redemption or Variation due to Taxation*) or 10.1(d) (*Redemption or Variation for Capital Event*), none of the Issuer or the Guarantor will be obliged to pay and will not pay any liability of any holder of the Capital Securities to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of the terms of the Capital Securities **provided that** (in the case of a Tax Event) or so that (in the case of a Capital Event) they become or, as appropriate, remain, Qualifying Tier 1 Instruments, including in respect of any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such holder of the Capital Securities.

## 10.2 **Purchase**

Subject to the Guarantor: (a) obtaining the prior written consent of the Regulator; (b) being in compliance with the Applicable Regulatory Capital Requirements; and (c) being Solvent at the time of purchase, the Guarantor or any of its subsidiaries, may at any time purchase the Capital Securities at any price in the open market or otherwise. Such Capital Securities must be surrendered to any Paying Agent for cancellation.

## 10.3 **Cancellation**

All Capital Securities which are redeemed will forthwith be cancelled. All Capital Securities so cancelled and any Capital Securities purchased and cancelled pursuant to Condition 10.2 (*Purchase*) above shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

## 11. Enforcement Events

*Notwithstanding any of the provisions below in this Condition 11, the right to institute winding-up proceedings is limited to circumstances where payment has become due. No principal, interest or any other amount will be due on the relevant payment date unless the requirements of Condition 4.4.2 are met. In the case of any payment of interest in respect of the Capital Securities, such payment may be cancelled pursuant to Condition 7 and, if so cancelled will not be due on the relevant payment date and, in the case of payment of principal, such payment is subject to the conditions set out in Condition 10.1(a) being met and if these conditions are not met will not be due on such payment date.*

Upon the occurrence of an Enforcement Event, any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10.1 (*Redemption and Variation*), become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind.

To the extent permitted by applicable law and by these Conditions, any holder of the Capital Securities may at its discretion institute proceedings for the winding-up of the Issuer or the Guarantor and/or prove in the winding-up of the Issuer or the Guarantor and/or claim in the liquidation of the Issuer or the Guarantor for such payment, but the institution of such proceedings shall not have the effect that the Issuer or the Guarantor shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

No remedy against the Issuer or the Guarantor, other than the institution of the proceedings referred to in this Condition, and the proving or claiming in any dissolution and liquidation of the Issuer or the Guarantor, shall be available to the holders of the Capital Securities, whether for the recovering of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer or the Guarantor of any other obligation, condition or provision binding on it under the Capital Securities.

## 12. Taxation

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

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Capital Security by reason of his having some connection with the Tax Jurisdiction other than the mere holding of such Capital Security;
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30<sup>th</sup> day assuming that day to have been a Payment Day;
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Capital Security to another Paying Agent in a Member State of the European Union; or



- (e) for or on account of any withholding or deduction arising under or in connection with any agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law in any jurisdiction implementing any intergovernmental approach thereto.

As used in these Conditions:

- (i) **“Tax Jurisdiction”** means the Cayman Islands and the UAE or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **“Relevant Date”** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of the Capital Securities in accordance with Condition 15.

### 13. Prescription

Subject to applicable law, claims for payment in respect of the Capital Securities will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

### 14. Replacement of Capital Securities

Should any Capital Security be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, the Guarantor and the Registrar may reasonably require. Mutilated or defaced Capital Securities must be surrendered before replacements will be issued.

### 15. Notices

All notices regarding the Capital Securities will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing. The Issuer shall also ensure that, if and for so long as the Capital Securities are listed on the Luxembourg Stock Exchange, such notice will be published either in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu).

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

Notices to be given by any holder of the Capital Securities shall be in writing and given by lodging the same, together (in the case of any Individual Certificate) with the relative Capital Security or Capital Securities, with the Registrar. Whilst any of the Capital Securities are represented by a Global Certificate, such notice may be given by any holder of a Capital Security to the Registrar through Euroclear and/or Clearstream, Luxembourg (as the case may be), in such manner as the Registrar, and Euroclear and/or Clearstream, Luxembourg (as the case may be) may approve for this purpose.

## **16. Further Issues**

The Issuer may from time to time without the consent of the holders of the Capital Securities, create and issue further instruments ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount and date of the first payment of interest thereon (or such other equivalent amount) on such further instrument) and so that such further issue shall be consolidated and form a single series with the outstanding Capital Securities. References in these Conditions to the “**Capital Securities**” include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Capital Securities.

## **17. Meetings of Holders of the Capital Securities and Modification**

The Agency Agreement contains provisions for convening meetings of the holders of the Capital Securities to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by holders of the Capital Securities holding not less than five per cent. in nominal amount of the Capital Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing holders of the Capital Securities whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities (including modifying any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Capital Securities or altering the currency of payment of the Capital Securities), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the holders of the Capital Securities shall be binding on all the holders of the Capital Securities, whether or not they are present at the meeting.

The Fiscal Agent and the Issuer may agree, without the consent of the holders of the Capital Securities, to:

- (a) any modification (except as mentioned above) of the Capital Securities or the Agency Agreement which is not prejudicial to the interests of the holders of the Capital Securities; or
- (b) any modification of the Capital Securities or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the holders of the Capital Securities and any such modification shall be notified to the holders of the Capital Securities in accordance with Condition 15 as soon as practicable thereafter.

## **18. Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **19. Governing Law and Dispute Resolution**

### **19.1 Governing law**

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

## 19.2 **Arbitration**

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

- (a) the seat, or legal place, of arbitration will be Paris;
- (b) the governing law of the arbitration agreement shall be English law;
- (c) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
- (d) the language of the arbitration shall be English.

## 19.3 **Court of law**

Notwithstanding Condition 19.2 above, any holder of the Capital Securities may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

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

require that a Dispute be heard by a court of law. If any holder of the Capital Securities gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 19.4 and, subject as provided below, any arbitration commenced under Condition 19.2 in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate the arbitration in accordance with this Condition 19.3 is given after service of any Request for Arbitration in respect of any Dispute, the holder of the Capital Securities must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (a) 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;
- (b) his entitlement to be paid his proper fees and disbursements; and
- (c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

## 19.4 **Submission to jurisdiction**

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

- (a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;
- (b) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 19.4 is for the benefit of the holders of the Capital Securities only. As a result, and notwithstanding paragraph (a) above, any holder of the Capital Securities may start proceedings relating to a Dispute (“**Proceedings**”) in any other court with jurisdiction. To the extent allowed by law, any holder of the Capital Securities may start concurrent Proceedings in any number of jurisdictions.

#### 19.5 ***Appointment of Process Agent***

Each of the Guarantor and the Issuer appoints Emirates NBD PJSC (London Branch) (attention of: Country Head UK & Jersey) at its registered office at 3<sup>rd</sup> Floor, 2 Basil Street, Knightsbridge, London, SW3 1AA as its agent for service of process, and undertakes that, in the event of Emirates NBD PJSC (London Branch) ceasing so to act or ceasing to be registered in England, it will immediately (and in any event within 30 days of the event taking place) appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes. Failure by a process agent to notify the person that appointed it of any process will not invalidate the relevant proceedings. Nothing herein shall affect the right to serve process in any other manner permitted by law.

#### 19.6 ***Waiver of immunity***

The Issuer and the Guarantor hereby irrevocably and unconditionally waives with respect to the Capital Securities any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings or Disputes.

#### 19.7 ***Other documents***

Each of the Issuer and the Guarantor, has in the Agency Agreement, the Deed of Covenant and the Guarantee submitted to the jurisdiction of the English courts and to arbitration and appointed an agent for service of process in terms substantially similar to those set out above.

## THE GUARANTEE

**THIS DEED OF GUARANTEE** is made on 17 September 2014

**BY**

(1) **EMIRATES NBD PJSC** (the "**Guarantor**")

**IN FAVOUR OF**

- (2) **THE PERSONS** for the time being and from time to time registered as holders of the Capital Securities referred to below (including each person who is for the time being and from time to time entitled to be registered as a holder) (each a "**holder of Capital Securities**"); and
- (3) **THE ACCOUNTHOLDERS** (as defined below) (together with the holders of Capital Securities, the "**Beneficiaries**").

**WHEREAS**

- (A) **EMIRATES NBD 2014 TIER 1 LIMITED** (the "**Issuer**") has authorised the creation and issue of U.S.\$500,000,000 in aggregate principal amount of Perpetual Tier 1 Capital Securities (the "**Capital Securities**").
- (B) The Capital Securities will be in registered form and in the denomination of U.S.\$200,000. The Capital Securities will be represented by a global certificate (the "**Global Certificate**"), which will be exchangeable for individual certificates ("**Individual Certificates**") in the circumstances specified therein.
- (C) The Capital Securities will be constituted by a deed of covenant dated 17 September 2014 (the "**Deed of Covenant**") (as amended or supplemented from time to time) entered into by the Issuer.
- (D) The Issuer and the Guarantor will, in relation to the Capital Securities, enter into an agency agreement (the "**Agency Agreement**") dated the date hereof with Deutsche Bank Luxembourg S.A. (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Capital Securities), Deutsche Bank AG, London Branch as fiscal agent and the other paying agents and the transfer agents named therein.
- (E) The Guarantor has agreed to guarantee the payment of all sums expressed to be payable from time to time by the Issuer to the holders of Capital Securities in respect of the Capital Securities and to the Accountholders under the Deed of Covenant.

**NOW THIS DEED OF GUARANTEE WITNESSES** as follows:

### 1. **INTERPRETATION**

#### 1.1 **Definitions**

All terms and expressions which have defined meanings in the Deed of Covenant shall have the same meanings in this Deed of Guarantee except where the context requires otherwise or unless otherwise stated.

#### 1.2 **Other Defined Terms**

Terms defined in the Conditions have the same meanings in this Deed of Guarantee.

#### 1.3 **Deed of Covenant**

Any reference in this Deed of Guarantee to any obligation or payment under or in respect of the Capital Securities shall be construed to include a reference to any obligation or payment under or pursuant to clause 2 of the Deed of Covenant.

#### 1.4 **Clauses**

Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

#### 1.5 **Headings**

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Deed of Guarantee.



## 1.6 **Legislation**

Any reference in this Deed of Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

## 2. **GUARANTEE**

### 2.1 **Guarantee**

The Guarantor as primary obligor hereby irrevocably and conditionally guarantees, subject to Clause 4.5 (*Subordination*) and Clause 4.6 (*Solvency Conditions*):

2.1.1 *The Capital Securities*: to the holder of each Capital Security, the due and punctual payment of all sums from time to time payable by the Issuer in respect of such Capital Security (including any premium or any other amounts of whatever nature or additional amounts which may become payable under Condition 12 (*Taxation*)) as and when the same become due and payable and accordingly undertakes to pay to such holder of Capital Securities, in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Capital Securities, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Capital Security and which the Issuer has failed to pay; and

2.1.2 *The Direct Rights*: to each Accountholder the due and punctual payment of all sums from time to time payable by the Issuer to such Accountholder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay on demand to such Accountholder (without requiring the relevant Accountholder first to take steps against the Issuer or any other person), in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Capital Securities, any and every sum or sums which the Issuer is at any time liable to pay to such Accountholder in respect of the Capital Securities and which the Issuer has failed to pay.

## 3. **COMPLIANCE WITH CONDITIONS**

The Guarantor covenants in favour of each Beneficiary that it will duly perform and comply with the obligations expressed to be undertaken by it in the Conditions.

## 4. **PRESERVATION OF RIGHTS**

### 4.1 **Principal obligor**

The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

### 4.2 **Continuing obligations**

The obligations of the Guarantor herein contained shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under or in respect of any Capital Security or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Capital Securities and under the Deed of Covenant have been paid, and all other actual or contingent obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

### 4.3 **Obligations not discharged**

Neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred upon the Beneficiaries by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:

4.3.1 *Winding up*: the winding up, dissolution, administration, re-organisation or moratorium of the Issuer or any change in its status, function, control or ownership;

- 4.3.2 *Illegality*: any of the obligations of the Issuer under or in respect of the Capital Securities or the Deed of Covenant being or becoming illegal, invalid, unenforceable or ineffective in any respect;
- 4.3.3 *Indulgence*: time or other indulgence (including, for the avoidance of doubt, any composition) being granted or agreed to be granted to the Issuer in respect of any of its obligations under or in respect of the Capital Securities or the Deed of Covenant;
- 4.3.4 *Amendment*: any amendment, novation, supplement, extension or restatement (in each case, however fundamental and of whatsoever nature) or replacement, waiver or release of, any obligation of the Issuer under or in respect of the Capital Securities or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof including without limitation any change in the purposes for which the proceeds of the issue of any Capital Security are to be applied and any extension of or any increase of the obligations of the Issuer in respect of any Capital Security or the addition of any new obligations for the Issuer under the Deed of Covenant; or
- 4.3.5 *Analogous events*: any other act, event or omission which, but for this sub-clause, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Beneficiaries or any of them by this Deed of Guarantee or by law.

#### 4.4 **Exercise of rights**

No Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:

- 4.4.1 *Demand*: to make any demand of the Issuer, save for the presentation of the relevant Capital Security;
- 4.4.2 *Take action*: to take any action or obtain judgment in any court against the Issuer; or
- 4.4.3 *Claim or proof*: to make or file any claim or proof in a winding up or dissolution of the Issuer,

and (save as aforesaid) the Guarantor hereby expressly waives presentment, demand, protest and notice of dishonour in respect of each Capital Security.

#### 4.5 **Subordination**

- 4.5.1 The Guarantor undertakes that its obligations hereunder will: (a) constitute Tier 1 Capital of the Guarantor; (b) constitute direct, unsecured, conditional (as described in Clause 4.5.2 and Clause 4.6 (*Solvency Conditions*)) and subordinated obligations of the Guarantor; (c) rank junior to all Guarantor Senior Obligations; (d) rank *pari passu* with all Guarantor Pari Passu Obligations; and (e) rank in priority only to all Guarantor Junior Obligations.
- 4.5.2 To the extent that any of the Solvency Conditions are not satisfied, all claims of the holders of the Capital Securities under this Deed of Guarantee will be extinguished without any further payment to be made by the Guarantor under this Deed of Guarantee.
- 4.5.3 Subject to applicable law, no holder of the Capital Securities may exercise or claim any right of set-off in respect of any amount owed to it by the Guarantor arising under or in connection with this Deed of Guarantee and each holder of the Capital Securities shall, by virtue of being a holder of the Capital Securities, be deemed to have waived all such rights of set-off.

#### 4.6 **Solvency Conditions**

The rights of the holders of Capital Securities against the Guarantor under this Deed of Guarantee are subordinated in right of payment to the claims of all Guarantor Senior Creditors and accordingly, payments in respect of this Deed of Guarantee are conditional upon the following (the “**Solvency Conditions**”):

- 4.6.1 the Guarantor being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Guarantor Obligations;

- 4.6.2 the Guarantor being capable of making payment of the Guarantor Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Guarantor Senior Obligations and all Guarantor Pari Passu Obligations and still be Solvent immediately thereafter; and
- 4.6.3 the total share capital of the Guarantor being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Guarantor Obligations.

#### 4.7 **Dividend Blocker**

If any interest is not paid as a consequence of a Non-Payment Event pursuant to Condition 7.1 (*Non-Payment Event*), then, from the date of such Non-Payment Event (the “**Dividend Stopper Date**”), the Guarantor will not, so long as any of the Capital Securities are outstanding:

- 4.7.1 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, Guarantor Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- 4.7.2 pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities, ranking, as to the right of payment of dividend, distributions or similar payments, *pari passu* with the Guarantor Obligations (excluding securities the terms of which do not at the relevant time enable the Guarantor to defer or otherwise not to make such payment), only to the extent such restrictions on payment or distribution is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time; or
- 4.7.3 directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Guarantor Ordinary Shares; or
- 4.7.4 directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Guarantor ranking, as to the right of repayment of capital, *pari passu* with the Guarantor Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time,

in each case unless or until one Interest Payment Amount following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the holders of Capital Securities).

#### 5. **DEPOSIT OF DEED OF GUARANTEE**

This Deed of Guarantee shall be deposited with and held by the Fiscal Agent until all the obligations of the Issuer under or in respect of the Capital Securities and the Deed of Covenant have been discharged in full. The Guarantor hereby acknowledges the right of every Beneficiary to the production of this Deed of Guarantee.

#### 6. **STAMP DUTIES**

The Guarantor shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution and delivery of this Deed of Guarantee, and shall indemnify each Beneficiary against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same.

#### 7. **REPRESENTATIONS AND WARRANTIES**

The Guarantor represents and warrants that all necessary governmental and regulatory consents and authorisations for the giving and implementation of this Deed of Guarantee have been obtained.

8. **SUBROGATION OF RIGHTS**

Until all amounts which may be or become payable under the Capital Securities have been irrevocably paid in full, the Guarantor shall not by virtue of this Deed of Guarantee be subrogated to any rights of any holder of any Capital Security or claim in competition with the holders of the Capital Securities against the Issuer.

9. **BENEFIT OF DEED OF GUARANTEE**

9.1 **Deed poll**

This Deed of Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

9.2 **Benefit**

This Deed of Guarantee shall enure to the benefit of each Beneficiary and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed of Guarantee against the Guarantor.

9.3 **Assignment**

The Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder. Each Beneficiary shall be entitled to assign all or any of its rights and benefits hereunder.

10. **PARTIAL INVALIDITY**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

11. **NOTICES**

11.1 **Address for notices**

All notices and other communications to the Guarantor hereunder shall be made in writing (by letter or fax) and shall be sent to the Guarantor at:

Emirates NBD PJSC  
P.O. Box 777  
Dubai, United Arab Emirates

Fax: +971 4 236 8694

Attention: Patrick Clerkin, Managing Director – Global Markets and Treasury

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the holders of Capital Securities in the manner prescribed for the giving of notices in connection with the Capital Securities.

11.2 **Effectiveness**

Every notice or other communication sent in accordance with Clause 11.1 (*Address for notices*) shall be effective upon receipt by the Guarantor, provided that any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

12. **UAE CIVIL CODE**

The Guarantor agrees that, without limiting Clause 13 (*Law and Jurisdiction*), to the extent that the provisions of the United Arab Emirates Civil Code may apply in respect of this Deed of Guarantee, then to the maximum extent permitted by law the provisions of Article 1092 of the United Arab Emirates Civil Code shall not apply to this Deed of Guarantee.

### 13. LAW AND JURISDICTION

#### 13.1 Governing Law

This Deed of Guarantee and any non-contractual obligations arising out of or in connection with this Deed of Guarantee are governed by, and shall be construed in accordance with, the laws of England.

#### 13.2 Arbitration

Subject to Clause 13.3 (*Court of law*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with this Deed of Guarantee (including any dispute, claim, difference or controversy relating to any non-contractual obligations arising out of or in connection with this Deed of Guarantee; and any dispute, claim, difference or controversy regarding the existence, validity, interpretation, performance, breach or termination of this Deed of Guarantee or the consequences of its nullity) (a "**Dispute**") shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Clause 13.2. For these purposes:

13.2.1 the seat, or legal place of arbitration, will be Paris;

13.2.2 the governing law of the arbitration agreement shall be English law;

13.2.3 there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and

13.2.4 the language of the arbitration shall be English.

#### 13.3 Court of law

Notwithstanding Clause 13.2 (*Arbitration*), any Accountholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

13.3.1 within 28 days of service of a Request for Arbitration (as defined in the Rules); or

13.3.2 in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If any Accountholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Clause 13.4 (*Submission to jurisdiction*) and, subject as provided below, any arbitration commenced under Clause 13.2 (*Arbitration*) in respect of that Dispute will be terminated. Each party who gives such notice and the recipient of that notice agree that each party will bear its own costs in relation to the terminated arbitration.

If any notice to terminate the arbitration in accordance with this Clause 13.3 is given after service of any Request for Arbitration in respect of any Dispute, the party must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

13.3.3 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;

13.3.4 his entitlement to be paid his proper fees and disbursements; and

13.3.5 the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

#### 13.4 Submission to jurisdiction

In the event that a notice pursuant to Clause 13.3 (*Court of law*) is issued, the following provisions shall apply:

13.4.1 subject to Clause 13.4.3 below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;



13.4.2 the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

13.4.3 this Clause 13.4.3 is for the benefit of the Accountholders only. As a result, and notwithstanding Clause 13.4.1 above, any Accountholder may start proceedings relating to a Dispute ("**Proceedings**") in any other court with jurisdiction. To the extent allowed by law, any Accountholder may start concurrent Proceedings in any number of jurisdictions.

The Guarantor appoints Emirates NBD PJSC (London Branch) at its registered office at 3<sup>rd</sup> Floor, 2 Basil Street, Knightsbridge, London SW3 1AA (attention of: Country Head UK and Jersey) as its agent for service of process, and undertakes that, in the event of Emirates NBD PJSC (London Branch) ceasing so to act or ceasing to be registered in England, it will immediately (and in any event within 30 days of the event taking place) appoint another person as its agent for service of process in England in respect of any Proceedings or Dispute. Failure by a process agent to notify the person that appointed it of any process will not invalidate the relevant proceedings. Nothing in this Clause 13.4 shall affect the right to serve process in any other manner permitted by law.

#### 13.5 **Waiver of immunity**

The Guarantor hereby irrevocably and unconditionally waives with respect to this Deed of Guarantee any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings or Disputes.

#### 14. **MODIFICATION**

The Agency Agreement contains provisions for convening meetings of holders of Capital Securities to consider matters relating to the Capital Securities, including the modification of any provision of this Deed of Guarantee. Any such modification may be made by supplemental deed poll if sanctioned by an Extraordinary Resolution and shall be binding on all Beneficiaries.

**IN WITNESS WHEREOF** this Deed of Guarantee has been executed by the Guarantor and is intended to be and is hereby delivered on the date first before written.

## **USE OF PROCEEDS**

The net proceeds from the issue of Capital Securities will be lent by the Issuer to ENBD on substantially the same terms as the Capital Securities and will be applied by ENBD for its general corporate purposes.

## DESCRIPTION OF EMIRATES NBD PJSC

### Overview

ENBD was registered as a Public Joint Stock Company on 16 July 2007 under registration number 1013450. ENBD is a publicly listed company whose shares are listed on the Dubai Financial Market (the “**DFM**”). ENBD was incorporated as a limited liability company in Dubai under UAE Federal Law No. 8 of 1984 (as amended) as applicable to commercial companies. ENBD has been incorporated for a term of 99 years expiring in July 2106, which term shall be automatically renewed. This term may be shortened by an extraordinary resolution of the shareholders of ENBD in accordance with its articles of association.

As at 30 June 2014, ENBD had 5,557,774,724 shares outstanding held by 1,569 shareholders of record, with a total issued and paid-up capital (equal to that authorised) of AED 5,557,774,724. No shareholder, other than ICD, which is wholly owned by the Government and holds 55.6 per cent. of shares of ENBD, held more than 10 per cent. of the shares of ENBD as at 30 June 2014.

ENBD is the largest banking entity in the UAE across a range of metrics, including by shareholders’ equity as at 30 June 2014. ENBD is also one of the largest banking entities in the GCC by assets, with total assets of AED 348.3 billion as at 30 June 2014. Originally incorporated to serve as the holding company of EBI and NBD during the initial stages of their merger, on 21 November 2009, EBI and NBD were legally amalgamated with ENBD. As a result of the amalgamation, all of the assets and liabilities of EBI and NBD (including EBI’s obligations under its U.S.\$7,500,000,000 Euro Medium Term Note Programme) were transferred to ENBD and EBI and NBD were dissolved.

ENBD (including through the operation of its operating subsidiaries) is one of the leading full service banks in the UAE and has branches or representative offices in the Kingdom of Saudi Arabia, Qatar, Iran, India, Singapore, Indonesia, Egypt, China and the United Kingdom. In 2013, ENBD was awarded “*Best Foreign Exchange Provider 2013*” by Global Finance, “*Best Bank in the UAE*” by Euromoney, “*Best Retail Bank in the UAE*” by Asian Banker and was highly commended as the “*Best Private Bank*” both in the Middle East and the UAE by Power Wealth Management and The Banker.

ENBD has a significant presence in the UAE retail, corporate and commercial banking market. In addition, through its subsidiaries (including Emirates Islamic Bank PJSC (“**Emirates Islamic**”)) and associates, ENBD offers Islamic banking services, as well as investment banking, property management, asset management, insurance services, credit card facilities and other banking-related services.

As at 31 December 2013, ENBD had total assets of AED 342.1 billion and shareholders’ funds worth AED 41.7 billion while as at 31 December 2012, ENBD had total assets and shareholders’ funds of AED 308.3 billion and AED 36.5 billion, respectively. For the purposes of reporting its risk-weighted assets in accordance with Basel II, ENBD had, as at 31 December 2013, Tier 1 capital of AED 34.7 billion and lower Tier 2 capital of AED 9.9 billion. ENBD’s net profit for the years ended 31 December 2013 and 31 December 2012 was AED 3.3 billion and AED 2.6 billion, respectively. For corresponding financial data as at and for the six months ended 30 June 2014, see “– *Recent Developments*”.

### General

As at the date of this Prospectus, ENBD has a long term rating of A+ and a short term rating of F1 from Fitch; and a long term rating of Baa1 and a short term rating of P-2 by Moody’s.

ENBD operates in the UAE under a banking licence issued by the UAE Central Bank. The registered address of ENBD is Baniyas Road, Deira, P.O. Box 777, Dubai, UAE and the telephone number of the registered office is +971 4 225 6256.

### Ownership Structure

ICD was established in May 2006, through the partial transfer of the Government’s investment portfolio from the Department of Finance, pursuant to a decree issued by H.H. Sheikh Mohammed bin Rashid Al Maktoum, the Vice President and Prime Minister of the UAE (the “**Ruler of Dubai**”). It is the only entity mandated to directly own and manage the Government’s corporate assets.

The aim of ICD is to assist in establishing the vision for Dubai through devising and implementing the Government's investment strategy and managing investments deemed to be of strategic importance to Dubai's long-term development goals.

The investments, diversified across multiple sectors, are considered to be a platform for the future growth of Dubai and include Dubai's most recognised companies including but not limited to, in addition to ENBD, Borse Dubai Limited, Dubai Islamic Bank PJSC, Commercial Bank of Dubai PJSC, Union National Bank PJSC, HSBC Middle East Finance Company Limited, The Emirates Group (including dnata), Dubai Aerospace Enterprise (DAE) Limited, Dubai Aluminium, Dubai Cable Company (Private) Ltd, Emirates National Oil Company Limited (ENOC) LLC and Emaar Properties PJSC.

ICD works closely with its portfolio companies to identify value enhancing acquisition opportunities as well as providing them with strategic support to aid their growth.

The board of directors of ICD is chaired by the Ruler of Dubai and is composed of five directors, who include the Chairman of ENBD.

## **Strategy**

ENBD continues to operate with the strategic vision of being 'globally recognised as the most valued financial services provider based in the Middle East' and in accordance with its mission statement of 'making its customers' lives simpler by providing solutions that help them fulfill their financial aspirations'. In order to achieve its strategic vision and fulfil its mission statement, ENBD's business strategy is focused on five core building blocks:

1. deliver an excellent customer experience;
2. build a high performing organisation;
3. drive core business;
4. run an efficient organisation; and
5. drive geographic expansion.

### ***Deliver an excellent customer experience***

ENBD is focused on consistently delivering a customer service experience that is best in class. With respect to ENBD's retail operations, the Bank continues to enhance its distribution channels and has made significant investments in mobile banking applications across multiple platforms (such as the development of the UAE's first 'Interactive Teller Machine' and an iPad advisory and sales application for Relationship Managers) in order to enhance the digital capabilities of the Bank. Demonstrating its commitment to continuously improving its customer service, in 2013, a Group wide service charter was established, with a view to emphasising excellence in customer service in the organisational culture of ENBD, and key customer facing processes were redesigned. These initiatives have resulted in an approximately 50 per cent. reduction in turnaround time, a more than 30 per cent. reduction in customer complaints and group net promoter scores (which are a measure of customer loyalty) remaining above industry benchmarks. ENBD was also recognised at the Middle East Call Centre Awards 2013 for having the best call centre sales programme in 2012 and at the 18<sup>th</sup> Middle East e-Government and e-Services Excellence Awards for having the best mobile banking application.

### ***Build a high performing organisation***

ENBD is focused on building a high performing organisation. In order to achieve its strategic vision, ENBD is committed to attracting and developing a talented workforce. Following an organisation wide employee engagement survey in 2012, ENBD designed a number of employee initiatives that the Bank expects will improve overall levels of employee engagement. In 2013, ENBD made significant progress in improving overall employee engagement scores across the Bank. Staff engagement scores are currently at par with those of regional banks, and ENBD's goal is to sustain and increase staff engagement levels to be on par with international banks. In addition to these initiatives, ENBD continues to maintain an active employee development programme that consists of specialised staff training, as well as leadership development courses that are run in conjunction with an international business school.

### ***Drive core business***

ENBD is committed to achieving growth in its core business by pursuing certain domestic opportunities. In order to realise this strategic aim, ENBD is developing its Private Banking and SME segments in Abu Dhabi, which management presently believes to be a growth area. ENBD has also adopted a transformation strategy for the Wholesale Banking segment (involving the introduction of key account planning, growing the investment bank and enhancing turnaround times for key customer processes), which is currently in the implementation phase and which management expects will result in greater penetration of the Middle East market. Following the acquisition by ENBD of Dubai Bank PJSC ("**Dubai Bank**") and the integration of Dubai Bank with Emirates Islamic in 2012 to create the third largest Islamic Bank in the UAE, ENBD remains in a strong position to take advantage of new and developing opportunities in the Islamic banking market in the GCC.

### ***Run an efficient organisation***

ENBD is dedicated to running an efficient organisation and has invested, and continues to invest, in its systems, processes and platforms to ensure that efficiencies are continuously improved throughout its operations. Central to this efficiency initiative is the centralisation of a number of the Group's operational functions to its wholly owned subsidiary, Tanfeeth, operating as the Group's Business Process Outsourcing ("**BPO**") provider. During the last 12 months, Tanfeeth has taken over functions such as: collections; call centres; finance and accounting; as well as human resource functions from the Group's companies. Management believes that this transition has increased the levels of efficiency across the entire Group.

### ***Drive geographic expansion***

In order to achieve a greater diversification of its business, ENBD is committed to driving geographic expansion through a combination of organic and inorganic growth. In support of this strategic objective, in May 2012, ENBD opened a representative office in Beijing, China to support ENBD's customers who conduct business between Asia and the Middle East. In addition to this organic growth, in 2013, ENBD successfully completed the acquisition of BNP Paribas Egypt (which has now been rebranded as Emirates NBD S.A.E. Egypt ("**Emirates NBD Egypt**")) and launched efforts to integrate the entity into the Group. In the fourth quarter of 2013, ENBD also opened a representative office in Indonesia to capitalise on the growing links between the Middle-East and South East Asia. During 2014, ENBD intends to integrate the operations of the Egyptian business into the Group, while selectively pursuing further organic growth in international markets.

### **Activities of ENBD**

For financial reporting purposes, ENBD divides its operations into the following business segments.

1. **Wholesale Banking** offers investment banking, structured financing, current and savings accounts, customer deposits, overdrafts, trade finance and term loans for government, corporate, commercial customers, investment banking and Islamic products through Al Watani Al Islami, ENBD's Islamic banking window;
2. **Retail Banking and Wealth Management** offers retail loans and deposits, private banking and wealth management, asset management and consumer financing;
3. **Global Markets and Treasury** manages interest and foreign exchange rates activities, inter-bank treasury operations, global funding and ENBD's proprietary book of investments;
4. **Islamic Finance** is comprised of the income and fees earned and expenses paid by the Islamic banking subsidiaries; and
5. **Other Operations** of ENBD include Emirates NBD Egypt, Tanfeeth, property management, operations and support functions.

### **Wholesale Banking**

ENBD's largest business segment in terms of assets is that of Wholesale Banking. Wholesale Banking offers a broad suite of products and services to medium and large sized enterprises, including multinationals, local corporate entities, banks and other financial institutions as well as governmental and quasi-governmental organisations and entities, servicing clients throughout the GCC, the Far East and Europe.

Wholesale Banking is divided into seven complementary business lines: (i) Large Corporate and Global Banking; (ii) Corporate Banking; (iii) Government; (iv) Institutional and International Banking; (v) Transaction Banking; (vi) Investment Banking; and (vii) ENBD's Islamic banking window (Al Watani Al Islami). Wholesale Banking also has a newly established 'Centre of Excellence', which focuses on key economic sectors and geographic locations.

The products offered by Wholesale Banking are diversified across various lending and deposit products, structured trade finance offerings and treasury products. The range of services cover account related services, e-banking, cash management and structured product offerings.

To meet customers' needs throughout the UAE, Wholesale Banking has offices in Dubai, Abu Dhabi, Al Ain and Sharjah. Furthermore, Wholesale Banking operates through branches in the Kingdom of Saudi Arabia, the United Kingdom, Singapore, and functional representative offices in Qatar, India, China and Indonesia. Wholesale Banking also operates through Emirates NBD Egypt.

### ***Wholesale Banking Distribution Channels***

In addition to its conventional branch network, ENBD's Wholesale Banking clients can use the internet-banking platform "smartBUSINESS" which allows clients to take advantage of many services electronically and perform financial and non-financial transactions at any time at their convenience. Through "smartBUSINESS" customers can initiate and authorise transactions electronically, view account statements and reports from their desktops or mobile devices and avail themselves of certain payment services such as making telecommunication related bill payments and recharging of the local Salik road toll payments, together with managing their ENBD accounts online.

### ***Large Corporate and Global Banking***

The Large Corporate and Global Banking department caters to clients with an annual turnover of AED 600 million and above. The team provides a range of banking products and services designed to meet the specific needs of this segment, including corporate account services, working capital and project finance, real estate and contracting, cash management, trade finance, risk participation, syndications and treasury services.

### ***Corporate Banking***

The Corporate Banking department caters to clients with an annual turnover of between AED 150 and AED 600 million. The team provides a range of banking products and services similar to those provided by the Large Corporate and Global Banking department albeit designed to meet the specific needs of this segment.

### ***Government***

The Government department provides banking products and services to Government departments, U.A.E. Federal Ministries and the Ruler of Dubai's family.

### ***Institutional and International Banking***

The Institutional and International Banking department ("IIB") comprises the Financial Institutions division and the International Corporates division. IIB customers consist of global banks and financial institutions, together with international corporate customers based in overseas non-branch locations.

### ***Transaction Banking***

The Transaction Banking department offers a range of transaction banking services, including factoring, liquidity management, escrow services, trade finance and cash management. This team also offers a dedicated e-banking platform through "smartBUSINESS".

### ***Investment Banking***

ENBD provides investment banking services through its subsidiary, Emirates NBD Capital Limited ("ENBD Capital"). ENBD Capital provides conventional and Islamic investment banking services, advising on and arranging a wide variety of transactions including securitisations, debt, Islamic finance and equity capital markets transactions and leveraged finance transactions, as well as providing corporate finance and advisory services.



ENBD Capital leverages ENBD's existing corporate and institutional relationships and targets existing and new clients from across the globe including corporates, financial institutions, sovereigns, family offices and high net worth individuals.

### ***Al Watani Al Islami (Islamic Banking window)***

Al Watani Al Islami (AWAI) is ENBD's Islamic window, established to offer Islamic banking products and services to ENBD customers in the UAE.

### ***Strategic Growth Sector***

Strategic growth sector is the newly established 'Centre of Excellence' which focuses on key economic sectors such as multinational companies, commodities, contracting (non-real estate), real estate and the geographic location of Abu Dhabi.

### ***Asset Composition of Conventional Loan Portfolio***

A breakdown of ENBD's conventional loan portfolio by industry, as at 31 December 2013, is set out below:

<b>Economic Activity</b>	<b>Amount</b>	<b>Percentage</b>
	<i>(AED billions)</i>	<i>(%)</i>
Sovereign .....	90.8	40.6
Real Estate .....	35.0	15.7
Personal .....	31.7	14.2
Financial Institutions & Investment Companies .....	22.9	10.3
Services .....	11.3	5.1
Trade .....	10.0	4.5
Manufacturing .....	6.6	3.0
Construction .....	5.2	2.3
Transport and Communications .....	4.2	1.8
Others (rounding) .....	5.6	2.5
<b>Total Customer Advances .....</b>	<b>223.3</b>	<b>100</b>

### ***Wholesale Banking Transformation Program – Mission Powerhouse***

During 2012, Wholesale Banking embarked on an extensive reorganisation of its business model ("Mission Powerhouse") intended to deliver to its wholesale banking customers a more tailored product suite supported by enhanced credit processes, efficient and reliable operations and a high performance culture.

Mission Powerhouse has led to an enhanced client-centric business approach with the emphasis on building long-term beneficial relationships. As part of Mission Powerhouse, a number of initiatives were established, each encompassing several individual projects, designed to enhance the Wholesale Banking segment, reduce processing time for credit approvals and processes, improve cross-selling of cash management, trade finance, treasury and investment banking products and streamline operational processes. A range of projects have already been successfully delivered and Wholesale Banking continues to identify opportunities to further enhance its business model. The focus for 2014 continues to be deepening customer relationships through cross-selling and focusing on the newly created "Centre of Excellence".

### ***Retail Banking and Wealth Management***

Retail Banking and Wealth Management was the largest contributor to ENBD's revenues and net profits in 2013. It caters to the needs of individual and SME customers by offering a wide range of banking products and services including current and savings accounts, fixed deposits, overdrafts, personal instalment loans, auto loans, mortgages, credit cards, debit cards, investment products, Bancassurance, foreign currency and trade finance related facilities.

Retail Banking and Wealth Management is divided into four distinct and complimentary business lines: (i) Retail Banking; (ii) Private Banking; (iii) Asset Management; and (iv) Consumer Finance.

### **Retail Banking**

ENBD is the largest retail bank in the UAE, providing conventional retail banking products and services through a domestic network of 100 branches as at 31 December 2013. ENBD also has the largest network of ATMs (inclusive of cash deposit machines and smart deposit machines) in the UAE, with approximately 564 ATMs, spread across the seven emirates, as at 30 June 2014.

Retail Banking provides a wide range of products and services ranging from liability accounts, credit cards, personal loans, auto loans, and mortgages as well as investment/insurance products. ENBD is a market leader in customer deposits and payment cards (credit card and debit cards) with over 400,000 credit cards and over 1 million debit cards issued as at 31 December 2013.

To cater to the distinct needs of its customers, the Retail Bank has strategically divided its customer base into segments, namely Personal Banking, Priority Banking and Business Banking. These segments offer customised products and pricings resulting in increased customer loyalty and revenue generation for ENBD. The Personal Banking segment addresses the needs of individuals for simple, everyday banking products, while Priority Banking is a premium banking service designed to provide wealth management solutions to the affluent customer base. The Business Banking segment addresses the needs of small and medium sized businesses with a view to supporting SME growth in the region. ENBD has continued to increase its market share in these segments through the provision of focused and enhanced products, services and marketing campaigns.

The Retail Banking division's consistent customer-centric model and dedicated customer service was recognised with the receipt of a number of awards recently, including the "Best Retail Bank in the UAE" award by Asian Banker 2013, "SME Bank of the Year" at the Arabian Business StartUp Awards 2013, "Global Brand Excellence Award" for the second time in three years at the 22<sup>nd</sup> World Brand Congress 2013, "Best Social Media Strategy" at The Marketing Show Awards 2013, "Best Mobile Banking App" at the 18<sup>th</sup> ME e-services awards 2013, "Best SME Internet Banking Service" at Banker Middle East Product Awards 2013, "Best Corporate Card" at the Smart Card Awards Middle East 2013 for the second consecutive year, "Best Customer Service Research Program" in the UAE by the International Customer Service Institute 2013, "2013 Visa LEADER Award" for excellence in Fraud Management, and "Best Issuing Institution" in Middle East & North Africa, Debit Card best practices showcased at the Global Visa Forum 2013.

### **Asset Composition of Conventional Retail Loan Portfolio**

Retail loans are governed by strict policy parameters which are uniformly and consistently applied to the relevant customer segments and businesses based on the policy lending rules. A breakdown of ENBD's conventional retail loan portfolio by type of customer advance, as at 31 December 2013, is set out below.

<b>Product Type</b>	<b>Amount</b>	<b>Percentage</b>
	<i>(AED billion)</i>	<i>(%)</i>
Personal Loans.....	10.1	39.6
Credit Cards .....	3.9	15.3
Mortgages.....	3.6	14.1
Auto .....	3.1	12.2
Overdrafts .....	1.5	5.9
Others .....	3.3	12.9
<b>Total Customer Advances .....</b>	<b>25.5</b>	<b>100.0</b>

### **Retail Distribution Channels**

ENBD provides access to the widest branch network and the largest ATM and cash/cheque deposit machine network in the UAE. ENBD is dedicated to making banking as easy as possible for its customers and provides a wide suite of electronic banking options to its customers including internet banking, phone banking, SMS banking, and the most extensive utility and bill payment gateway in the UAE.

ENBD's internet banking platform allows customers to access their accounts securely and reliably, view account statements and balances (including credit and charge cards), update account details,

transfer funds locally and internationally, pay various utility bills and credit card bills as well as open new accounts, order cheque books and obtain information on various products.

ENBD's phone banking service allows customers to access various services over the phone including account enquiries, fund transfers and bill payments through self-service and dynamic interactive voice responders or personal agents.

SMS banking allows customers to make enquiries on their accounts and credit cards using their mobile phone. It also provides 'push' services wherein customers receive pre-set alerts on their mobile phones with respect to transactions on their accounts and credit cards.

### **Private Banking**

ENBD Private Banking was established in 2008 to meet the needs of high net worth individuals to whom it provides the full range of premium banking, wealth management, trust & estate planning and investment services through approximately 70 Relationship Managers across the UAE, the Kingdom of Saudi Arabia, the United Kingdom and Singapore. The Relationship Managers are supported by a Chief Investment Office covering a vast range of investment solutions across asset classes and geographies.

By leveraging its brand and financial expertise, ENBD Private Banking has strengthened its position as a leader in this segment in the GCC. ENBD Private Banking was recently commended as the "Best Private Bank in the UAE" and "Best Private Bank in the Middle East" by the Financial Times in 2013.

### **Consumer Finance**

ENBD has a consumer finance offering through its wholly owned subsidiary Emirates Money Consumer Finance LLC ("**Emirates Money**"). Since its launch in 2008, Emirates Money has emerged as a market leading finance company in the UAE. It offers a range of innovative lending solutions to self-employed & micro SME customers, allowing ENBD to provide financial services across multiple market segments.

Emirates Money offers loans across the UAE through a network of its branches and a large direct sales force catering to the needs of its customers at a place most convenient for them including their home or workplace. The company also has tie-ups with leading distributors of commercial vehicles, offering customers seamless financing on this product. With customer assets of over AED 2 billion, Emirates Money is a well-recognised brand in the UAE, with diverse product lines including business loans, commercial vehicle loans, mortgages, personal loans, and Bancassurance.

### **Asset Management**

The asset management business of ENBD is conducted through its subsidiary, Emirates NBD Asset Management Limited. Emirates NBD Asset Management Limited manages significant assets in a wide range of both conventional and *Shari'a* compliant funds.

### **Global Markets and Treasury**

Global Markets and Treasury provides hedging and investment solutions to corporate, retail and high net worth clients through a dedicated sales team.

Global Markets and Treasury offers a wide range of products and services including market making in UAE dirham and U.S. dollar deposits as well as on UAE dirham based foreign exchange forward products, providing foreign exchange products in the UAE for domestic, GCC and G10 currencies and currency swaps. In addition to maintaining a trading book, Global Markets and Treasury provides the clients of ENBD with prices for local, regional and global bonds, as well as marketing a range of structured investment products.

Traditionally having a strong position in cash products (both loans and deposits as well as foreign exchange spot rate transactions), Global Markets and Treasury has built on this foundation and has been increasingly successful in providing special interest rate hedging solutions (swaps and options) as well as foreign exchange hedging products (forwards and options) to the clients of ENBD.

The objective of Global Markets and Treasury is to retain its strong client focus, while increasingly acting as a provider of sophisticated risk management and investment solutions to its clients. These solutions are typically expected to be structured foreign exchange and interest rate derivatives (or combinations thereof), sometimes in a *Shari'a* compliant form.

Centralised trading in ENBD's head office maximises revenues from trade and information flows, while facilitating risk monitoring and management. A sales desk in the Kingdom of Saudi Arabia provides for close proximity to clients in this key target market for ENBD.

ENBD's funding needs are centralised through specialist desks within Global Market and Treasury (see "*Description of Emirates NBD PJSC – Funding*").

### **Islamic Finance**

Islamic banking is one of ENBD's fastest growing business sectors and contributes to an increasing proportion of the revenue of ENBD. Apart from offering Islamic banking products through Al Watani Al Islami (ENBD's Islamic window), ENBD also offers a range of *Shari'a* compliant financial services through its subsidiary Emirates Islamic (including Dubai Bank, which operates under a unified management structure with Emirates Islamic) to retail and corporate customers with the objective of conforming to the strictest standards of Islamic finance.

All of the activities of Emirates Islamic are conducted in full compliance with the Islamic *Shari'a* and under the supervision of its *Shari'a* Supervisory Board (the "***Shari'a Board***") comprising several prominent *Shari'a* scholars.

Emirates Islamic's Corporate Banking division provides a comprehensive range of financial products and services to its customers through *Shari'a* compliant structures, including murabaha, ijara, istisna'a, musharaka and mudaraba contracts. Emirates Islamic's Corporate Banking customers consist of private sector customers, public sector customers and government bodies/agencies and are served through four Corporate Banking units across the UAE with two units in Dubai, one in Abu Dhabi and one in Sharjah, as at 31 December 2013. Additionally, Emirates Islamic's Business Banking Unit has been set up in Dubai to increase Emirates Islamic's business with medium sized enterprises. The industries covered by Corporate Banking, comprise, *inter alia*, real estate, financial institutions, trading, manufacturing and services. Whilst customers are primarily in the UAE, facilities are also offered in other GCC countries.

Emirates Islamic's Retail Banking division offers a comprehensive range of *Shari'a* compliant banking products and services through its network of 50 branches located throughout the UAE as at 31 December 2013.

### **Other Operations**

ENBD has a number of other operations, which include Emirates NBD Egypt, Tanfeeth, property management, operations and support functions.

### **Overseas Operations**

ENBD has overseas branches in the United Kingdom, the Kingdom of Saudi Arabia and Singapore and during 2013 concluded the acquisition of 100 per cent. shareholding in its Egyptian subsidiary where it now has 72 branches spread across Egypt as at 30 June 2014. ENBD also has a network of representative offices in Qatar, India, China, Iran and Indonesia. As at the date of this Prospectus, in full compliance with sanctions applied by the regulators of all relevant jurisdictions, ENBD's representative office in Iran did not undertake any banking business.

### **Subsidiaries and Associates of ENBD**

ENBD is the parent to a number of corporate entities and ultimately holds investments in certain associates. The principal operating subsidiaries and associates of ENBD are as follows:

#### **(a) Listed subsidiaries**

##### *Emirates NBD S.A.E. Egypt*

During 2013, ENBD acquired 100 per cent. of the issued shares of BNP Paribas Egypt S.A.E. for a consideration of U.S.\$500 million (AED 1,838 million), which has since been rebranded as Emirates NBD S.A.E. Egypt.

##### *Emirates Islamic Bank PJSC*

Formerly known as Middle East Bank PJSC, Emirates Islamic was incorporated as a public limited company by H.H. Sheikh Rashid Bin Saeed Al Maktoum, former Ruler of Dubai, pursuant to Emiri Decree dated 4 October 1975, as amended by Emiri Decree dated 3 April 1976 and registered as a Public Joint Stock Company (Commercial Register No. 30 dated 18 July 1995). The company was acquired by EBI, pursuant to an agreement dated

9 December 1991. In 2004, in response to customer demand for *Shari'a* compliant products on a broader scale the bank was converted to an Islamic bank and its name was changed to Emirates Islamic. Through its 50 branches across the UAE (as at 31 December 2013), Emirates Islamic provides full banking services and a variety of products through *Shari'a* compliant financing and investment activities and currently ranks as the third largest Islamic bank in the UAE by assets. Emirates Islamic's authorised share capital, as at 31 December 2013, was AED 5.0 billion, consisting of 5 billion shares of AED 1 each. Emirates Islamic's paid-up capital, as at 31 December 2013, was AED 3.9 billion. As at 30 June 2014, Emirates Islamic was 99.9 per cent owned by ENBD.

As at 31 December 2013, Emirates Islamic had total assets of AED 39.8 billion, including shareholder funds worth AED 4.2 billion, Tier 1 capital of AED 4.1 billion and Tier 2 capital of AED 1.0 billion. Emirates Islamic's net profit for the year ended 31 December 2013 was AED 139.5 million.

Whilst Emirates Islamic does have a strong degree of independence in the operation of its business, it enjoys a high level of support from ENBD in relation to many support functions including human resources, treasury, information technology, certain administrative services and back office operations such as clearing and remittances. Further, all of Emirates Islamic's activities are overseen by its *Shari'a* Board comprising Scholars of Islamic *Shari'a*.

#### *Dubai Bank PJSC*

Pursuant to the decree issued on 11 October 2011 by H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, in his capacity as the Ruler of Dubai, ENBD acquired the entire outstanding share capital of Dubai Bank, a provider of *Shari'a* compliant banking services in the UAE. This follows a consistent strategy of the Government in carefully monitoring the banking sector in the Emirate and taking measures necessary to ensure the continued viability of financial institutions operating in Dubai.

The acquisition of Dubai Bank was completed in the last quarter of 2011 (the effective date being 11 October 2011), the cash consideration for which represented fair value for Dubai Bank. As on the effective date of the acquisition, the acquisition had no impact on ENBD's net profit or its non-performing loans ratio. On 30 November 2012, the migration of Dubai Bank's portfolio and branches to Emirates Islamic was completed and consolidated into the consolidated financial statements of Emirates Islamic.

### (b) **Listed associates**

#### *National General Insurance Company PJSC*

National General Insurance PJSC ("**NGI**") was established in 1980 as a limited liability company, and became a public joint stock company in 2001. NGI is listed on the DFM and as at 30 June 2014, ENBD held 36.7 per cent. of its issued share capital. NGI is rated BBB+ by S&P and A.M. Best International.

NGI is licensed by the UAE Ministry of Economy and offers a range of general and specialist insurance products including healthcare and life insurance. The company underwrites large and medium sized risks in property, marine, construction, motor, manufacturing, general accident, life, banking and other service industries.

NGI has a suite of Bancassurance products that are exclusively tailored for the clients of ENBD and which are marketed and offered through ENBD's branch network. In addition, NGI has established a credit insurance venture with Coface, a Paris based credit insurance provider, which offers protection for receivables to potential buyers of goods and services.

### (c) **Unlisted subsidiaries**

#### *Emirates NBD Asset Management Limited*

Emirates NBD Asset Management Limited (formerly known as Emirates Investment Services Limited) was established in 2007 and offers a broad spectrum of investment products and services. It is wholly owned by ENBD and operates from the Dubai International Financial Centre (the "**DIFC**") and is regulated by the Dubai Financial Services Authority (the "**DFSA**").

#### *Emirates NBD Securities LLC*

Emirates NBD Securities LLC (formerly known as Emirates International Brokerage) is a wholly owned subsidiary of ENBD and is the brokerage arm of ENBD.



Emirates NBD Securities LLC was established in 2002 and is regulated by the Securities and Commodities Authority (the “**SCA**”) in UAE and is a registered broker with the DFM, the Abu Dhabi Securities Exchange, NASDAQ Dubai and the Dubai Gold and Commodities Exchange (“**DGCX**”).

The company specialises in the provision of securities and commodities trading and brokerage services to investors who wish to trade in locally listed equity and debt securities.

#### *E.T.F.S. LLC*

E.T.F.S. LLC (“**ETFS**”) is a wholly owned subsidiary of ENBD which provides trade finance services outsourcing to banks in the MENA region. ETFS uses technologies such as imaging and workflow to automate the full range of trade finance activities, providing a paperless and scalable trade services platform that enables internet access to transaction data and document images. Internet and remote access caters to centralisation of processing operations within Dubai for ENBD’s regional and international branches. The automated solution is fully integrated with ENBD’s core systems allowing for real-time transaction and accounting updates.

#### *Emirates NBD Capital Limited*

ENBD Capital is a wholly owned subsidiary of ENBD. ENBD Capital was incorporated in the DIFC in 2006 (see also “– *Investment Banking*” above).

#### *Tanfeeth LLC*

Tanfeeth was incorporated in September 2011 as the GCC’s first Business Services Partner. Tanfeeth delivers significant operational efficiency and service quality improvements to its clients. As at the date of this Prospectus, Tanfeeth’s operational scope includes all ENBD back office operations including 11 separate units, as well as Emirates Islamic’s Call Center Operations and Retail Asset back office units.

Further information on the abovementioned subsidiaries can be found in the audited annual consolidated financial statements of ENBD for the year ended 31 December 2013 and the unaudited condensed consolidated interim financial statements of ENBD for the six months ended 30 June 2014, which are incorporated by reference into this Prospectus.

#### (d) **Jointly controlled subsidiary**

##### *Network International LLC*

Established in 1994, Network International LLC (“**Network International**”) is a jointly controlled subsidiary of ENBD (which retains a 51 per cent. shareholding as at 31 December 2013 in Network International following the completion of the sale by ENBD of 49 per cent. of the share capital of Network International to a strategic investor on 31 March 2011 for a net consideration of AED 1,366 million) and is one of the leading card payment services providers in the MENA region focused on meeting the needs of banks, financial institutions and retailers. It is a principal member of both Visa Inc. and MasterCard International, offering customers a comprehensive range of products and services in both the issuing and merchant acquiring segment of the card industry in the MENA region.

In addition to the processing and management services offered, Network International also provides consultancy services ranging from planning and designing to the development of new products and services and providing sponsorship with Visa Inc. and MasterCard International.

As at the date of this Prospectus, Network International provides credit and debit card processing services, ATM sharing and ATM management services to more than 60 banks in the MENA region.

As a merchant acquirer in the UAE, Network International has a market share of more than 65 per cent. through its network of electronic funds transfer at point of sale (EFTPOS) terminals. Network International has also established merchant acquiring, processing and recruitment partnerships with third party customers (including American Express, Diners Club, JCB International and eCompany for e-commerce merchant services).

In November 2012, Network International acquired a majority stake in TimesofMoney, an Indian based company that is one of the leading providers of online remittance and ePayment services.



## ENBD's Competition

ENBD faces competition in all of its principal business areas and ENBD's principal competitors include both banks that are locally incorporated (conventional and Islamic) as well as certain foreign banks operating in the UAE. As at the date of this Prospectus, there were 51 banks holding full commercial banking licenses in the UAE, of which 23 were locally incorporated. The following table shows rankings for banks operating in the UAE by total assets and equity as at 31 December 2013 and by net profits for the year ended 31 December 2013 (Source: Bank Financial Statements and Press Releases for FY 2013, Bloomberg).

### Ranking by Total Assets

Ranking	Bank	Amount
		(AED billion)
1	Emirates NBD .....	342.1
2	National Bank of Abu Dhabi.....	325.1
3	First Gulf Bank .....	195.0
4	Abu Dhabi Commercial Bank .....	183.1

### Ranking by Net Profits

Ranking	Bank	Amount
		(AED billion)
1	First Gulf Bank .....	4,774
2	National Bank of Abu Dhabi.....	4,733
3	Abu Dhabi Commercial Bank .....	3,620
4	Emirates NBD .....	3,256

### Ranking by Equity

Ranking	Bank	Amount
		(AED billion)
1	Emirates NBD .....	41.7
2	National Bank of Abu Dhabi.....	34.6
3	First Gulf Bank .....	31.2
4	Abu Dhabi Commercial Bank .....	24.2

## Risk Management

ENBD manages its risks through a comprehensive risk management framework which incorporates well-defined risk identification, measurement and monitoring processes.

The key features of ENBD's risk management framework are as follows:

- The board of directors of ENBD (the "**Board**") has the overall responsibility of managing risk and provides overall risk management direction and oversight.
- ENBD's risk appetite is determined by the Executive Committee (the "**EXCO**") and approved by the Board.
- Board committees meet regularly and are responsible for monitoring compliance with the risk management policies and procedures, and reviewing the adequacy of the risk management framework.
- ENBD's overall risk management policies are managed by ENBD's Risk management function ("**Group Risk**"), headed by the General Manager, Risk. This function is independent of the business divisions.
- Risk management is an integral component of all business activity that ENBD undertakes.

Group Risk assists senior management in controlling and actively managing ENBD's overall risk profile. This function also ensures that:

- Risk policies, procedures and methodologies are consistent with ENBD's risk appetite.

- ENBD's overall business strategy is consistent with its risk appetite.
- Appropriate risk management architecture and systems are developed and implemented.

Through the risk management framework, transactions and outstanding risk exposures are quantified and compared against authorised limits, and non-quantifiable risks are monitored against policy guidelines and key risk indicators. Any discrepancies, excesses or deviations, are escalated to the management for appropriate and timely action.

### **Credit Risk**

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in a financial loss to ENBD. ENBD is exposed to credit risk through traditional lending to corporate, retail and institutional customers and transactions involving settlements with counterparties, including other financial institutions. These include direct loans, commitments to extend credit and settlement exposures.

ENBD manages credit risk by setting limits for individual borrowers, groups of borrowers, and geographical and industry segments. ENBD also monitors credit exposures and continually assesses the creditworthiness of counterparties and considers it appropriate to obtain security wherever necessary to mitigate the credit risk. In addition, ENBD enters into master netting arrangements and collateral arrangements with counterparties and limits the duration of exposures.

ENBD sets policies and procedures for managing its credit risks. Credit exposures are monitored through exception reports, annual review of facilities, short-form reviews and periodic revaluation of collateral.

ENBD has developed a suite of risk scorecards for all retail products including personal loans, credit cards, home loans and auto loans. In addition to providing critical inputs for Basel II capital adequacy and economic capital computations, these scorecards are used for all underwriting related activities. Customer level behaviours scorecards are extensively used in cross-selling and collection activities. Specialised scorecards are used in the evaluation of spending patterns of customers in their current and saving accounts to assess their credit worthiness while skip scorecards predict customers' flight risk. The performance of all scorecards is regularly monitored by a team that is independent to the model's development team.

Development of a robust internal rating model for ENBD's wholesale portfolios has remained a challenge for a number of reasons, namely the traditionally low number of defaults in the UAE, the small number of customers in the portfolio as well as the limited availability of financial and other market based information for customers. To overcome these challenges, ENBD has adopted an expert panel approach. A comprehensive early warning framework complements the expert panel model to assess customers' risk profiles on an ongoing basis. As at the date of this Prospectus, ENBD is in the last stages of finalising a second generation wholesale model. This model uses actual default information and is expected to improve ENBD's ability to assess the risk in its wholesale portfolio.

ENBD has also developed an internal rating model for the financial institutions portfolio using the "Shadow Ratings" approach which aims to mimic the external rating of the financial institutions assigned by top tier external rating agencies. A robust early warning framework complements the rating model and ensures efficient monitoring and updating of the internal ratings on an ongoing basis. ENBD has also developed and implemented an internal probability of default model for SMEs.

All internal models and scorecards are independently validated by an external third party annually.

ENBD's BCIC provides the strategic framework to govern the extension of credit, manage the risk of the loan portfolio, ensure sufficient returns on the portfolio, and authorise individual or group credits within established guidelines.

Credit risk for various portfolios is managed as follows:

*Corporate Credit:* Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment considers, amongst other things, the purpose of the facility, sources of re-payment, prevailing and potential macro-economic factors, industry trends, customers' credit worthiness and standing within the industry.

ENBD is an active participant in the inter-bank market and takes exposures in line with the approved credit appetite across banks in the GCC and beyond. Specific Financial Institutions ("FI")

and country risk policies are in place to keep a check on the country and FI risk. Exposures are monitored against approved limits at regular frequencies.

*Retail Credit:* Consumer lending is granted under approved credit policies for each product. Every application needs to meet the criteria as per the credit policies. Exceptions, if any, are approved by staff having delegated authority.

*Small and Medium Enterprises:* ENBD continues to place a high focus on this segment of the economy. Credit facilities are granted based on detailed risk assessment of the business and the standing of its sponsors. Facilities are generally secured by acceptable collateral wherever possible.

See “*Credit Approval Procedures*” below for further details on how this risk is managed by ENBD.

### **Market Risk**

Market risk includes foreign exchange rate risk, interest rate risk, equity price risk, commodity price risk and credit spread risk. Market risk management is designed to limit the amount of potential losses on open positions that may arise due to unforeseen changes in foreign exchange rates, interest rates, equity prices, commodity prices or credit spreads. ENBD is exposed to diverse financial instruments including fixed income products, foreign currencies, equities and commodities and deals in both the physical product as well as cash and derivative instruments.

ENBD pays considerable attention to market risk and uses independently validated pricing and risk models, in accordance with standard market practice, for the valuation of its positions and obtains regular market data from independent market data providers for valuation and in order to measure and monitor its market risk.

Additionally, ENBD has established a global risk appetite limit as measured by Value-at-Risk (“**VaR**”) and as well as individual asset class (i.e. foreign exchange, interest rate, commodity, equity) VaR limits to ensure the portfolio is not overly concentrated in one type of risk.

The policies, procedures and trading limits are set to ensure the implementation of the Board’s market risk appetite in its day-to-day operations. These are reviewed periodically to ensure alignment with ENBD’s market risk policy.

### **Foreign Exchange Rate Risk**

ENBD uses hedging strategies to ensure foreign exchange positions are maintained within established limits. ENBD believes that it has a conservative policy towards such risks and has set limits on positions by currency and exchange rate volatility and liquidity. Exchange rate risk is measured using position reports showing the net long or short position for currencies and is managed on a real-time basis using ENBD’s system of record (Reuter’s Kondor+ system). Exchange rate risk is actively managed using spot and forward foreign exchange contracts. Necessary controls are in place to ensure that all activities are accurately recorded.

Foreign exchange positions and profit and loss on foreign exchange are reviewed on a daily basis by Treasury and Market Risk. All positions are marked to market daily.

### **Interest Rate Risk**

ENBD manages the risk of changes in interest rates affecting future profitability or the fair values of financial instruments through appropriate risk management strategies. Interest rate risk is measured using an interest rate re-pricing report that includes period and cumulative gap analysis. The interest rate sensitivity position (PV01) and NII sensitivity tests are also monitored on a monthly basis.

Interest rate risk is actively managed using derivative instruments (including, for example, interest rate swaps and forward rate agreements). Positions are reviewed on a daily basis by Global Markets and Treasury which addresses on-balance sheet and off-balance sheet mismatches and action taken or planned to reduce any significant mismatches. ENBD’s Asset and Liability Committee (the “**ALCO**”) monitors structural mismatches on a monthly basis.

### **Trading Policy**

ENBD believes that it has a conservative trading policy. New products are authorised only if an adequate infrastructure has been assured and approved by senior management.

Treasury trading limits for foreign exchange, fixed income, equities, commodities and derivatives are reviewed and set annually and approved by the Board. Global Markets and Treasury is responsible for managing trading risk exposure within the global trading risk limits. There are

systems and procedures in place to monitor and report positions and the corresponding exposure on a daily basis. Additionally, there are monthly and annual loss limits that constrain the amount a desk can lose. These loss limits are accompanied by early warning triggers to Global Markets and Treasury and senior risk management staff. Global Markets and Treasury operate within trading limits prescribed by Group Risk and as approved by the Board.

### ***Liquidity Risk***

Liquidity risk is the risk that ENBD may be unable to meet its funding requirements, which can be caused by political uncertainty, market disruptions or deterioration in its credit ratings. The objective of the ENBD's liquidity and funding management framework is to ensure that all foreseeable funding commitments can be met when due.

ENBD has over the years built up a strong liquidity base by building up "Liquidity Asset Buffers" through the core fixed income book, which is invested in highly-rated ("AA-" and above) and liquid, international and domestic fixed income securities/UAE Central Bank certificates of deposit.

As at 31 December 2012 and 31 December 2013, ENBD's loans to deposit ratio stood at 102.0 per cent. and 99.5 per cent. respectively. Liquidity for ENBD is managed actively by Global Markets and Treasury and is overseen by ENBD's ALCO on a monthly basis or more frequently when needed.

ENBD has been able to adequately deal with liquidity or funding stresses in the past and has structured its assets in such a way that funding is reasonably assured, thereby regulating its refinancing risk. It has adopted a diversification strategy in an attempt to prevent over-exposure to any particular market.

The quality of ENBD's investment portfolio ensures its liquidity and, together with its own funds and "sticky" customer deposits, forms a stable funding source. Even under the adverse conditions prevailing in 2008, 2009 and early 2010, ENBD was able to access the funds necessary to cover customer needs and to meet its funding requirements.

ENBD prepares a maturity gap analysis, which helps identify potential liquidity risks in advance.

Liquidity in UAE dirhams is available through the sale of U.S. dollar denominated securities and subsequent sale of the U.S. dollar proceeds to the inter-bank market (or to the UAE Central Bank) on a same-day basis if required. Liquidity can be easily switched from U.S. dollars to UAE dirhams and vice versa due to the fixed nature and narrow spread of the foreign exchange peg.

### ***Operational Risk***

Operational risk is the risk resulting from inadequate or failed internal processes and methodologies, human error, systems or from external events.

In each of ENBD's business units, the unit head is responsible for the effective management of these risks, including identification, assessment and overview. These business managers are supported by a framework consisting of a governance structure, a suite of risk-mitigating policies and skilled operational risk professionals employed throughout ENBD.

ENBD's Operational Risk team monitors operational risk issues on a regular basis, reports major deviations from approved parameters and prepares regulatory risk related reports. Group Operational Risk reviews and approves all bank documentation, new products and any variations on existing products before they are finalised and implemented. Group Operational Risk also reviews new sections and amendments to existing sections of the policies and procedure manuals before they are released. Group Operational Risk also manages ENBD's insurance portfolio and proposes group-wide risk mitigation strategies to the executive management.

ENBD regularly carries out operational risk reviews. The main objectives of these reviews are to identify the risks inherent in each area, analyse them in terms of their severity and likelihood, and develop mitigation strategies for these risks. ENBD agrees key risk indicators during these review sessions in order to facilitate ongoing monitoring of risks.

ENBD has a business continuity management framework which allows prompt action in response to any disruptive events to ensure continuity of operations. ENBD has formulated business continuity plans to ensure uninterrupted provision of services to customers during operational disruptions and these business continuity plans are reviewed and tested at least annually across ENBD. ENBD has also established work area recovery sites providing alternative facilities to business and operational units if their regular offices are not accessible.

## ***Legal Risk***

Legal risk is the risk that a customer or counterparty will commence proceedings against ENBD, or one of its operating companies.

ENBD has an internal legal department which deals with both routine and more complex legal issues. Situations of a particular complexity and sensitivity are referred to external law firms, either in the UAE or overseas, as appropriate.

## **Credit Approval Procedures**

### ***Credit Exposure***

The lending policy of ENBD is guided by its credit policy, which is reviewed from time to time in light of market conditions. At all times, ENBD strictly adheres to and observes the individual and aggregate percentage limits regulating large exposures stipulated by the UAE Central Bank.

### ***Retail Banking Credit Approval Procedures***

ENBD's retail lending policy sets forth clear guidelines for specific retail loan products such as personal loans, auto loans, credit cards and home loans. ENBD's retail lending policy is recommended by the Head of Group Retail Credit and is jointly agreed by the General Manager-Retail Banking and Wealth Management and General Manager-Risk and further approved by ENBD's BCIC.

Retail credit policies are dynamic and are amended based on the prevailing market environment to ensure that product offerings are competitive. Appropriate controls are in place to ensure credit is within the defined thresholds of the Bank's risk strategy.

Retail lending is normally restricted to salaried individuals and, on a selective basis, to self-employed individuals. Generally, retail loans are secured by an assignment of salary, mortgages or liens over property (in respect of home loans) and liens on vehicles (in respect of auto loans).

Discretionary lending authorities have been delegated to lower management levels; however escalations to senior authorities are required depending on the severity of exceptions. Every application for a retail facility must first be recommended by the sales force and reviewed and approved by the retail credit department. Retail Lending is centralised through the Retail Credit Centre, which handles underwriting and disbursements.

Group Retail Credit carries out periodic portfolio reviews at each product level, reviewing portfolio performance across multiple customer segments and split by critical risk and policy drivers. This allows strategic guidance to be given to product teams in terms of sourcing and asset growth in the approved customer segments.

### ***Corporate Banking Credit Approval Procedures***

ENBD maintains and updates its corporate credit policy and credit procedures manual from time to time as market conditions warrant and new products enter the market. Together these two documents set forth the types of business and sectors that ENBD is willing to participate in, its policy on security, details of its credit facility application processes, guidelines on credit authorities, borrower risk grading, identification of impaired credits and provisioning.

The corporate credit policy consists of specific business guidelines and rules that enable ENBD's management to maintain a portfolio of counterparty risk exposures aligned to ENBD Business Strategy and Objectives. The policy is designed to ensure that lending officers deal with key credit issues and provide relationship officers specific guidance on the policy where required. These procedures also ensure that appropriate controls exist at all stages of the credit process.

ENBD has in place a formal application process for corporate credit approvals from the individual business unit with the primary responsibility for credit facilities resting with the executives recommending the facility. The individual business unit has a small delegated authority to approve credit facilities and any credit approvals above such delegated authority of the business unit are referred to the Head Office Group Credit Department ("**GCD**"), where risk assessment managers evaluate the proposals and provide their recommendations. The senior management comprising of General Manager-Risk, Group Head-Wholesale Banking, the Chief Executive Officer, the Chief Credit Officer ("**CCO**") and GCD have delegated authority limits to approve credit facilities. Credit facilities above this delegated authority limit are recommended for approval to the Management Credit Committee ("**MCC**") or the Board Credit and Investment Committee ("**BCIC**"). All facilities



approved by the individual business units are reported to GCD for hindsight review on a monthly basis.

In order to ensure further control, the MCC and the BCIC review all credit facilities above a certain threshold even where such credit facilities have been approved within the delegated limits.

Any credit facility not recommended by an appraiser cannot be approved by the authority at the next level, even if the proposed limits are within his/her delegated authority. Such credit facilities can only be approved by the authority at the level above (i.e. the two levels above the initial appraiser who did not recommend the credit facility).

ENBD has an automated system for due dates for facility reviews. This automated system highlights when a due date has passed, as well as highlighting when limits have been exceeded. Whilst excesses are monitored daily by Business Units and reported to GCD on a regular base, any cases of non-conformance with the terms of the facility are also monitored on a monthly basis by GCD and escalated up-to the General Manager, Wholesale Banking.

### ***Security Procedures***

ENBD has a standard set of security documentation, which is used in various combinations depending on the facilities granted.

For renewed corporate credit facilities, all security documents of over AED 50 million are reviewed by ENBD's legal department prior to disbursement. Documents for new facilities amounting to AED 5 million or in case of non-standard documentation or cases where Credit Administration Unit may require legal opinion are also referred to ENBD's legal department. In a limited number of cases documents are prepared or reviewed by external law firms appointed by ENBD. These documents are also reviewed by ENBD's legal department.

ENBD requires that all documentation is completed before any facilities are drawn. The post-approval processes and documentation are handled by Credit Administration Units. All documents are reviewed by the individual business units before and after they are executed by customers. They are then passed on to Credit Administration Units for a final verification, after which they are stored in a fire-proof environment.

The security required for a particular facility held by ENBD is confirmed independently by the relevant Credit Administration Units, once a year or upon request, as may be the case.

### ***Impaired Loans***

International Financial Reporting Standards ("IFRS") sets forth strict principles for the recognition and provisioning of impaired loans and advances. ENBD has therefore established and maintained regular procedures for the recognition of actual and potential bad debts, identification of non-serviced, unearned or overdue interest and for methodical assessment of potential loan losses.

The primary responsibility for recognising and reporting adverse credit features on any borrowing account lies with the business unit responsible for recommending the lending and for day-to-day management and monitoring of that account. When potential problem credit facilities are identified, they are transferred to a "watch list" and are monitored closely. The credit facilities may be transferred to the "watch list" for a number of reasons, such as any security given not adhering to approval terms or being overdue for review by 90 days.

In line with UAE Central Bank requirements, ENBD classifies those accounts where recovery is considered doubtful and ensures provisions are made accordingly. Delinquent accounts are broadly classified as Substandard, Doubtful or Loss.

Those accounts where agreed payments of principal and/or interest are more than 90 consecutive days in arrears are classified as "substandard accounts". The accrued interest remains suspended while a minimum provision of 25 per cent. of the net exposure amount is made.

Those accounts where partial loss of principal is expected and full recovery of interest and fees is not expected are classified as "doubtful accounts". The accrued interest is suspended from the date that accounts are so classified and a minimum provision of 50 per cent. of the net exposures is made.

Those accounts where a full loss of principal and interest is expected and where ENBD has exhausted all recourse to recovery are classified as "loss accounts". 100 per cent. of the net exposure amount is provided in such cases.



All accounts classified as “doubtful accounts” and “loss accounts” constitute a “bad and doubtful debt” and, unless it is believed that the debt can be recovered by the business units, the debt is then transferred to the Special Loans Group (the “**SLG**”), a unit that specialises in remedial management. The remedial management of accounts and the booking of provisions for accounts not transferred to the SLG continue to be the responsibility of the individual business unit.

ENBD generally waits until all legal and other remedies are exhausted before writing-off fully provisioned loans.

Group operating profit before impairment was AED 7.7 billion for the year ended 31 December 2013, which was AED 1.2 billion (18.4 per cent.) higher as compared to the year ended 31 December 2012. The impaired loan ratio, excluding impaired investment securities, decreased to 13.9 per cent. by 31 December 2013 from 14.3 per cent. reported as at 31 December 2012. The impairment allowance on financial assets in respect of 2013 grew to AED 20.8 billion compared to AED 16.6 billion in 2012. This increase was driven by specific impairments across corporate and retail portfolios. For the year ended 31 December 2013, the Group’s net profit was AED 3.3 billion and consequently AED 0.7 billion (27 per cent.) higher as compared to the year ended 31 December 2012.

As at 31 December 2013, ENBD’s impaired loans amounted to AED 36.1 billion (or 13.9 per cent. of gross loans and receivables), 57.5 per cent. of which have been provisioned for by impairment allowances of AED 20.8 billion. Impaired loans include ENBD’s exposure to the Dubai World Group and Dubai Holding and its subsidiaries (the “**Dubai Holding Group**”), amounting to AED 14.4 billion of debt that has been or is expected to be restructured. Excluding the impact of these exposures, ENBD’s impaired loans amounted to AED 21.7 billion (or 8.3 per cent. of gross loans and receivables) 81.6 per cent. of which have been provisioned for by impairment allowances of AED 17.7 billion. The net impairment charge for the year ended 31 December 2013 amounted to AED 4.7 billion compared with AED 4.0 billion for the year ended 31 December 2012.

ENBD continues to pro-actively manage credit quality and delinquencies and impaired loans across its corporate and retail portfolios have increased within expected levels.

The following table summarises the movements in allowances for impairment for loans and receivables for ENBD for the years ended 31 December 2013 and 31 December 2012.

<b>Movement in allowances for impairment</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<i>(AED million)</i>	
Balance of allowances for impairment as at 1 January .....	16,595	12,897
Allowance for impairment made during the period .....	4,732	4,925
Write back/recoveries made during the period .....	(329)	(1,071)
Amount written off during the period .....	(139)	(74)
Interest unwind on impaired loans .....	(93)	(86)
Exchange and other adjustments .....	—	4
Balance of allowances for impairment as at 31 December .....	20,766	16,595

## **Legal and Internal Audit**

### **Industry Regulation and Supervision**

Banks and other financial institutions in the UAE are subject to governmental supervision and regulatory oversight exercised by various regulatory bodies, including the SCA, the UAE Central Bank and the DFSA for companies established within the DIFC. The competent local authority in the Dubai, in which the institution is registered, is the Department of Economic Development.

The principal source of banking regulation in the UAE is the UAE Central Bank. The UAE Central Bank provides prudential supervision (see also “*The UAE Banking and Financial Services System*”) of each bank’s capital adequacy, liquidity and anti-money laundering controls and its general banking activities. Monitoring by the UAE Central Bank is undertaken by way of regular inspections of banks and their records and the requirement for regular submission of data including, but not limited to, deposited funds, loans and mortgage business, liquidity status and anti-money laundering measures. ENBD submits monthly, quarterly and annual reports to the Banking

Supervision and Examination Department of the UAE Central Bank. In addition, ENBD's Memorandum and Articles of Association and any amendments thereto, its audited financial statements, its distribution of dividends and certain other documents are all approved by the UAE Central Bank and the SCA.

The SCA is the predominant authority controlling the operation and governance of public joint stock companies generally, while the Department of Economic Development has a very wide jurisdiction in relation to issues such as the incorporation of companies and the regulation of internal and external trade.

ENBD's business units and subsidiaries are engaged in a wide range of banking and investment activities which also fall within the jurisdiction of a variety of other regulatory regimes located both within the UAE and abroad. In the UAE, ENBD Capital and ENBD Asset Management is regulated by the DFSA. ENBD's activities conducted in countries other than the UAE fall under the jurisdiction of other regulators and include the following: the Capital Markets Authority and the Saudi Arabian Monetary Authority in Saudi Arabia; the Monetary Authority of Singapore in Singapore; the Central Bank of Qatar and the Qatar Financial Centre Regulatory Authority in Qatar; the Reserve Bank of India in India; the China Banking Regulatory Commission in China, the Jersey Financial Services Commission in Jersey; the Financial Services Authority in the United Kingdom; and the Egyptian Financial Supervisory Authority in Egypt.

ENBD has an excellent track record in meeting applicable regulatory standards and neither the UAE Central Bank nor any other regulatory authority has raised any material breaches of applicable regulatory standards or imposed sanctions in respect of ENBD.

### **Internal Audit**

Operating under a mandate from the Board, Group Internal Audit provides internal auditing services across ENBD and its subsidiary companies. Group Internal Audit has a principal reporting line to the Board Audit Committee (the "**BAC**"), a body composed of non-executive directors. Planned audit activities are subject to review and approval by the BAC, which also evaluates and approves the level of resources available to Group Internal Audit for such activities.

The BAC meets four times annually to discuss the audit reports produced by Group Internal Audit and to discuss the status of management actions on any issues previously raised with the committee. In addition to these meetings, the General Manager, Group Internal Audit has access to the Chairman of the BAC and the Chief Executive Officer as required.

The primary objective of Group Internal Audit is to independently assess the adequacy and effectiveness of the control framework through which the activities of ENBD are conducted. Group Internal Audit uses a risk-profiling methodology to assess the relative degree of risk in each of the auditable business units and for selecting the business activity to audit. BAC approval is obtained for the risk based annual audit plan.

Group Internal Audit is organised into specialist teams aligned with ENBD's primary business and support areas. Group Internal Audit focuses on the employment of professionally qualified individuals with industry specific experience.

Group Internal Audit is itself subject to a review periodically by independent third party assessors appointed by the BAC.

### **Real Property**

The net book value of freehold land and property owned by ENBD as at 31 December 2013 was AED 1,980 million.

### **Capital Expenditure**

ENBD does not expect to incur capital expenditure outside its ordinary course of business. For the year ending 31 December 2013, ENBD incurred AED 326 million of capital expenditure, compared to AED 276 million for the year ended 31 December 2012. In addition, for the year ending 31 December 2013, ENBD incurred AED 421 million of capital expenditure due to the acquisition of Emirates NBD Egypt.

## Capital Adequacy

As per current capital requirements, the UAE Central Bank requires banks operating in the UAE to maintain a prescribed minimum ratio of total capital to total risk-weighted assets of 12 per cent. (of which Tier 1 has to be 8 per cent.).

The tiered components of a UAE bank's regulatory capital comprise of:

- Tier 1 capital, which includes share capital, share premium, legal, statutory and other reserves, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier 2 capital, which includes qualifying subordinated debt, undisclosed reserve, and fair value reserve.

While the calculation of capital adequacy ratios in the UAE follows the BIS 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 20 per cent.

When assessing the capital adequacy of an individual bank, the UAE Central Bank will take a number of factors into consideration, such as the extent and nature of credit concentration, policies and procedures and internal control systems and may set a higher total capital requirement for that particular bank if it deems it necessary.

As of 31 December 2013, the Group was above the UAE Central Bank imposed requirement, with a total capital adequacy ratio of 19.6 per cent and a Tier 1 capital adequacy ratio of 15.3 per cent.

Under Union Law No. (10) of 1980 Concerning the Central Bank, the Monetary System and Organisation of Banking, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reserve makes up 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends have to be authorised by the UAE Central Bank.

## Distributions of Profit

Distributions of profit to shareholders are subject to a comprehensive risk management system that is reviewed at the management level and ENBD's ALCO level to ensure the appropriate distribution levels taking into account ENBD's performance, competitor profit distributions and market conditions. ENBD has historically pursued a conservative dividend policy, preferring to build its capital and use such capital to preserve shareholder value.

## Basel II

ENBD has implemented the standardised approaches for credit risk under Basel II, and complies with the corresponding requirements as set out by Circular 27/2009 of the UAE Central Bank ("Circular 27/2009").

Under Circular 27/2009, the main UAE banks are expected to migrate to the foundation internal ratings based approach in due course. The UAE Central Bank is in direct contact with the concerned banks about the corresponding guidelines and about the migration on a case by case basis.

As at the date of this Prospectus, the UAE Central Bank has published draft guidelines and reporting standards (as of October 2010) on its website; final guidelines and reporting standards are yet to be published.

ENBD has implemented the required systems, models and reports (based on the draft guidelines and reporting standards) and is in communication with the UAE Central Bank on the migration to the foundation internal ratings based approach.

## Basel III

Though the UAE Central Bank has not yet published final guidelines on the implementation of Basel III, ENBD is pro-actively managing its capital and funding base in anticipation of Basel III.

As per Basel III, the minimum capital ratio requirement against common equity Tier 1 capital including the capital conservation buffer is 7 per cent and against total capital including the capital conservation buffer is 10.5 per cent. (to be achieved by 1 January 2019). ENBD already meets the minimum capital requirement as set out under Basel III as of 31 December 2013.

On 12 July 2012, the UAE Central Bank issued Circular 30/2012 ("**Circular 30/2012**") dated 12 July 2012 entitled "Liquidity Regulations at Banks", which included a set of qualitative and quantitative liquidity requirements for UAE banks which are in line with the Basel III.

Subsequently, on 16 December 2012, the UAE Central Bank decided in its Board Meeting to postpone the implementation of Basel III until details of the requirements of the regulation are agreed. This Circular has currently been suspended by the UAE Central Bank.

### **Anti-Money Laundering Policies**

ENBD has implemented detailed anti-money laundering ("**AML**") and Know Your Customer ("**KYC**") policies and procedures. The responsibility for implementation and monitoring adherence to the policies rests with ENBD Group Compliance and ENBD has dedicated compliance functions across various business units and its international operations to assist in discharging this responsibility.

As part of its AML policy, ENBD conducts KYC and customer due diligence checks, which is mandatory for all new accounts. A customer profile is created at the time of account opening and is updated as customer circumstances change and develop during their time with ENBD.

ENBD also has in place a high risk accounts policy and politically exposed persons policy that covers enhanced due diligence and escalated approval processes for relationships with regards to high risk businesses and customer segments as covered by UAE Central Bank regulations and in accordance with ENBD's internal risk based approach towards KYC and AML.

ENBD has appointed an Anti-Money Laundering Reporting Officer ("**AMLRO**") who reports to the Chief Compliance Officer. The AMLRO is responsible for policy development and awareness, as well as suspicious transaction detection and reporting, responding to staff queries regarding anti-money laundering issues and implementation of an automated anti-money laundering system.

ENBD has sanctions guidelines in compliance with regulations prescribed by the UAE Central Bank and the United Nations that cover restrictions applicable to countries that are subject to sanctions. ENBD has systems and processes in place to monitor transactions against applicable sanctions requirements.

All staff are required to be aware of ENBD's AML, KYC and sanctions policy and procedures. The compliance policies and procedures are easily accessible and available to all staff through ENBD's intranet. In addition, ENBD conducts specific training programmes for customer-facing staff.

ENBD has automated systems in place to monitor transactions and screen customers from an anti-money-laundering perspective and a sanctions perspective.

The UAE has indicated its intention to finalise an IGA Model 1 agreement with the US IRS and ENBD is following the guidelines issued in this respect. As an FFI for the purposes of FATCA, ENBD is taking the necessary steps to be FATCA compliant within the applicable timeframes. This project is being managed by a Group-level Steering Committee chaired by the Group Chief Financial Officer. A gap analysis has been undertaken and is currently in the design and implementation phase. See also "*Taxation – Foreign Account Tax Compliance Act*" for further information on FATCA.

### **Funding**

Global Markets and Treasury manages the overall short-term and long-term liquidity of ENBD, guided by the overriding principle of prudent liquidity management and with frequent reporting to, and instruction from, ENBD's ALCO.

The majority of ENBD funding is provided by customer deposits. The inter-bank market is used for residual funding purposes and term funding is used to lengthen the maturity profile and diversify the client base. The current liquidity position of ENBD is considered to be good. To mitigate future liquidity risks (e.g. associated with market events), Global Markets and Treasury maintains a liquidity buffer, which is designed to be of a size sufficient to deal with all foreseeable liquidity events.

ENBD and its operational companies also raise money through the international capital markets. All capital markets debt raising activity by ENBD and its operational companies is controlled by the Group Funding Desk of Global Markets and Treasury.

ENBD, through EBI, first accessed the international debt markets in April 1999 and has since become one of the most active Middle Eastern banks in employing the debt capital markets to support and diversify its funding needs. With regard to the foregoing, in anticipation of the severity of the approaching liquidity crisis, EBI returned to the syndicated loan market in October 2007 after an absence of four years and raised U.S.\$1.5 billion from a group of 15 banks. That facility was repaid on 9 October 2012.

For short-term funding, EBI established a U.S.\$4 billion Euro Commercial Paper programme (the "**ECP Programme**") under which the equivalent of U.S.\$287.2 million was outstanding as at 31 January 2014, as compared to U.S.\$349.2 million as at 31 January 2013. Following the amalgamation of EBI and NBD with ENBD in November 2009, ENBD is now the issuer under the ECP Programme and is responsible for all series of commercial paper issued by EBI and outstanding under the programme.

ENBD does from time to time buy back its own debt (senior and subordinated) in the open market.

In June 2009, EBI raised AED 4 billion of Tier 1 debt securities. The sole investor was ICD (which is wholly owned by the Government), the majority shareholder of ENBD. These securities are perpetual, subordinated and unsecured and for the first five years have an annual 6.45 per cent. fixed rate coupon, after which they carry a floating rate coupon linked to EIBOR plus a margin of 4 per cent. The UAE Central Bank has approved the qualification of these securities for Tier 1 Regulatory Capital purposes. Further, as mentioned above, ENBD's capital was increased in March 2009 by the conversion of AED 12.6 billion of deposits from the UAE Federal Government into longer-term subordinated debt. This has started to amortise from an eligible capital perspective. To date, ENBD has repaid AED 7.8 billion of these deposits.

In August 2010, ENBD completed an asset backed securitisation of its UAE auto loan portfolio, the first such deal from the Middle East and by ENBD. These auto loans were sold to Emirates NBD Auto Finance Limited (the "**APC**"), which issued ¥19 billion notes due in 2022 carrying a floating rate coupon linked to the London interbank offered rate for one month Japanese Yen deposits plus a margin of 1.8 per cent. As at 31 December 2013, the auto loans and receivables balance transferred to APC was AED 806 million, as compared to AED 968 million as at 31 December 2012, and the associated liability secured by these assets and included under debt issued and other borrowed funds was AED 628 million as at 31 December 2013, as compared to AED 810 million as at 31 December 2012.

In March 2013, ENBD issued regulatory Tier II Capital Securities amounting to U.S.\$750 million. The notes are subordinated, unsecured and have a term of 10 years with an issuer call after five years. These securities have been issued at an initial interest rate of 4.875 per cent. with a reset after five years.

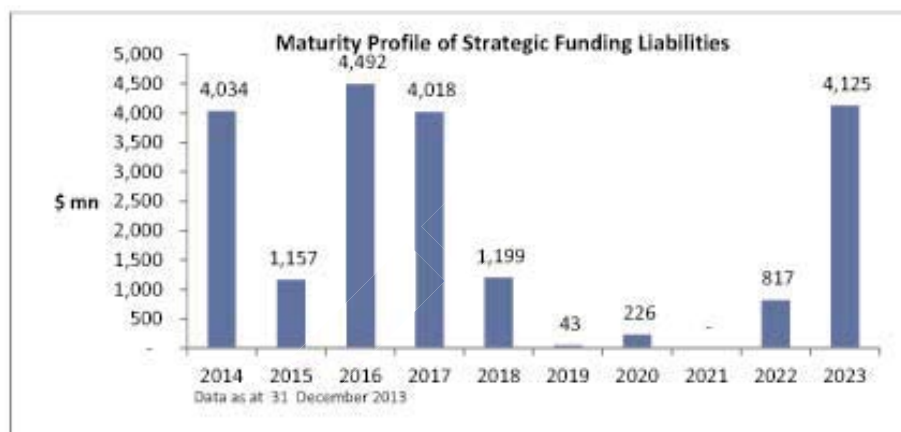
In May 2013, ENBD issued regulatory Tier 1 Capital Securities amounting to U.S.\$1 billion. The notes are perpetual, subordinated, unsecured and have been issued at a fixed interest rate of 5.75 per cent. with a reset after six years.

In December 2013, ENBD raised U.S.\$800 million through a three year club deal at a cost of U.S.\$3M LIBOR plus a margin of 140 bps.

As at 31 January 2014, ENBD and its main operational companies had, since July 2002, launched 214 bond issues with a total value of U.S.\$15,026 million on seven exchanges: Luxembourg, London, Dublin, NASDAQ Dubai, Singapore, Sydney and Bangkok. As at 31 January 2014 outstanding issuance for ENBD and its main operational companies totalled U.S.\$5,178 million with U.S.\$1,987 million in new issuance for 2013 and \$50 million issued in January 2014. ENBD's objective has always been to diversify and deepen its investor base, reduce the maturity mismatch between assets and liabilities and to manage maturities, thereby reducing the quantum of refinancing risk.



The following table shows the maturity profile of all of the Group's Strategic Funding Liabilities outstanding as at 31 December 2013:



### Information Technology

ENBD's Information Technology ("IT") division is focused on utilising the most advanced IT systems to secure ENBD's customers and ensure that customers' data is well protected and secured against unauthorised entry. ENBD envisages the role of information technology to be significant in ensuring that IT remains responsive and flexible to the competitive and dynamic forces of the environment within which it operates. Accordingly ENBD continues to invest in IT to ensure that it is resourced in line with modern banking requirements.

ENBD utilises a call centre for 24 hour phone banking and provides online and mobile banking platforms for retail and corporate customers (see "*Retail Banking and Wealth Management – Retail Banking*"). A 24-hour IT support centre is also in place with expert support staff to address any IT related issues.

The security and reliability of ENBD's IT services is protected by the use of a disaster recovery site at a remote premise that can be activated in the case of any incident affecting ENBD's IT systems to ensure that critical systems and data continue to be fully operational. ENBD's disaster recovery plan enables for regular testing of recovery operations.

The IT department carries out daily and other periodic data back-ups which are also stored at a remote location. ENBD also carries out annual intrusion tests on its IT network with the assistance of an external vendor. There is no evidence of intrusion attempts to date.

In 2013, the IT division launched several strategic projects to improve customer experience, engagement and acquisition across multiple distribution channels. Technology services and service availability were significantly improved by consolidating and updating existing technologies, including the development of an iPad banking application, the launch of ENBD's "Customer Relationship Management" sales and marketing platform to improve cross-selling capabilities and enhancing ENBD's ability to connect with customers through social media channels.

ENBD's IT division also supported Emirates Islamic in launching its new brand across various distribution channels and ENBD launched a cloud based incentive management platform in collaboration with Oracle. ENBD's IT division also supported the business in the launch of new products and initiatives such as the co-branded Manchester United card and Visa signature debit and credit cards.

In addition, the corporate banking internet platform was enhanced with the introduction of a liquidity management solution enabling corporate customers to use features such as account aggregation and cash concentration.

The IT division is also in the process of merging ENBD's Egyptian operations into Group applications.

### Insurance

ENBD has various insurance policies in place, including directors and officers insurance, third party liability insurance and bankers blanket bond insurance. ENBD believes that these insurance policies



provide it with comprehensive insurance coverage against the various risks to which ENBD may be exposed.

### Litigation

ENBD is not involved in any litigation, arbitration or administrative proceedings relating to claims which could have a material adverse effect on its financial condition and the results of operations and is not aware of any such litigation, arbitration or administrative proceeding that is pending or threatened.

Therefore no material provision has been made as at 30 June 2014 regarding any outstanding legal proceedings against ENBD.

### Fiscal Year

The fiscal year of ENBD is the calendar year ending on 31 December.

### Recent Developments

#### Financial Performance for the six months ended 30 June 2014

The following information has been extracted from the unaudited condensed consolidated interim financial statements of ENBD as at and for the six months ended 30 June 2014:

	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)
	<i>(AED million)</i>	
Net interest income and income from Islamic financing and investment products net of distribution to depositors.....	4,559	3,661
Non-interest income* .....	2,483	1,889
<b>Total operating income</b> .....	<b>7,042</b>	<b>5,550</b>
General and administrative expenses .....	(2,137)	(1,914)
<b>Operating profit before impairment charges</b> .....	<b>4,905</b>	<b>3,636</b>
Net impairment loss on financial assets .....	(2,613)	(1,884)
<b>Operating profit after impairment charges</b> .....	<b>2,292</b>	<b>1,752</b>
Share of profit of associates and joint ventures .....	121	67
Taxation charge .....	(63)	(10)
<b>Group profit for the period</b> .....	<b>2,350</b>	<b>1,808</b>

\* includes net fee and commission income, net gain (loss) on trading securities and other operating income.

In summary, for the six months ended 30 June 2014 ENBD had:

- an operating profit before impairment of AED 4,905 million (an increase of 34.9 per cent. compared to the six months ended 30 June 2013, attributable to growth in both net interest income and non-interest income);
- a net impairment loss on financial assets of AED 2,613 million (an increase of 38.7 per cent. compared to the six months ended 30 June 2013);
- total portfolio impairment allowances of AED 4.09 billion or 2.7 per cent. of the unclassified credit risk weighted assets (in excess of the UAE Central Bank requirement of 1.5 per cent.); and
- a net profit of AED 2,350 million (an increase of 30 per cent. compared to the six months ended 30 June 2013, attributable to a rise in operating profit).

In addition, as at and for the six months ended 30 June 2014 ENBD had:

- loans and receivables (including Islamic financing receivables) of AED 241.8 billion (an increase of 1.4 per cent. compared to 31 December 2013);

- total assets of AED 348.3 billion (an increase of 1.8 per cent. compared to 31 December 2013);
- customer deposits (including Islamic customer deposits) of AED 252.9 billion (an increase of 5.6 per cent. compared to 31 December 2013);
- total liabilities of AED 305.4 billion (an increase of 1.7 per cent. compared to 31 December 2013);
- a loan to deposit ratio of 95.6 per cent. (an improvement of 3.9 per cent. compared to 99.5 per cent. as at 31 December 2013);
- an impaired loan ratio of 13.5 per cent. (an improvement of 0.4 per cent. compared to 13.9 per cent. as at 31 December 2013);
- a total capital adequacy ratio of 19.6 per cent. (unchanged compared to 19.6 per cent. as at 31 December 2013); and
- a Tier 1 capital ratio of 15.6 per cent. (an increase of 0.3 per cent. compared to 15.3 per cent. as at 31 December 2013).

The following table shows the movements in the capital of ENBD for the six month period from 31 December 2013 to 30 June 2014:

	<b>Tier 1</b>	<b>Tier 2</b>	<b>Total</b>
	<i>(AED billion)</i>		
<b>Capital as at 31 December 2013</b> .....	<b>34.7</b>	<b>9.9</b>	<b>44.6</b>
Net profits generated .....	2.3	—	2.3
FY 2013 dividend paid .....	(1.4)	—	(1.4)
Interest on Tier 1 securities .....	(0.2)	—	(0.2)
Amortisation of Ministry of Finance Tier 2 deposits .....	—	(1.0)	(1.0)
Newly issued Tier 2 notes .....	—	0.1	0.1
Other .....	—	(0.1)	(0.1)
Repayment of subordinated debt .....	—	—	—
<b>Capital as at 30 June 2014</b> .....	<b>35.4</b>	<b>9.0</b>	<b>44.4</b>

As at 30 June 2014, ENBD was above the UAE Central Bank imposed requirement for the total capital adequacy ratio and Tier 1 capital ratio (for UAE Central Bank requirements, see “*The United Arab Emirates Banking and Financial Services System – Response to the Global Financial Crisis – Capital*”).

## MANAGEMENT OF EMIRATES NBD PJSC

### Board of Directors

ENBD is managed by the Board, which is comprised of up to nine members elected by its shareholders to serve terms of three years. The Board is composed of individuals independent of the Government and decisions are taken by the Board in the sole interest of ENBD. As at the date of this Prospectus, the Board is comprised of the nine directors listed below.

Name	Position
H.H. Sheikh Ahmed bin Saeed Al Maktoum .....	Chairman
Mr. Hesham Abdulla Al Qassim .....	Vice Chairman
H.E. Khalid Juma Al Majid.....	Director
Mr. Hussain Hassan Mirza Al Sayegh .....	Director
Mr. Buti Obaid Buti Al Mulla .....	Director
Mr. Shoaib Mir Hashem Khoory .....	Director
Mr. Mohamed Hamad Obaid Khamis Al Shehi .....	Director
Mr. Mohamed Hadi Ahmad Abdulla Al Hussaini .....	Director
Mr. Ali Humaid Ali Al Owais.....	Director

**H.H. Sheikh Ahmed bin Saeed Al Maktoum** was appointed as the Chairman of ENBD in June 2011. His Highness holds a Bachelor degree from the University of Denver, Colorado, USA and he is a Fellow of the Royal Aeronautical Society, a recipient of the Commandeur de l'Ordre de la Legion d'Honneur (the Legion of Honour) of France and a recipient of the Verfassungsportugaleser of Germany. His Highness is currently the Chairman and Chief Executive of the Emirates Group, which includes Emirates Airlines, dnata and other aviation related entities. In addition, His Highness is the Chairman of the Supreme Fiscal Committee of the Government (the "SFC"), Supreme Council of Energy, British University of Dubai, Noor Investment Group LLC, Noor Takaful PJSC, Dubai Airport Free Zone Authority, Dubai Airports, Dubai World, Flydubai and Dubai Aerospace Enterprise, Deputy Chairman of Dubai Executive Council and Dubai World Trade Centre, President of the Dubai Civil Aviation Authority (since 1985) and a director of ICD, the UAE General Civil Aviation Authority and the Dubai Council for Economic Affairs.

**Mr. Hesham Abdulla Al Qassim** was appointed as the Vice Chairman of ENBD in June 2011. Mr. Al Qassim is currently the Vice Chairman and CEO of Dubai Real Estate Corporation/Wasl. In addition, he is the Chairman of Emirates Islamic, Emirates NBD Capital KSA and Emirates NBD Egypt and a member of the boards of directors of Gulf Finance Corporation PJSC, Amlak Finance PJSC, International Humanitarian City and NGI.

**H.E. Khalid Juma Al Majid** was appointed as a director of ENBD in November 2009. He is also the Vice Chairman of Juma Al Majid Group of Companies and the UAE Central Bank, a director of the Dubai Chamber of Commerce and Industry and a member of the Board of Trustees of Emirates Nationals Development Programme.

**Mr. Hussain Hassan Mirza Al Sayegh** was appointed as a director of ENBD in July 2007. He is currently the Chairman of Jotun UAE Ltd and Jotun Powder Coatings UAE LLC, the Deputy Chairman of Oilfields Supply Centre Ltd and Al Nasr Leisureland, and a member of the boards of directors of Emirates National Oil Company Limited (ENOC) LLC, Emirates Petroleum Products Company (EPPCO) LLC, Al Maktoum Foundation, the National Bank of Fujairah, Marsh Insco and Mawarid Finance PJSC.

**Mr. Buti Obaid Buti Al Mulla** was appointed as a director of ENBD in July 2007. He is currently the Chairman of Dubai Insurance Co., Vice Chairman of Emirates Islamic and Emirates Investment Bank PJSC and a director of Dubai Bank.

**Mr. Shoaib Mir Hashem Khoory** was appointed as a director of ENBD in June 2011. Mr. Khoory is the Managing Director of Mir Hashim Khoory LLC. He is the Chairman of Dubai Bank, MAHY Khoory, Group International Institute Management (GIIM) French School in Dubai, and a director of Emirates Islamic, Dubai Real Estate Corporation/WASL, Jebel Ali Cement Factory, Emirates Telecommunications Corporation (Etisalat), and Mir Hashim Khoory LLC.

**Mr. Mohamed Hamad Obaid Khamis Al Shehi** was appointed as a director of ENBD in June 2011. Mr. Al Shehi is also the Deputy Director General of the Department of Finance of the Government, Secretary of the SFC, member of the Economic Development Committee, Sectoral Committees of the Executive Council and government representative for the Fiscal Policy

Coordination Council of the Ministry of Finance. In addition, he is the Chairman of Emirates Financial Services and a director of Emirates Islamic, Dubai Bank, Emirates NBD Asset Management Ltd, ENBD Capital, Dubai Real Estate Corporation and Galadari Brothers Co. LLC.

**Mr. Mohamed Hadi Ahmad Abdulla Al Hussaini** was appointed as a director of ENBD in June 2011. Mr. Al Hussaini is a director of Emirates Islamic, Emirates Telecommunications Corporation (Etisalat), Dubai Refreshments Company, Economic Zones World, Dubai Real Estate Corporation, Network International, NGI and Emirates NBD Egypt.

**Mr. Ali Humaid Ali Al Owais** was appointed as a director of ENBD in March 2013. Mr. Ali is the Chairman of Al Owais Group, United Food Company PJSC, United Can Company LLC and Moderna Group LLC. He is the Vice Chairman of Dubai Refreshment Co. PJSC, Modern Bakery and director of Emirates Islamic, Dar Al Takaful and Oman Refreshment Company.

The business address for each of ENBD's directors is c/o Emirates NBD PJSC, Baniyas Road, Deira, P.O. Box 777, Dubai, UAE.

No member of the Board has any actual or potential conflict of interest between his duties to ENBD and his private interests or other duties.

### Senior Management

The day-to-day management of ENBD is conducted by the following senior managers (the "**Senior Managers**").

Name	Position
Shayne Nelson .....	Chief Executive Officer
Abdullah Qassem .....	Group Chief Operating Officer
Surya Subramanian .....	Chief Financial Officer
Manoj Chawla .....	General Manager, Risk
Aazar Ali Khwaja .....	Group Treasurer
Patrick Clerkin .....	Head of Investor Relations & Managing Director, Group Funding & Principal Investments
Jonathan Morris .....	General Manager, Wholesale Banking
Suvo Sarkar .....	General Manager, Retail Banking & Wealth Management
Kevin Flannery .....	General Manager, International
Husam Al Sayed .....	General Manager, Human Resources

### **Shayne Nelson, Chief Executive Officer**

Shayne Nelson has served as Chief Executive Officer of ENBD since November 2013. Shayne has more than 25 years experience in the banking industry and has extensive and diverse experience in various roles. Prior to joining ENBD, he served as the Chief Executive Officer of Standard Chartered Private Bank in Singapore. He was also the Chairman of Standard Chartered Saadiq Islamic Advisory Board and a Board member of Standard Chartered Bank (China) Ltd.

Shayne was also appointed as the Regional Chief Executive Officer for Standard Chartered Bank Middle East and North Africa, Chairman of Standard Chartered (Pakistan) Limited, and Chairman of the Banking Advisory Council to the board of the Dubai International Financial Centre. He also held the position of Chief Executive Officer and Managing Director of Standard Chartered Bank, Malaysia Berhad.

Shayne's strong background within banking also includes previous positions as Standard Chartered's Chief Risk Officer for Wholesale Banking, Regional Head of Corporate and Institutional Banking Audit in the Asia Pacific Region and India, as well as Regional Head of Credit in Hong Kong, China and North East Asia. He was also the Head of Corporate and Institutional Banking for Westpac Banking Corporation in Western Australia.

Shayne is also a member of the board of directors of ENBD Capital, a Founding Member of the Higher Colleges of Technology Industry Advisory Council, a Graduate Member of the Australian Institute of Company Directors and an Associate Fellow of the Australian Institute of Managers.

### **Abdulla Qassem, Group Chief Operating Officer**

Abdulla Qassem has served as Group Chief Operating Officer of ENBD since September 2009. Abdulla studied Computer Science & Business Administration at St. Edwards University, Austin,

Texas. His professional career began at EBI in 1988 where he rose from the position of Programmer to General Manager, IT Operations & Administration.

Abdulla's responsibilities in respect of the Group encompass the provision of IT services, including the introduction of innovative technologies, to the Group as well as oversight over administration and banking operations.

Abdulla is also a director of D-Clear Europe Ltd and Smart Stream Technology Group plc, Chairman of Network International and Tanfeeth, Vice-Chairman of SINNAD (Bahrain) and Vice-Chairman at EXCO meetings.

***Surya Subramanian, Chief Financial Officer***

Surya Subramanian has served as Chief Financial Officer of ENBD since September 2010. He is a Chartered Accountant with more than 30 years' experience in banking and finance in India, Pakistan and Singapore. He has experience in business roles in finance across country, regional and group structures with some of the world's leading financial institutions. More recently, prior to his appointment as Chief Financial Officer of ENBD, Surya was working with the Ministry of Finance and the Accounting and Corporate Regulatory Authority in Singapore to support the promulgation of accounting standards as well as financial reporting oversight for all companies registered in Singapore. He is a member of the IFRS Advisory Council that supports the IASB and the IFRS Committee Foundation.

***Manoj Chawla, General Manager, Risk***

Manoj Chawla has served as General Manager, Risk of ENBD since September 2013. Prior to joining ENBD Manoj worked in risk management with a large global bank and was based in Thailand and Singapore. Prior to his appointment as General Manager, Risk, Manoj was Chief Risk Officer, UAE of ENBD. Manoj is a seasoned risk professional with over 20 years of experience in risk management across various risk disciplines with key expertise in building risk infrastructure, portfolio restructuring and management, managing merger and acquisition risk. Manoj is a qualified Chartered Accountant, lawyer, Company Secretary and a Certified Islamic Finance executive.

***Aazar Khwaja, Group Treasurer***

Aazar Khwaja has served as Group Treasurer of ENBD since joining in September 2012. He has more than 20 years of experience in treasury and global markets across a number of geographies. Prior to joining ENBD, he was the Regional Treasurer for Emerging Markets/Africa with Barclays Bank Plc, during which he also served as Chairman of Barclays' regional Asset and Liability Management Committee. His previous roles include Managing Director and Head of Fixed Income Currency and Commodities in Citigroup's Central and Eastern European division, Group Treasurer for Saudi Hollandi (ABN AMRO) Bank in Saudi Arabia, Managing Director of Treasury for ABN AMRO/K&H Bank in Hungary, General Manager of Treasury for ABN AMRO in Romania, as well as Country Treasurer for Citibank NA in Pakistan.

***Patrick Clerkin, Head of Investor Relations & Managing Director, Group Funding & Principal Investments***

Patrick Clerkin is Head of Investor Relations and Managing Director for ENBD's Group Funding and Principal Investments. The Investor Relations team updates the analyst and investor community on ENBD's performance and development through one-on-one meetings, conferences, roadshows and ENBD's website. The Global Funding team manages the strategic funding needs of ENBD. This includes senior debt and capital issuances and alternative forms of financing such as loan securitisations. Since the beginning of 2012 the team has raised over U.S.\$8 billion dollars of capital and senior debt through public issues and private placements. The Principal Investment team manages ENBD's investment portfolio which includes hedge funds, credit funds and private equity.

Patrick has been with Emirates NBD since 2007. Prior to joining ENBD, he worked in London where he was co-head of the global operating company rating team at Fitch Ratings. Before this he was part of the senior management team that ran the structured investment group at JP Morgan where he looked after capital modelling and risk management.

Patrick has a BSc (First Class) in Actuarial Mathematics and Statistics from Herriot-Watt University and an MSc in Mathematical Finance from Oxford University.

***Jonathan Morris, General Manager, Wholesale Banking***

Jonathan Morris is the Group's General Manager of Wholesale Banking and member of the Group's Executive Committee, and has been with ENBD since March 2014. Jonathan Morris has assumed overall responsibilities for Corporate and Institutional Banking and Investment Bank for Emirates NBD. He joins the Group from Standard Chartered Bank ("SCB") where he held the position of Chief Executive Officer for the United Arab Emirates. His previous roles at SCB include Chief Executive Officer, Bahrain, Regional Head of Origination & Client Coverage, Africa, Regional Head of Corporate & Institutional Banking, Europe and Head of Corporate & Institutional Banking UAE & Oman.

***Suvo Sarkar, General Manager, Retail Banking & Wealth Management***

Suvo Sarkar has served as General Manager of Retail Banking at ENBD since June 2012. Mr. Sarkar returned to ENBD in June 2012 after working with the National Bank of Abu Dhabi PJSC for two years. During his previous tenure with ENBD as Executive Vice President & General Manager of Retail Banking, he was responsible for the integration of EBI and NBD and in creating an integrated retail business for the merged entity. He has over 24 years of experience in various areas of banking.

***Kevin Flannery, General Manager, International***

Kevin Flannery, General Manager, International, has been with the Group for 29 years and is a member of the EXCO. He has held a variety of executive and general management roles including corporate, credit, treasury, special loans, regional controller and Country Chief Executive. He has worked in ENBD's commercial banking operations overseas including Kenya, Nigeria, Pakistan and most recently Egypt as acting Chief Executive Officer during ENBD's acquisition of Emirates NBD Egypt in 2013. He has overall responsibility for ENBD's activities in the nine countries outside the UAE where ENBD is represented and has been instrumental in developing and implementing the Group's international strategy and footprint over the last few years. He also leads the implementation of ENBD's non-organic strategy through mergers and acquisitions particularly in the MENA region and successfully negotiated the acquisition of Emirates NBD Egypt.

***Husam Al Sayed, General Manager, Human Resources***

Husam Al Sayed has served as Group General Manager, Human Resources of ENBD since September 2011. Previously, he served as the General Manager of Human Resources at NBD prior to the merger and continued as Group General Manager of Human Resources of ENBD until 2009. Prior to this, he worked for Emirates National Oil Company (ENOC), as the Group Manager, Human Resources. He has 30 years of experience and knowledge in the field of people management and has a Masters in Public Administration (MPA) from the University of Toledo, USA.

The business address for each of the Senior Managers is c/o Emirates NBD PJSC, Baniyas Road, Deira, P.O. Box 777, Dubai, UAE.

No Senior Manager has any actual or potential conflict of interest between his duties to ENBD and his private interests or other duties.

***Committees***

ENBD has established a number of committees, which include the following:

***Board Executive Committee:***

The Board Executive Committee ("BEC") acts for the Board on urgent matters arising between regular Board meetings in cases where it is not possible to convene a meeting of the Board. The BEC has the powers of the Board in the management of the business and affairs of ENBD.

***Board Audit Committee***

The Board Audit Committee ("BAC") is responsible for reviewing all internal audit and management compliance reports that are produced by ENBD and providing direction to management on rectifying weaknesses or shortcomings highlighted in such reports. The BAC is also responsible for receiving and evaluating management letters issued by external auditors and reports of regulatory bodies. The members of the BAC comprise members of the Board, and meetings are attended by the Chief Executive Officer, Chief Financial Officer, Head of Internal



Audit, and the Company Secretary. Other members of executive and senior management may attend by invitation. The committee meets quarterly.

#### ***Board Credit and Investment Committee***

This committee meets regularly to review the quality and performance of the credit and investment portfolio of ENBD. The BCIC reviews and monitors the effectiveness of ENBD's credit and investment risk strategy whilst taking into consideration the risk appetite of ENBD. Among other things, the BCIC approves lending strategy and policies, establishes delegated lending authorities and evaluates and approves credit and investment proposals. The members of the BCIC comprise the Chairman of the Board and at least two other directors as well as the Chief Executive Officer and other members of management.

#### ***Management Credit Committee***

This committee meets twice a week and supports the BCIC and provides guidance to management on the strategic objectives of ENBD. It assesses, approves and recommends facilities, renewal of existing facilities, debt settlement and write-offs, provisioning, amendments to pricing and ratings, within predetermined parameters. The MCC also monitors, and reviews and recommends policies for, the credit portfolio performance of ENBD's Wholesale Banking unit.

#### ***Board Risk Committee***

This committee is responsible for the corporate and risk governance framework of the Group. This includes the review, approval and monitoring the Group's risk management procedures, the Group's risk appetite and its overall risk profile. The committee also oversees ENBD's Basel II and III implementation. The committee convenes on a quarterly basis.

#### ***Board Nomination and Remuneration Committee***

This committee reviews and guides management on strategic human resource decisions relating to executive succession planning, nationalisation strategy, management appointments and remuneration policies. The committee, which meets on a quarterly basis, ensures that human resource governance within the Group is implemented in a professional and efficient manner.

#### ***Executive Committee***

The Executive Committee (the "EXCO") is headed by the Chief Executive Officer. The role of the EXCO is to collectively monitor the performance of ENBD and make decisions within the authority limits delegated to it by the Board. The EXCO makes specific recommendations to the Board on decisions that fall outside its delegated authority limits. The EXCO comprises the Chief Executive Officer, the Chief Financial Officer, the General Manager, Risk, the Head of Wholesale Banking, the Head of Consumer Banking & Wealth Management, the Head of Information Technology and Operations, the General Manager, Global Markets and Treasury and the Chief Executive Officer of ENBD. The EXCO meets once every two weeks.

#### ***Assets and Liabilities Committee***

ENBD's ALCO is responsible for dealing with market risk exposures such as liquidity, interest rates, investment and economic capital management. ENBD's ALCO manages the structure and composition of ENBD's investment portfolio, structural interest rates, exchange rate positions and maturity gaps, as well as its capital adequacy position. ENBD's ALCO comprises the Chief Executive Officer, the Chief Financial Officer, the General Manager, Risk, the Head of Wholesale Banking, the Head of Consumer Banking and Wealth Management, the General Manager, Global Markets and Treasury and other senior executives. The Committee meets once a month in the normal course of business and more often if needed.

#### ***Management Investment Committee***

The Management Investment Committee is responsible for approving ENBD's investments and ensuring that an appropriate balance is achieved between risks and rewards. The Management Investment Committee manages ENBD's reputation risk by setting and enforcing investment guidelines. The Committee comprises members from Global Markets and Treasury, Risk and other senior management. The committee meets monthly.

## **Employees**

As at 31 December 2013, ENBD employed 9,468 staff (excluding the Egyptian business), the majority of whom were full-time employees and 329 of whom were employed in ENBD's overseas operations. As at 31 December 2012, ENBD employed 8,072 staff. ENBD has no history of industrial disputes and considers its relationship with its employees to be good.

## **Training**

Training is an integral part of staff learning and development at ENBD. ENBD's Learning and Development Centre (the "LDC") provides job-specific training to various categories of staff within ENBD, such as tellers, personal banking assistants, sales associates and management, as required. The training is provided predominantly through e-learning and skills based workshops. The LDC's financial services training programme is geared towards helping staff attain international certifications such as Chartered Institute for Securities & Investment, Institute of Chartered Accountants in England and Wales – Certificate in Finance, Accounting and Business, and Associate Chartered Accountant Certificate. The LDC's Leadership and Management Development programme is aimed at leadership development at varying seniorities. Such training programmes are often run in collaboration with world renowned providers such as Harvard Business Publishing and the IESE Business School. The LDC also facilitates participation of ENBD staff members in relevant external courses, seminars and workshops to enhance their knowledge and skillsets. In addition, there is a special emphasis on training young UAE nationals to assume roles of responsibility within ENBD. The LDC works with ENBD's various businesses and support units to achieve business results and implement projects successfully by executing targeted training modules based on business and staff requirements.

## **Remuneration Policy**

The success of ENBD is dependent upon the competence of employees at all levels of its business. ENBD provides a range of reward and recognition schemes to attract, motivate and retain high calibre individuals to drive the performance of the business and drive new growth streams.

ENBD has a variable pay scheme for middle and senior management under which performance bonuses are awarded based on annual performance appraisals. The bonus awarded is dependent on individual performance, the performance of the respective business unit and the performance of ENBD.

ENBD also pays sales staff incentives for achieving sales and revenue targets to its frontline sales and operations staff in retail sales and in the branches. These sales incentives are administered by Retail Finance with oversight by HR. The incentive plan is flexible and changes in the plan are initiated based on business trends and requirements.

## **Emiratisation**

As part of a policy of "Emiratisation", UAE banks were instructed in 1999 to increase the number of UAE nationals on their payroll by at least 4 per cent. per annum until they reached 40 per cent. of the payroll.

ENBD's UAE nationalisation committee is charged with the responsibility of developing existing UAE staff, attracting talent and working to the needs of the community.

As at the date of this Prospectus, the percentage of ENBD's employees who are UAE nationals is approximately 25 per cent. ENBD plans to continue to increase this percentage in line with the "Emiratisation" policy. Training and recruitment of nationals for managerial positions is a major objective of ENBD and it continues to support the training and sponsorship of students in local universities and colleges.

## **Related Parties**

ENBD enters into transactions with its major shareholders, subsidiaries, directors, executive management and their related concerns in the ordinary course of its business and at commercial interest and commission rates. As at 31 December 2013, ENBD had made loans and advances to related parties totalling AED 92.7 billion and had received customer deposits from related parties totalling AED 6.5 billion.

## DESCRIPTION OF EMIRATES NBD 2014 TIER 1 LIMITED

### General

Emirates NBD 2014 Tier 1 Limited was incorporated in the Cayman Islands as an exempted limited liability company on 7 May 2014 under the Companies Law (as revised) of the Cayman Islands, registered in the Cayman Islands with registration number TU-287773. Its registered office is c/o Deutsche Bank (Cayman) Limited, Boundary Hall, Cricket Square, 171 Elgin Avenue, P.O. Box 1984, Grand Cayman, KY1-1104, Cayman Islands and the telephone number of the registered office is +1 345 949 8244.

As of 30 June 2014, the authorised share capital of the Issuer is U.S.\$50,000 divided into 50,000 ordinary shares with a par value of U.S.\$1.00 each. The issued share capital of the Issuer is one share, which is fully paid and held by ENBD. The Issuer has no subsidiaries.

### Business of the Issuer

The Issuer has no prior operating history or prior business.

The objects of the Issuer, as referred to in its Memorandum of Association (as registered or adopted on 7 May 2014), are unrestricted. The Issuer will not engage in any business activity other than the issuance of the Capital Securities, the issuance of shares in its capital and other activities incidental or related to the foregoing. The obligations of the Issuer under the Capital Securities are irrevocably guaranteed by ENBD under the Guarantee.

### Financial Statements

Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer is a special purpose vehicle and is not required under the law of the Cayman Islands, and has no intention to, prepare its own financial statements.

### Directors of the Issuer

The board of directors of the Issuer and their principal occupations are as follows:

Director	Principal Occupation
Aazar Ali Khwaja .....	Group Treasurer of ENBD
Patrick Clerkin .....	Head of Investor Relations & Managing Director, Group Funding & Principal Investments of ENBD
Ajay Sehgal .....	Deputy General Manager, Treasury of ENBD
Ammar Al Haj.....	Director, Global Funding of ENBD

The business address of each member of the board of directors is Emirates NBD PJSC, Baniyas Road, Deira, P.O. Box 777, Dubai, United Arab Emirates.

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

The Issuer has no employees and is not expected to have any employees in the future.

## OVERVIEW OF THE UAE AND THE EMIRATE OF 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 on 2 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 the Emirate of Abu Dhabi.

The UAE as a whole extends along the West coast of the Arabian Gulf, from the coast of the Kingdom of Saudi Arabia near the base of the State of Qatar peninsula in the West to the Emirate of Ras Al Khaimah in the North and across the Mussandam peninsula to the Gulf of Oman in the East, covering an area of approximately 83,600 square kilometres in total.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates (the "**Supreme Council**"). The Supreme Council elects from its own membership the President and the Vice President (for renewable five year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

According to data published by the IMF in April 2013, the UAE is the second largest economy in the Gulf Cooperation Council (the "**GCC**") region after the Kingdom of Saudi Arabia based on nominal GDP. It has a more diversified economy than most of the other countries in the Gulf Cooperation Council (the "**GCC**"). According to OPEC data, as at 31 December 2012, the UAE had approximately 6.6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world), generating, according to data produced by the UAE National Bureau of Statistics, 30.8 per cent. of the UAE's GDP for the year ended 31 December 2012.

On 17 August 2014, Moody's reaffirmed the UAE's long term credit rating of Aa2 with a stable outlook. The principal reason cited for this high investment grade rating is the assumption that the obligations of the federal government will be fully supported by the Emirate of Abu Dhabi. The UAE is not rated by the other rating agencies.

### The Emirate of Dubai

The Emirate of Dubai is the second largest emirate in the UAE after the Emirate of Abu Dhabi, and is situated on the west coast of the UAE in the south-western part of the Arabian Gulf. It covers an area of approximately 4,357 square kilometres and, except for a tiny enclave in the Hajar Mountains at Hatta, the Emirate of Dubai comprises one contiguous block of territory. The Ruler of Dubai is Sheikh Mohammed bin Rashid Al Maktoum who is also the Vice President and Prime Minister of the UAE.

The Emirate of Dubai started as a pearl diving and fishing village in the first half of the eighteenth century. The growth of the Emirate began in the early part of the nineteenth century when members of the Bani Yas tribe, led by H.H. Sheikh Maktoum Bin Butti, left the Emirate of Abu Dhabi and migrated north to found an independent sheikhdom in the area now known as Dubai.

In the nineteenth century, Dubai, split by a 14 kilometre long creek that leads into a natural harbour, established itself as a centre for the import and re-export of merchandise and this trade activity, along with the pearling industry, were the most important pillars of Dubai's economic activity during the nineteenth century.

In the early part of the twentieth century, to counter the loss of economic activity from the decline in the pearling industry following the First World War, Dubai sought to attract traders through its liberal business policies and low taxes, enabling the Emirate to establish itself as a centre for trade in gold bullion, textiles and consumer durables.

In the 1930s and 1940s, oil was discovered in Kuwait, Qatar and Saudi Arabia, adding to that already found in Iran, Iraq and Bahrain. In 1958, oil was found off the shore of Abu Dhabi and, in 1966, oil was first discovered by the Dubai Petroleum Company at Fateh, which lies 92 km off the coast of Dubai. Over the years, oil revenues have been used to create and develop the economic and social infrastructure of the Emirate. In addition, as a regional trading hub, Dubai was well-placed to capitalise on the increase in Middle East business activity that came with oil exports.

Since the establishment of the UAE in 1971, the Emirate of 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.

## Population

The population of the UAE, based on a census carried out in 2005 and according to the UAE National Bureau of Statistics (the "NBS") was approximately 4.1 million, of whom approximately 1.3 million resided in Dubai. The NBS has estimated the population of the UAE to be approximately 8.3 million in 2010. The Dubai Statistics Centre has estimated the population of Dubai to be approximately 2.1 million at the end of 2012. The current census for 2011 is underway but, as at the date of this prospectus, census records have not been published.

The populations of both the UAE and Dubai have grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as the emirates have developed. The table below illustrates this growth using official census data since 1985 for the UAE:

### Population of UAE:

	1985	1995	2005	2010
Total population.....	1,379,303	2,411,041	4,106,427	8,264,070 <sup>(1)</sup>
Dubai population .....	370,788	689,420	1,321,453	1,905,476

Sources: Official UAE Census Data

Notes:

(1) NBS estimate.

### Estimated Population of Dubai:

The table below sets out the estimated population of Dubai at the end of each of the years indicated:

	2009	2010	2011	2012
Total population, Dubai.....	1,770,978	1,905,476	2,003,170	2,105,875

Source: Dubai Statistics Centre

The majority of the population of Dubai is estimated to be non-UAE nationals, mainly drawn from the Indian subcontinent, Europe and other Arab countries. Approximately 76 per cent. of the population is estimated to be male and 24 per cent. female, reflecting the large male expatriate workforce unaccompanied by family members.

The number of 'active individuals' present during the day in Dubai are estimated at considerably more (approximately 3.1 million at year-end 2012), many of whom work within Dubai yet reside outside of it.

As at 31 December 2012, it was estimated that approximately 15.1 per cent. of the population of Dubai was 19 years of age or under, 29.7 per cent. of the population was between 20 and 29 years of age, 34.5 per cent. of the population was between 30 and 39 years of age, 14.8 per cent. of the population was between 40 and 49 years of age, and 5.9 per cent. of the population was 50 years of age or older. Education and training are an important strategic focus for Dubai. The literacy rate in Dubai for persons at or above the age of 15 was estimated at 96.6 per cent. in 2012 (source: Dubai Statistics Centre).

## Governance, Legislation and Judiciary

### The UAE

#### UAE Constitution

The original constitution of the UAE (the "Constitution") was initially provisional and provided the legal framework for the federation. The Constitution was made permanent pursuant to a constitutional amendment in May 1996.

The major principle adopted by the Constitution was that jurisdiction for enacting substantive legislation was confined to the federal government, but the local governments of the seven Emirates were authorised to regulate those matters that were not the subject of legislation by the federal government.

Pursuant to Articles 120 and 121 of the Constitution, the federal government is responsible for foreign affairs; security and defence; nationality and immigration; education; public health; the currency; postal, telephone and other communications services; air traffic control and the licensing of aircraft and a number of other matters including labour relations; banking; the delimitation of territorial waters; and the extradition of criminals. Federal matters are regulated through a number of specially created federal ministries which include the Ministries of Defence, Economy, Finance, Foreign Affairs and Justice. Although most of the federal government ministries are based in the Emirate of Abu Dhabi, many also maintain offices in the Emirate of Dubai. The UAE's monetary and exchange rate policy is managed on a federal basis by the UAE Central Bank. Article 122 of the Constitution states that the Emirates shall have jurisdiction in all matters not assigned to the exclusive jurisdiction of the federation, in accordance with the provision of the preceding two Articles.

The individual Emirates are given flexibility in the governance and management of their own Emirates. The Constitution permits individual Emirates to elect to maintain their own competencies in certain sectors. Based on this flexibility, the Emirate of Dubai has elected to assume responsibility for its own education, judicial and public health systems. The natural resources and wealth in each Emirate are considered to be the public property of that Emirate.

Each Emirate manages its own budget on an independent basis and no Emirate has any obligation to contribute to the budget of any other Emirate. Each Emirate makes contributions to the federal budget in agreed amounts.

#### *Federal Supreme Council*

The UAE is governed by the Supreme Council of the Rulers of all the Emirates. This is the highest federal governing body and consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President of the UAE (for renewable five-year terms). Decisions relating to substantive matters are decided by a majority vote of five Emirates, provided that the votes of both the Emirate of Abu Dhabi and the Emirate of Dubai are included in that majority, but matters that are purely procedural are decided by a simple majority vote.

The Supreme Council is vested with legislative as well as executive powers. It ratifies federal laws and decrees, plans general policy and approves the nomination of the Prime Minister and accepts his resignation. It also relieves him from his post upon the recommendation of the President.

The then Ruler of the Emirate of Abu Dhabi, H.H. Sheikh Zayed bin Sultan Al Nahyan, was elected in 1971 as the first President of the UAE and was re-elected as President for successive five-year terms until his death in November 2004. The then Ruler of the Emirate of Dubai, H.H. Sheikh Rashid bin Saeed Al Maktoum, was elected in 1971 as the first Vice-President of the UAE and continued as Vice-President until his death in 1990. H.H. Sheikh Zayed bin Sultan Al Nahyan was succeeded by his son H.H. Sheikh Khalifa bin Zayed Al Nahyan as Ruler of Abu Dhabi who was elected as President of the UAE in November 2004 by the members of the Supreme Council. H.H. Sheikh Mohammed bin Rashid Al Maktoum became the Ruler of Dubai in January 2006 upon the death of his elder brother H.H. Sheikh Maktoum bin Rashid Al Maktoum who had ruled Dubai since 1990. He was also nominated by the President of the UAE, H.H. Sheikh Khalifa bin Zayed Al Nahyan, to be the next Prime Minister and Vice-President of the UAE in January 2006. The members of the Supreme Council accepted the President's nomination shortly thereafter.

#### *Federal Council of Ministers*

The Federal Council of Ministers (the "**Cabinet**") is described in the Constitution as the executive authority for the federation and is responsible for implementing policy decisions of the Supreme Council. The Cabinet is the principal executive body of the federation. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual federal budget.

Based in the Emirate of Abu Dhabi, the Cabinet is headed by the Prime Minister and consists of the Deputy Prime Minister and a number of other Ministers. These Ministers are normally



selected (for no fixed term) by the approval of the Supreme Council on the recommendation of the Prime Minister.

#### *Federal National Council*

The Federal National Council is a parliamentary body which comprises 40 members who are UAE nationals. Half of the members are appointed by their respective rulers and the other half is elected under an electoral process. Each Emirate appoints members for a particular number of seats based on such Emirate's population and size. The Emirates of Abu Dhabi and Dubai have eight members each, the Emirates of Ras Al Khaimah and Sharjah have six members each and the other Emirates have four members each. The nomination of representative members is left to the discretion of each Emirate, and the members' legislative term is four calendar years. The members represent the UAE as a whole rather than their individual Emirates.

Presided over by a speaker, or either of two deputy speakers elected from amongst its members, the Federal National Council has both a legislative and supervisory role under the Constitution. This means that it is responsible for examining and, if required, amending, all proposed federal legislation, and is empowered to summon and to question any federal minister regarding ministry performance. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself.

The inaugural Federal National Council elections were held in December 2006, following reforms to enhance public participation in the electoral process. Under these reforms, the Ruler of each emirate selected an electoral college numbering approximately 100 times the number of Federal National Council members for the relevant emirate. The members of each electoral college elected half of the Federal National Council members for their emirate, with the remainder being appointed by the Ruler of Dubai.

The most recent Federal National Council elections were held in September 2011, following the issuance of new electoral guidelines by the National Election Commission in May 2011, addressing the methods of selection of representatives to the Federal National Council, the role of the National Election Commission and its sub-committees and general rules on the elections, nominations, campaign, filing of appeals and timeline for the electoral process. On 24 September 2011, 468 candidates stood for election to the 20 elected positions on the Federal National Council, with a voter turnout across the UAE of 35,877, or 27.8 per cent. of an expanded electoral college of 129,274.

#### *Legal and Court System*

There are three primary sources of law in the UAE, namely: (i) federal laws and decrees (applicable in all seven Emirates); (ii) local laws and decrees (i.e. laws and regulations enacted by an individual Emirate); and (iii) the *Shari'a* (Islamic law). 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 Dubai or local government of each Emirate can apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter-Emirate disputes and disputes between the federal government and the Emirates.

In accordance with the Constitution, three of the seven Emirates (the Emirates of Abu Dhabi, Dubai and Ras Al Khaimah) have elected to maintain their own court system, separate from that of the UAE, and these courts have sole jurisdiction to hear cases brought in the respective Emirates. The judicial system in Dubai is comprised of: (i) a Court of First Instance; (ii) a Court of Appeal; and (iii) a Court of Cassation.

#### ***Emirate of 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 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**"); and (iii) the Executive Council (the "**Executive Council**"). The Dubai Department of Economic Development (the "**DED**") and the Dubai Department of Finance (the "**DOF**") are administrative bodies. All five of these entities have distinct roles:

*The Ruler's Court:* Except in relation to applicable federal laws, His Highness the Ruler of Dubai is the sole legislator for the Emirate and all Dubai laws are passed by His Highness after drafts of the laws have been approved by the Ruler's Court in consultation with the Executive Council. All other matters that require the involvement of His Highness the Ruler of Dubai are channelled through the Ruler's Court.

*Supreme Fiscal Committee:* The SFC was established in November 2007 to formulate the fiscal policies of the Government and to regulate the Government's borrowings. The SFC is authorised to approve borrowings by the Government and Government-owned entities on behalf of the Government. The SFC also aims to improve coordination between various Government entities, and to enable government 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 Health Authority, the Land Department, the Department of Civil Aviation, 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. In addition, the Executive Council 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 Emirate and federal levels.

*Department of Economic Development:* 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 Government 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.

*Department of Finance:* 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.

## **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.

### **Dubai Strategic Plan 2015**

In 2007, the Government adopted a set of guiding principles for the various sectors that comprise the Dubai Strategic Plan 2015 (the "**DSP 2015**"). The aim of the DSP 2015 is to ensure an understanding of the Government's vision among all government entities and a common framework for the operations of these entities. The DSP 2015 focuses on the core areas of economic development; social development; security, justice and safety; infrastructure, land and development; and government excellence.

The global economic crisis significantly impacted the Government's economic development plans and, as a result, the government is currently reassessing the stated aims of the DSP 2015 in the area of economic development. The DED has been given responsibility for revision of these aims. The stated aims of the DSP 2015 in all other areas remain unchanged.

### *Economic Development*

The DSP 2015 envisages that future economic growth will be focused on the following six sectors: travel and tourism; financial services; professional services; transport and logistics; trade and storage; and construction. These sectors were identified based on their then current status, international competitiveness, Dubai's capacity to develop them and the availability of necessary enabling factors. The DSP 2015 identifies seven enabling factors that need to be developed in parallel, namely human capital; productivity; science, technology and innovation; the cost of living and doing business; quality of life; economic policy and institutional framework; and laws and regulations.

The specific strategic approaches designed to achieve the DSP 2015's economic development goals are briefly described below:

- *Sector focus and development*: moving Dubai to a new growth path, coupled with future diversification, while maintaining the focus on high value-added sectors that can boost overall economic growth;
- *Productivity growth*: transforming Dubai into a hub of business excellence by raising the productivity of economic sectors and maintaining high production quality standards;
- *Human capital excellence*: preparing Dubai's workforce for the high-value, knowledge-driven economy, which requires attracting and retaining skilled employees, improving UAE nationals' qualifications and increasing their motivation;
- *Science, technology and innovation*: turning Dubai into a science and technology hub in targeted sectors, by supporting the development of existing sectors, and establishing the right environment for nurturing the post-2015 economy;
- *Cost of living and doing business*: ensuring and maintaining Dubai's competitiveness by managing the cost of living in the emirate;
- *Quality of life improvement*: establishing Dubai as a preferred home for current and future residents by improving the well-being of citizens and residents and helping them live healthier lives enriched with opportunity and choice; and
- *Economic policy and institutional framework*: striving for excellence in economic policy-making and deployment through coordination with the federal government, the provision of adequate data, and strengthening the institutional framework and capabilities.

Following the global economic crisis, the Government chose to reassess the economic growth and productivity goals set out in the DSP 2015. As part of this reassessment, which is still ongoing, the Government is in the process of preparing a Medium Term Economic Plan to be implemented through to 2015 (the "**Medium Term Economic Plan**"). The specific proposals and goals that will ultimately be included in the Medium Term Economic Plan will be based on an evaluation which was performed on the growth and performance of Dubai's economy during the period from 2000 to 2010. This review includes a macroeconomic and microeconomic analysis, including an analysis of the various sectors of Dubai's economy during this time, as well as the identification of broad economic development trends such as the importance of increased trade relations with emerging Asian economies such as India and China, the rapid growth in Dubai's labour force since 2000, with total domestic employment growing by 251 per cent. between 2001 and 2009, and the increased importance of Dubai's free trade zones.

The Medium Term Economic Plan is broadly envisioned to emphasise three goals. First, it will focus on reinforcing and growing Dubai's already established position as a regional and global hub for travel, tourism, trade, transportation and logistics services. Second, it will promote the expansion of Dubai's knowledge based economy by creating a regulatory and economic environment conducive for growing the financial and professional services industries, by attracting international companies to establish their headquarters in Dubai and by further establishing Dubai as a regional centre for the construction services industry. Third, it will continue to encourage major Dubai-based companies to expand globally, thereby deepening Dubai's interconnectedness with the global economy. Economic sectors such as retail and trade, transportation and logistics, tourism and financial services are therefore expected to remain important drivers of Dubai's economic growth in the future.

### *Social Development*

The DSP 2015 acknowledges that, for economic success to be sustainable, it is important that social development sector infrastructure be developed. To ensure that the social development sector is properly equipped to deliver the services required, the DSP 2015 set a number of development aims and strategies for achieving those aims. In particular, the aims and strategies focus on:

- preserving national identity and improving community cohesion through, among other measures, amending immigration rules to ensure and maintain a demographic balance and raising levels of cultural awareness and Arabic language proficiency;
- increasing UAE nationals' participation in the workforce and society by equipping them with the necessary life skills for living in a rapidly changing environment and supporting them to become preferred employees in strategic sectors;
- improving the achievement of students and ensuring that all UAE nationals have access to quality education through a range of measures targeted at improving educational facilities, governance, the quality of teaching staff, the curriculum and access to education;
- improving the quality of healthcare services and the health of the population through a range of measures targeted at, among other things, improving the quality and availability of healthcare facilities, governance and the introduction of health insurance;
- ensuring that quality social services are provided to meet the needs of the population by, among other measures, improving the availability of and access to appropriate services and mobilising voluntary social work and civil organisations;
- ensuring equality and acceptable working conditions for the workforce through coordination with the federal authorities to improve and update labour regulations, increasing the awareness of both employers and employees in relation to their respective rights and providing an environment which attracts and retains the necessary expertise; and
- enriching the cultural environment through the development of infrastructure, the identification of talent and the promotion of cultural events.

### *Infrastructure, Land and Environment*

The strategic vision for this sector is to integrate infrastructure development and environmental focus in order to achieve sustainable development. Within this context, the Government aims to provide a sustainable, effective and balanced infrastructure including all elements such as energy, electricity, water, roads, transportation and waste management while protecting the environment. In particular:

- urban planning will focus on optimising land use and distribution to balance economic, infrastructure and social development needs while preserving natural resources;
- the provision of efficient energy, electricity and water supplies to meet the emirate's growing needs;
- the provision of an integrated roads and transportation system to facilitate mobility and improve safety; and
- maintaining the emirate as a clean, attractive and sustainable environment.

### *Security, Justice and Safety*

The aims in this sector are to provide the infrastructure necessary to ensure human rights and public safety in light of the socio-economic environment and the global challenges faced by Dubai. In particular, there will be a focus on preserving security and order through improvements in the police force and border controls whilst ensuring the integrity and transparency of the security services and the protection of human rights. Crisis management and disaster contingency plans are to be developed to ensure the provision of necessary equipment and infrastructure in the event of a crisis.

In the justice area, access to, and the administration of, justice is to be improved through a range of measures aimed at improving case management, the quality of the judiciary and the elimination of existing economic, geographic, legal and protective barriers that impede access to justice.

In terms of safety, relevant safety regulations are to be improved and safety awareness raised and legislation relating to public health is to be updated and developed.

### *Government Excellence*

Although the Government has made progress in enhancing public sector performance in recent years, including through modernising operations, introducing e-government initiatives and promoting the use of advanced technologies, the emirate's leadership remains committed to further enhancing the Government's ability to continuously provide world-class services. The DSP 2015 envisages that the Government will focus on five long-term strategic aims:

- strengthening its strategic and forward-looking focus through implementing an integrated strategy across all government entities, developing mechanisms for risk identification and management and for the evaluation of policies after they have been implemented;
- enhancing the Government's organisational structures and accountability including through the introduction of key performance indicators;
- increasing efficiency through improved financial management techniques such as results-based budgeting, linking budgets to government priorities, ensuring that all departments move from cash based to accruals-based financial systems and updating accounting policies and the consolidation of accounts as well as outsourcing to the private sector where appropriate;
- enhancing responsiveness and customer service through technology improvements and the introduction of complaints and customer care programmes; and
- empowering and motivating public service employees through training, performance management and other tools.

In line with its strategic development plans, the Government implemented a number of reforms in 2007, including a public sector reorganisation to establish a more systematic form of government; to standardise legislation and governance across government institutions and agencies; and to clearly define the role of the various government entities. These changes, made as part of the Institutional Restructuring programme, were designed to bring about more transparent, efficient and accountable institutions. The Government also enacted a number of structural reforms to enhance public sector efficiency and the institutional framework in relation to the budget and debt management process, including the establishment of a new budget framework for performance management and enhanced budgeting and cash management capabilities.

### **International Relations**

Pursuant to Articles 120 and 121 of the UAE Constitution, foreign policy and international relations are a federal matter and, accordingly, Dubai does not enter into bilateral agreements with foreign governments.

The foreign policy of the UAE is based upon a set of guiding principles, laid down by the country's first President, Sheikh Zayed bin Sultan Al Nahyan. He derived these principles from his belief in the need for justice in international dealings between states, including the necessity of adhering to the principle of non interference in the internal affairs of others and the pursuit, wherever possible, of peaceful resolution of disputes, together with support for international institutions, such as the United Nations (the UN).

Within the Arabian Gulf region, and in the broader Arab world, the UAE has sought to enhance cooperation and to resolve disagreement through the pursuit of dialogue. Thus, one of the central features of the UAE's foreign policy has been the development of closer ties with its neighbors in the Arabian Gulf region. The Gulf Cooperation Council (GCC), which comprises the UAE, Kuwait, Saudi Arabia, Bahrain, Qatar and Oman, was founded at a summit conference held in Abu Dhabi in May 1981.

At the broader level of the Arab world as a whole, the UAE is committed to rebuilding a sense of common purpose among both its people and its governments and, to this end, has supported the strengthening of common institutions, such as the League of Arab States. Beyond the Arab world, the UAE has pursued a policy of seeking, wherever possible, to build friendly relations with other nations, both in the developing and in the industrialised world. The UAE also maintains cordial relations with other regional states and has established good relations with the United States of America and the European Union as well as with developing nations in Africa and many of the countries of the former Soviet Union. In 2010, the UAE entered into a nuclear cooperation agreement with the United States that provides the foundation for the UAE's civilian nuclear



energy programme and provides a legal framework for commerce in civilian nuclear energy between the two countries.

Since its establishment, the UAE has played an active role in the provision of financial aid to developing countries and has been a contributor of emergency relief to countries and areas affected by conflict and natural disasters. The philosophy behind the aid policy is two-fold: first, the provision of help for the needy is a duty incumbent on all Muslims and, second, the country's policy on utilisation of the revenues from its oil and gas production has always included a component that they should be devoted, in part, to helping other countries which have fewer natural resources.

The UAE is an active participant in a number of multi-lateral developmental institutions, including the International Bank for Reconstruction and Development (the World Bank), the IMF, the International Development Agency and regional bodies like the OPEC Fund for International Development, the Arab Gulf Fund for the UN, the Arab Bank for Economic Development in Africa, the Abu Dhabi-based Arab Monetary Fund and the Islamic Development Bank. In addition, the UAE is a member of various international organisations including, among others, the GCC, the UN, the League of Arab States, the Organisation of Islamic Countries, the Organisation of Arab Petroleum Exporting Countries, the Organisation of the Petroleum Exporting Countries (OPEC), the World Health Organisation, the International Organisation for Industrial Development, the World Trade Organisation and the Asia-Pacific Economic Co-operation.

The UAE has an ongoing dispute with Iran and is in continuing discussions with Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by Iran. The UAE believes that these islands should be returned to the emirate of Sharjah, which claims sovereignty over them, and is seeking to resolve the dispute through bilateral negotiations or a reference to international arbitration.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with 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 Saudi Arabia and Qatar over a maritime corridor which Qatar has purported to grant to Saudi Arabia, from within Qatar's own maritime waters, but which crosses part of the route of the gas pipeline between Qatar and the UAE.

### **Economy of the UAE**

The UAE is the second largest economy in the GCC after Saudi Arabia. According to OPEC data, at the end of 2012, the UAE had approximately 6.6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world). According to data produced by the UAE National Bureau of Statistics, the UAE's crude oil and natural gas sector accounted for approximately 31.2 per cent. and 30.6 per cent. of the UAE's GDP in real terms in 2012 and 2011 respectively.

The NBS has estimated on a preliminary basis that real GDP in the UAE for 2012 was AED 1,025.6 billion and in 2011 was AED 982.7 billion, representing a real GDP growth rate of 4.4 per cent. and 3.9 per cent. respectively, reflecting the general economic recovery in the wake of the global economic crisis. In 2010, the NBS estimated that real GDP in the UAE was AED 946.0 billion, representing a real GDP growth rate of 1.7 per cent. for that year.

The table below shows the UAE's nominal and real GDP and nominal and real GDP growth rates for each of the years indicated.

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
UAE Nominal GDP (AED millions).....	935,766	1,055,557	1,280,215	1,409,502
UAE Nominal GDP growth rates (%).....	(19.2)	12.8	21.3	10.1
UAE Real GDP (AED millions).....	930,475	946,021	982,725	1,025,623
UAE Real GDP growth rates (%).....	(4.8)	1.7	3.9	4.4

Sources: UAE National Bureau of Statistics and Ministry of Finance, preliminary estimates.

Although it has one of the most diversified economies in the GCC, the UAE's wealth remains largely based on oil and gas. Whilst, fluctuations in energy prices do have a bearing on economic growth, the UAE is generally viewed as being less vulnerable than some of its GCC neighbours, due to the growth in the non-oil sector, particularly trading, finance, real estate and tourism.



## ***Economy of Dubai***

Dubai has a diversified economy which has demonstrated renewed growth, with real GDP increasing by approximately 3.3 per cent. in 2011 and 4.4 per cent. in 2012 after the effects of the global economic recession led to a decrease in real GDP in 2009. Since the UAE was established, when approximately 50 per cent. of Dubai's GDP was oil-related, Dubai's reliance on oil has decreased significantly, with the mining, quarrying and oil and gas sector accounting for 1.5 per cent. of real GDP in 2012.

The table below shows Dubai's real GDP and real GDP growth rates for each of the years indicated:

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Nominal GDP (AED millions) .....	333,705	315,392	303,595 <sup>(1)</sup>	294,157
Nominal GDP growth (%) .....	5.8	3.9	3.2	(14.2)
Real GDP (AED millions) .....	318,379	304,989	295,256	285,162
Real GDP growth (%) .....	4.4	3.3	3.5	(2.7)

(1) Does not include the Non-Profit Organisations sector.

Source: Dubai Statistics Centre, NBS.

The real GDP of Dubai in 2012 equalled 31.0 per cent. of the real GDP of the UAE in the same year. In 2011 and 2010, the equivalent proportions were 31.0 per cent. and 31.2 per cent., respectively. Dubai's real GDP per capita in 2012 was approximately U.S.\$41,167, based on an assumed population of 2,105,875 and an exchange rate of U.S.\$1.00 = AED 3.6725.

Within Dubai, no single economic sector contributed more than 31 per cent. to total real GDP in 2012, with the largest sector being the wholesale and retail trade and repairing services sector which contributed AED 96.3 billion, or 30.3 per cent., of Dubai's real GDP, reflecting Dubai's strategic geographic location, rising levels of international trade and the Government's long-standing strategy of positioning Dubai as a trading centre. Other significant contributors to real GDP in 2012 include the manufacturing sector, which contributed AED 48.9 billion, or 15.4 per cent., to real GDP; the transport, storage and communications sector, which contributed AED 45.8 billion, or 14.4 per cent., to real GDP; the real estate and business services sector, which contributed AED 39.9 billion, or 12.5 per cent., to real GDP; the financial services sector, which contributed AED 35.4 billion, or 11.1 per cent., to real GDP and the construction sector, which contributed AED 24.8 billion, or 7.8 per cent., to real GDP. Together, these six sectors contributed 91.5 per cent. of total real GDP in 2012. By contrast, the government services sector contributed 5.6 per cent., the restaurants and hotels sector contributed 4.5 per cent. and the mining, quarrying and oil and gas sector contributed 1.5 per cent. to real GDP in 2012.

In terms of growth, the four strongest principal sectors in recent years have been the electricity and water sector, with a compound annual GDP growth rate of 14.1 per cent. between 2009 and 2012; the restaurants and hotels sector, with a compound annual GDP growth rate of 12.5 per cent. between 2009 and 2012; the domestic services sector, with a compound annual GDP growth rate of 11.9 per cent. between 2009 and 2012; and the manufacturing sector, with a compound annual GDP growth rate of 11.6 per cent. from 2009 to 2012.

Significant growth sectors for Dubai in 2012 were manufacturing, restaurants and hotels, transport, storage and communications and electricity and water. The manufacturing sector grew by 13.0 per cent. in real terms in 2012 principally due to increased demand for non-oil exports from Dubai, particularly industrial exports. The restaurants and hotels sector grew by 16.9 per cent. in real terms in 2012 as a result of increased tourism and higher revenues in the hotel sector. The transport, storage and communication sector grew by 7.3 per cent. in real terms in 2012 as a result of growth in foreign trade levels, an increase in activity at domestic ports and airports (which increased demand for freight and transportation services) and increased revenues collected from the transport sector as a result of a higher number of passengers using public transport. The electricity and water sector grew by 4.8 per cent. in real terms in 2012 as a result of increased generation and consumption of electricity and water in Dubai. In addition, the wholesale and retail trade and repairing services sector grew by 2.3 per cent. in real terms in 2012, largely due to increased economic activity and imports, as this sector depends largely on imports.

In contrast, since the middle of 2008, and reflecting the global financial crisis and sharp falls in international oil and gas prices, there have been significant declines in real estate sales prices and rental rates in the UAE as a whole and a significant slowdown in construction activity. These factors adversely impacted Dubai's GDP in 2010 and 2011, with the real estate and construction sectors declining in real terms in 2010 by 2.6 per cent. and 14.7 per cent., respectively, and in 2011 by 2.6 per cent. and 5.7 per cent., respectively (see "*Risk Factors – Factors that may affect ENBD's ability to fulfil its obligations under the Guarantee – Risks relating to the business of ENBD – Real estate exposure*"). However, in 2012, the real estate sector saw growth of 1.7 per cent., the first year of growth in that sector since 2008. In 2012, the construction sector saw a further decline of 4.2 per cent.

Each of the above sectors has benefitted from the Government's policies aimed at improving the business and investment environment and positioning Dubai as a regional hub, including specific high profile developments initiated by the Government and the establishment of a range of specialised free zones designed to attract new companies and investment. Other supply side factors supporting Dubai's longer-term economic growth have included the availability of labour and land for real estate development, significant levels of liquidity prior to late 2008 and increasing consumer wealth in the GCC and elsewhere, in part reflecting generally high oil and gas prices, an appropriate legal and regulatory framework and good infrastructure.

The Government continues to focus on economic diversification and in this respect is targeting the travel and tourism; financial services; professional services; transport and logistics; trade and storage and construction sectors in particular as areas for future growth.

The following table sets out Dubai's real GDP by economic activity and by percentage contribution, as well as the year-on-year growth rate, in the years 2009 to 2012:

Sector	2012			2011		
	AED million	% contribution	% growth	AED million	% contribution	% growth
Wholesale, retail trade and repairing services .....	96,337	30.3	2.3	94,135	30.9	5.8
Manufacturing .....	48,881	15.4	13.0	43,238	14.2	11.7
Transportation, storage and communication.....	45,782	14.4	7.3	42,672	14.0	2.7
Real estate and business services.....	39,869	12.5	1.7	39,219	12.9	(2.6)
Financial services .....	35,354	11.1	2.2	34,608	11.3	4.5
Construction .....	24,829	7.8	(4.2)	25,923	8.5	(5.7)
Government services. ....	17,920	5.6	0.1	17,902	5.9	(3.1)
Restaurants and hotels .....	14,380	4.5	16.9	12,303	4.0	14.7
Social and personal services .	6,333	2.0	3.2	6,134	2.0	4.1
Electricity and water.....	5,943	1.9	4.8	5,668	1.9	2.5
Mining, quarrying, oil and gas.	4,727	1.5	1.0	4,681	1.5	(9.3)
Domestic services of households.....	1,678	0.5	2.1	1,644	0.5	14.4
Agriculture, livestock and fishing .....	433	0.1	(1.0)	437	0.1	0.7
Less: Imputed bank services	(24,084)	(7.6)	2.2	(23,577)	(7.7)	4.5
	<b>318,382</b>	<b>100.0</b>	<b>4.4</b>	<b>304,989</b>	<b>100.0</b>	<b>3.3</b>

Source: Dubai Statistics Centre.

Sector	2010			2009		
	AED million	% contri- bution	% growth	AED million	% contri- bution	% growth
Wholesale, retail trade and repairing services .....	89,002	30.1	4.5	85,158	29.9	(0.9)
Manufacturing .....	38,719	13.1	10.1	35,181	12.3	6.2
Transportation, storage and communication.....	41,542	14.1	9.2	38,044	13.3	7.4
Real estate and business services.....	40,286	13.6	(2.6)	41,373	14.5	(19.8)
Financial services .....	33,115	11.2	(3.8)	34,424	12.1	6.3
Construction .....	27,494	9.3	(14.7)	32,214	11.3	(19.5)
Government services.....	18,474	6.3	20.9	15,275	5.4	36.8
Restaurants and hotels .....	10,729	3.6	6.3	10,094	3.5	4.6
Social and personal services .	5,894	2.0	0.8	5,845	2.0	12.1
Electricity and water.....	5,532	1.9	38.3	4,000	1.4	5.7
Mining, quarrying, oil and gas.	5,159	1.7	(4.0)	5,374	1.9	(0.9)
Domestic services of households.....	1,437	0.5	19.8	1,199	0.4	12.8
Agriculture, livestock and fishing .....	434	0.1	0.7	431	0.2	3.1
Less: Imputed bank services	(22,559)	(7.5)	(3.8)	(23,451)	(8.2)	6.3
	<b>295,256</b>	<b>100.0</b>	<b>3.5</b>	<b>285,162</b>	<b>100.0</b>	<b>(2.7)</b>

Source: Dubai Statistics Centre.

#### *Recent Developments and Credit Improvements*

While 2009 and 2010 were difficult years for Dubai with the overhang of the global recession, the debt crisis and a decline in the construction and real estate sectors, appropriate steps were taken to lead Dubai towards a recovery. Steps included a series of countercyclical measures, including fiscal and monetary stimuli implemented by the Government (see “– *The Government’s Support of Strategic Government Related Entities*” below).

#### **Foreign Direct Investment and Free Zones**

Dubai has a number of free zones which seek to attract foreign direct investment and which are described below. In addition, both local and foreign investors can establish a business presence in Dubai outside of the free zones.

There are many incentives for foreign corporate entities to set up in one of the free zones in Dubai. Foreign corporate entities can freely operate in the free zones and free zone entities can be 100 per cent. Foreign owned, unlike entities registered elsewhere in the UAE which require various degrees of local participation. Free zone entities are exempt from paying corporate tax for 15 years, renewable for an additional 15 years, and individuals are exempt from paying income tax. There are no currency restrictions levied on the capital or the profits of free zone entities and 100 per cent. of their capital and/or profit can be repatriated. The ability to import into the free zones and to export abroad without any import duties, taxes or currency restrictions being levied on the free zone entity is a strong incentive for foreign corporate entities wishing to carry on such activities from and into the Middle East region to set up in one of the free zones.

The incentives to set up in a free zone include a readily available workforce, no restrictions on the issuance of work permits and residence visas, availability of plots of land, pre built warehouses and offices on an annual lease basis, affordable workers’ accommodation and minimal legal and administrative procedures to commence operations.

Each free zone in Dubai is governed both by federal law as well as the laws of Dubai. In addition, each free zone is authorised to adopt and administer regulations which pertain to entities operating and licensed in that individual free zone. The Dubai Free Zones Council was established in 2011 in order to increase coordination amongst the various Dubai free zones and to assist them in unifying

the rules and regulations governing free zone companies, in particular the rules related to registration and licensing. In addition, Law No. 13 of 2011, introduced by the Government in September 2011, provides an additional incentive to establish free zone companies in Dubai by clarifying the ability of free zone companies to conduct business onshore in the Emirate. The law includes provisions which formalise a licensing regime which will enable such free zone companies to operate onshore after registering with the DED.

Dubai has a number of free zones, of which the most important are the Jebel Ali Free Zone, the Dubai Technology and Media Free Zone, the Dubai International Financial Centre, the Dubai Airport Free Zone and Dubai Silicon Oasis.

In addition, a number of sector-specific free zones for services and industry have been established, including Dubai Healthcare City, Dubai Textile City, Dubai Outsource Zone, Dubai Multi Commodities Centre Authority (DMCC) and Dubai Gold and Diamond Park.

### **The Government's Support of Strategic Government Related Entities**

The Government owns, or has significant investments in, strategic Government-related entities ("GREs") which have played a significant role in supporting and facilitating the Government's strategic development plan. Certain GREs have incurred indebtedness, including indebtedness from international financial institutions and in the international capital markets. As a result of the global financial crisis, sharp falls in international oil and gas prices, financial sector instability, limited access to credit and the significant decline in real estate values, both globally and in the Emirate of Dubai and the UAE, certain GREs have suffered from asset value deterioration, limited cash flow and have also experienced liquidity issues. Whilst not legally obliged to do so (under any guarantee or otherwise), the Government announced its intention to support certain entities in order to maintain stability in the UAE economy, the banking system and investor confidence and protect stakeholders.

On 25 March 2010, in light of the severe financial difficulties faced by Dubai World and its subsidiaries and Nakheel PJSC ("Nakheel"), the Government, Dubai World and Nakheel publicly announced proposals for the restructuring of the liabilities of Dubai World and its subsidiaries and Nakheel. It confirmed that the proposals followed a comprehensive analysis of the circumstances facing each company, and were developed in the interests of all stakeholders, including customers, contractors, employees and creditors.

The Government's announcement further explained that the Dubai Financial Support Fund (the "DFSF") would support the restructuring proposals with significant financial resources, including additional funding of up to U.S.\$9.5 billion over the restructuring period, sourced from: (i) U.S.\$5.7 billion, which was remaining from a loan previously made available by the Government of Abu Dhabi; and (ii) internal Government resources.

#### *Dubai World Restructuring*

On 23 March 2011, Dubai World signed a final agreement with each of its lenders to restructure its financing facilities, amounting to U.S.\$24.9 billion in debt. Under the terms of the two-tranche debt repayment plan, creditors will receive \$4.4 billion in five years while the second tranche will involve \$10.3 billion over eight years at a fixed interest rate of 2.4 per cent. per annum.

On 5 December 2013, Dubai World confirmed the sale of the Atlantis Hotel in Dubai. The sale is a part of a series of asset disposals by Dubai World which is focussed on divestment of non-core assets under its debt restructuring plan.

#### *Nakheel Restructuring*

On 24 August 2011, Nakheel completed a restructuring of its business and financial obligations. Pursuant to Nakheel's restructuring, the Government, acting through the Dubai Financial Support Fund, provided over U.S.\$10 billion of additional funds to Nakheel to fund operations and settle outstanding liabilities. Following the successful completion of Nakheel's restructuring, the company is now owned by the Government.

#### *Expo 2020*

Winning the right to host the World Expo in 2020 has crowned a strong 2013 for Dubai. GDP growth in 2013 has exceeded initial projections, the real estate sector continues to recover and equity markets (specifically, the DFM) have rebounded 75 per cent. during the period. Hosting Expo 2020 is anticipated to provide a boost to medium term growth and help to promote one of

the Government's broader economic strategies of growing its tourism and hospitality sector over the next few years.

The official impact assessment report indicates that nearly U.S.\$24 billion (AED 88 billion) could be added to Dubai's economy over 2014-2021, or almost 30 per cent. of Dubai's 2011 nominal GDP. Using official Government spending estimates, Expo 2020 is expected to add 0.5 per cent. per year to real GDP growth during the period from 2015-2017, rising to 1.0 per cent. per year over 2018-2020. Among other things, Expo 2020 is intended to help maintain Dubai's growth momentum beyond 2015 by providing a firm timetable for infrastructure delivery and a platform to market Dubai as a regional tourism, trade and business hub in the mid- to long-term.

#### *Refinancing of U.S.\$20 Billion Debt*

In 2009, the Government was granted certain facilities amounting to U.S.\$20 billion by the Abu Dhabi Department of Finance and the UAE Central Bank. In March 2014, the Abu Dhabi Department of Finance and the UAE Central Bank announced the signing of an agreement between the Government of Abu Dhabi and the Government for the refinancing of a U.S.\$10 billion loan, and the UAE Central Bank also signed an agreement for the re-discounting of bonds with a value of U.S.\$10 billion, issued by the Government. In both cases, the renewable tenure was set for five years, with a fixed interest rate of 1 per cent. for the entire tenure.

## THE UNITED ARAB EMIRATES BANKING AND FINANCIAL SERVICES SYSTEM

As Dubai does not have a separate monetary or financial system, this section describes the UAE's monetary and financial system generally, although certain sections focus specifically on Dubai where information is available.

### Monetary and Exchange Rate Policy

The UAE's monetary and exchange rate policy is managed by the UAE Central Bank. The principal objective of the UAE's monetary policy to date has been to maintain the stability of the fixed exchange rate regime and to manage inflation. In common with most other GCC countries, and reflecting the fact that oil and gas revenues are priced in US dollars, the UAE dirham is linked to the US dollar and the UAE authorities have expressed publicly their commitment to the UAE dirham and the fixed exchange rate regime. In the case of the UAE, the exchange rate has been maintained at AED 3.6725 = U.S.\$1.00 since 22 November 1980. There are no exchange controls in the UAE and the UAE dirham is freely convertible.

With the advent of the global financial crisis in 2008, the UAE's monetary policy was, in addition, focused on protecting its banking sector and a number of measures were announced by the UAE Central Bank and federal authorities in this regard. See *"Response to the Global Financial Crisis"* below.

### Liquidity and Money Supply

The following table sets out certain liquidity indicators for the UAE as at 31 December in each of the years 2009 to 2012:

	2009	2010	2011	2012
		<i>(in millions of AED)</i>		
Currency issued (M0).....	45,580	47,775	52,087	57,773
Money supply (M1).....	223,482	232,961	264,096	299,173
Private domestic liquidity (M2).....	740,618	786,388	825,758	862,374
Overall domestic liquidity (M3) .....	947,780	985,172	1,001,357	1,083,053
Private sector credit.....	723,866	720,617	730,861	729,032
Domestic credit.....	958,588	972,107	992,906	1,026,259

Sources: UAE Central Bank

Reflecting high oil prices through the first half of 2008, the UAE experienced significant capital inflows with broad money (comprising cash and money on deposit in banks in the domestic currency) expressed as a percentage of the UAE's nominal GDP being 58.3 per cent. as at 31 December 2008. AED term deposits in particular grew significantly in the period to mid-2008. The growth in liquidity was also reflected in increased availability of credit with high levels of both private sector credit and domestic credit as at 31 December 2008.

Reflecting the effects of the global financial crisis, the rate of growth in broad money has slowed, with broad money increasing by only 4.4 per cent. in the 12-month period from 31 December 2011 to 31 December 2012, compared with an increase of 5.0 per cent. in the 12-month period from 31 December 2010 to 31 December 2011, with private sector credit decreasing from AED 730,861 million as at 31 December 2011 to AED 729,032 million as at 31 December 2012. However, domestic credit increased from AED 992,906 million as at 31 December 2011 to AED 1,026,259 million as at 31 December 2012.

### Foreign Reserves

The following table sets out the foreign assets holdings of the UAE Central Bank as at 31 December in each of the years 2009 to 2012:

	2009	2010	2011	2012
		<i>(in millions of AED)</i>		
Foreign Assets Holdings .....	89,875	116,701	132,291	168,463

Sources: UAE Central Bank



These assets are principally held in deposit accounts with banks outside the UAE or are invested in securities and treasury bills issued by non-UAE issuers. The official reserves figure, however, excludes the stock of publicly controlled foreign assets held in other accounts by investment bodies controlled by individual Emirates.

In addition, the ruling families of the various emirates as well as the governments of the emirates and private citizens within the emirates have significant sums invested abroad.

Foreign currency reserves partially declined in the second half of 2008 and 2009 due to a drop in global oil prices as compared to oil prices prevailing in the first half of 2008, but subsequently increased in 2010 reflecting higher oil prices. This upward trend continued in 2011 and oil prices have remained stable since then.

### Banking and Financial Services

The financial corporations sector in Dubai contributed AED 34.5 billion (or 11.1 per cent. of Dubai's real GDP) in 2012.

Within the UAE as a whole, the financial sector was estimated to have contributed approximately 6.9 per cent. of real GDP in 2012 (according to preliminary estimates published by the NBS). With 51 licensed commercial banks (comprising 23 local banks with 834 branches and 28 licensed foreign banks with 86 branches) as at October 2013, serving a population estimated to be in the region of 8.3 million at the end of 2010, the UAE could be viewed as an over-banked market, even by regional standards.

UAE banks continue to be profitable, although they have been affected by the liquidity issues that have been experienced by banks globally since the second half of 2008. According to the UAE Central Bank, the aggregate loans and advances extended to residents and non-residents of the UAE at 31 October 2013 were AED 1,157.8 billion, compared to AED 1,099 billion at 31 December 2012, AED 1,071 billion at 31 December 2011 and AED 1,031.3 billion at 31 December 2010. Of these amounts, specific and general provisions were AED 94.9 billion, AED 85.4 billion, AED 71.6 billion and AED 56.8 billion, respectively equating to provision rates of 8.2 per cent., 7.7 per cent., 6.6 per cent. and 5.5 per cent., respectively.

The table below provides a statistical analysis of the UAE banking sector as at 31 December in each of 2009, 2010, 2011, 2012 and as at September 2013:

	2009	2010	2011	2012	Sep 2013 <sup>(2)</sup>
Total number of commercial banks	52	51	51	51	51
Total number of branches.....	756	815	851	890	920
Total number of employees.....	37,704	37,403	37,499	36,246	34,702
Total credit facilities <sup>(1)</sup>					
(AED millions) .....	958,588	972,107	992,906	1,026,259	1,087,267
Total assets <sup>(1)</sup>					
(AED millions) .....	1,521,002	1,609,257	1,665,220	1,794,395	1,910,938
Total deposits					
(AED millions) .....	982,579	1,049,628	1,069,750	1,167,797	1,269,908

Sources: UAE Central Bank

Notes:

(1) Net of provisions and interest in suspense.

(2) Estimated figures.

## Principal Banks in Dubai

The table below provides summary information for each of the five principal banks by asset size established in Dubai:

	<b>Number of Branches<sup>(1)</sup></b>	<b>Year Established</b>	<b>Government ownership</b>	<b>Assets<sup>(2)</sup></b>
				(AED billions)
Emirates NBD .....	150	2007(3)	55.6	342.1
Dubai Islamic Bank.....	68	1975	29.8	113.3
Mashreqbank.....	66	1967	—	89.7
Commercial Bank of Dubai.....	25	1969	20.0	44.5
Noor Islamic Bank .....	15	2008	25.0	21.3

Sources: UAE Central Bank and published financial statements.

Notes:

(1) As at 31 December 2012.

(2) As at 31 December 2013 (except Noor Islamic Bank – 30 June 2013).

(3) Year of merger of EBI and NBD.

## Supervision of Banks

The UAE Central Bank, established in 1980, is the governing body that regulates and supervises all banks operating in the UAE. The Central Bank has supervisory responsibility for all 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. Returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they are required to contain. An improved risk management framework is currently being implemented, which is designed to provide the UAE Central Bank with more up-to-date information on credit, market and operational risks within the banking sector.

The UAE Central Bank does not act as a lender of last resort, a role which tends to fall on the individual Emirates.

Federal Law No. 10 of 1980 (the “**1980 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 federal government on financial and monetary issues;
- maintain the federal government’s reserves of gold and foreign currencies;
- act as a bank for the federal government and other banks operating in the UAE; and
- act as the federal government’s financial agent with the IMF, the World Bank and other international financial organisations.

The UAE Central Bank is also responsible for regulating anti-money laundering activities in the UAE. It has established a Financial Intelligence Unit and hosted teams from the Financial Action Task Force (“**FATF**”) and the IMF who reviewed, discussed and tested existing UAE laws and regulations. This led the FATF to decide, in January 2002, that the UAE had put in place an adequate anti-money laundering system.

Since 1999, regulated banks in the UAE have been required to report in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

## Characteristics of the Banking System

The UAE banks are predominantly focused on the domestic market. With much of the economy directly or indirectly dependent on the oil sector, the UAE banks are vulnerable during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity. There is a high degree of state involvement in the UAE banking sector, with the five largest banks being controlled by the governments and/or ruling families of individual emirates.

Additionally, a number of banks have developed in the Islamic world, including in the UAE, to serve customers who wish to observe *Shari'a* principles, including the prohibition on the charging of interest on any financial transaction. These institutions offer a range of products, which broadly correspond to conventional banking transactions but are structured to ensure that all relevant *Shari'a* principles are complied with. The principal Dubai-based Islamic banks are Dubai Islamic Bank, Emirates Islamic, Dubai Bank (which was acquired in May 2011 by the Government and in October 2011 by Emirates NBD PJSC) and Noor Islamic Bank.

### **Structure of the Banking System**

Banking institutions in the UAE fall into a number of categories, as defined by the 1980 Law. Domestic commercial banks, also known as local banks, of which there were 23 as at 31 October 2012, are required to be public shareholding companies with a minimum share capital of AED 40 million.

Licensed foreign commercial banks, of which there were 28 as at 31 October 2012, need to demonstrate that at least AED 40 million has been allocated as capital funds for their operations in the UAE. The 1980 Law also licences financial institutions (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities but are not permitted to accept funds in the form of deposits), investment banks (institutions which may not accept deposits with maturities of less than two years but which may borrow from its head office or other banks and the financial markets) and financial and monetary intermediaries (money and stock brokers).

### **Response to the Global Financial Crisis**

#### ***Capital***

The national banks are well capitalised by international standards. The UAE Central Bank previously required all UAE banks to have a total capital adequacy ratio of at least 10 per cent. (of which Tier I capital must reach a minimum of 6 per cent. and Tier II capital may only be considered up to a maximum of 67 per cent. of Tier I capital), of total risk weighted assets. However, as a result of the global economic slowdown, the UAE Ministry of Finance and the UAE Central Bank temporarily increased the total capital ratio to 11 per cent. (from 30 June 2009) and 12 per cent. (from 30 June 2012). Subsequently, on 31 August 2009, the UAE Central Bank recommended that domestic and foreign banks operating in the UAE should ensure a minimum Tier I capital adequacy ratio of 7 per cent. with a minimum total capital adequacy ratio of 11 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 12 per cent. by 30 June 2010.

While 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.

Banks in the UAE 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 specific defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank.

The UAE banks were required to implement the Basel II Accord using the standardised approach for credit risk by December 2007 and all UAE banks were expected to be internal risk-based compliant for credit risk by 1 January 2011. The Basel II Accord requires banks to maintain a minimum capital adequacy ratio of 8 per cent. calculated as the percentage of total eligible regulatory capital to total risk weighted assets for credit risks, operational and market risks. Under Pillar II of the Basel II Accord, regulators could require some banks to provide additional capital based on the overall risk profile, beyond the minimum requirements under Pillar I of the Basel II Accord.

During 2009, the Government (acting through the ICD) subscribed for AED 4 billion of mandatory convertible securities issued by ENBD. In addition, the federal government provided AED 50 billion in deposits to UAE banks and UAE banks were given the option to convert those deposits into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE subsequently made such conversions. As a result, the average capital adequacy ratio of all UAE

national banks increased to 20.8 per cent. as at 31 December 2011 and as at 31 December 2010 from 19.2 per cent. as at 31 December 2009. The average capital adequacy ratio of all UAE national banks was 21.0 per cent. as at 31 December 2012. A number of banks have repaid their Tier II deposits either in full or in part.

The following table sets out the average capital adequacy ratio of all UAE national banks as at 31 December in each of the years 2009 to 2012.

	2009	2010	2011	2012
Total capital adequacy ratio (%).....	19.2	20.8	20.8	21.0
Tier I capital adequacy ratio (%).....	15.4	16.1	16.3	17.6

Sources: UAE Central Bank

Notes:

### **Liquidity**

Most of the UAE banks are funded through on-demand or time based customer deposits made by private individuals or private sector companies. Together, these deposits constituted approximately 63.8 per cent. of total deposits of the UAE banking sector at 28 February 2011. Government and public sector deposits contributed approximately 23.1 per cent. of total deposits at 28 February 2011. Non-resident sources contributed approximately 11.0 per cent. as at the same date.

There is currently 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 of banks were restructured by the authorities and, in May 2011, Dubai Bank was taken over by the Government, see "*Increased Provisions and Insolvencies*" below. 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. Thereafter, in May 2009, the UAE's Federal National Council approved a draft law guaranteeing federal deposits although the law remains unapproved.

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

Certain mortgage companies based in the UAE have experienced significant liquidity issues since 2008. One of these institutions is Tamweel, which was established in 2004 as a real estate Islamic finance provider. In October 2010, the Government supported the move by Dubai Islamic Bank to take a controlling stake in Tamweel (of 58.25 per cent.) and additionally assisted Tamweel in rolling over existing banking and corporate debts for five years. Subsequent to the support provided by Dubai Islamic Bank, Tamweel returned to profitability in 2010. Additionally, Tamweel's share listing on the DFM was restored on 10 May 2011, after having been suspended in November 2008.

The UAE Central Bank is expected to tighten regulations on how banks in the UAE manage liquidity through the introduction of new qualitative, quantitative and reporting requirements on liquidity risk management.

### **Increased Provisions and Insolvencies**

A number of UAE and Dubai banks have announced exposures to well-known GCC-based companies which have become insolvent or have been or are being restructured. These include the Saad and Algosaibi groups of Saudi Arabia, and Tabreed, the Dubai World group and the Dubai Group in the UAE. As a result of declining economic conditions since late 2008 and increasing insolvencies and restructurings, the total specific and general provisions recorded by banks in the UAE as at 31 October 2013, and for the years ended 31 December 2012, 31 December 2011 and 31 December 2010 were AED 94.9 billion, AED 85.4 billion, AED 71.6 billion and AED 56.8 billion,

respectively, equating to provision rates of 8.2 per cent., 7.7 per cent., 6.6 per cent. and 5.5 per cent., respectively.

In November 2010, the UAE Central Bank published a new set of rules making it mandatory for banks and financial institutions to make provisions for their impaired loans on a quarterly basis. The new guidelines prescribe specific provisions for three categories of impaired loans and stipulate that lenders should build up general provisions equal to 1.5 per cent. of risk weighted assets over a period of four years, up from the previous requirement of 1.25 per cent.

Dubai Bank was taken over by the Government in May 2011, supported by both the UAE Central Bank and the UAE Ministry of Finance. The objective was to ensure the preservation of all of Dubai Bank's depositors' interests and the takeover was designed to ensure that Dubai Bank's business continued uninterrupted while options for the bank's future were assessed. Subsequently, in October 2011, in accordance with a decree issued by the Ruler of Dubai, ENBD acquired a 100 per cent. stake in Dubai Bank, following which Dubai Bank became a fully-owned Islamic banking subsidiary of ENBD.

### ***Federal Debt Management***

In December 2010, the Federal National Council passed the Public Debt Law under which the total value of UAE's public debt should not be more than 25 per cent. of the GDP or AED 200 billion, whichever is lower at the time of issuing public debt. The Public Debt Law is awaiting the approval of the President of the UAE and is therefore yet to be enacted. The Public Debt Law could therefore change before it is enacted.

### ***Credit Information Agency***

In May 2010, the Government appointed the Emirates Credit Information Company ("**Emcredit**") as the official body for providing credit information services in Dubai. Emcredit is now the entity responsible for providing credit reporting services in the emirate, with responsibility for collecting, storing, analysing and disseminating credit information in Dubai. Additionally, in February 2011, the UAE Central Bank issued new regulations in relation to the retail banking sector, aimed at controlling lending activities and excessive charges by banks, whilst also protecting banks by regulating lending and encouraging banks to carry out proper due diligence on potential borrowers.

### ***Recent Trends in Banking***

#### ***Establishment of a Credit Bureau in the UAE***

Al Etihad Credit Bureau ("**AECB**"), a federal government company specialised in providing UAE-based credit reports and other financial information is expected to be operational in 2014 upon receiving formal approval of the bureau's regulations and credit report charges from the UAE Cabinet. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information. AECB expects to complete the agreements with the banks and create an electronic database by the time it commences operations.

During the six months ended 30 June 2014, the majority of the participating banks, including ENBD, made successful initial data submissions to AECB. More significantly, participating banks also had their first look at the bureau system as user acceptance testing commenced. 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 bring some reduction in risk in the origination of customer lending and banking business generally.

#### ***Large Exposures***

The Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) were previously as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);

- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and
- to Board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

On 18 November 2013, the Central Bank published the Large Exposure Notice amending certain of the large exposure limits set out above. The Large Exposure Notice was published in the Official Gazette on 30 December 2013 and entered into force on 30 January 2014. The Large Exposure Notice introduced new limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

	New Limit		Old Limit	
	Individual	Aggregate	Individual	Aggregate
UAE federal government and their non-commercial entities .....	Exempt	Exempt	Exempt	Exempt
UAE local government and their non-commercial entities .....	No cap for UAE local government; 25% for each non-commercial entity	100%	Exempt	Exempt
Commercial entities of UAE federal government and UAE local government .....	25%	100%	25%	None
Commercial or other (non-commercial) private sector entities and individuals .....	25% max	None	7%	None
Shareholders who own 5 per cent. or more of the bank's capital and related entities .....	20%	50%	7%	None
Exposure to bank's subsidiaries and affiliates .....	10%	25%	20%	60%
Board members .....	5%	25%	5%	25%

### ***New Mortgage Cap Regulation and Consumer Loan Regulation***

The Central Bank introduced regulations regarding bank loans and other services offered to individual customers by way of a circular dated 23 February 2011 the ("**Retail Circular**") on retail banking and notice no. 31/2013 dated 28 October 2013 (which was published in the UAE official gazette (the "**Official Gazette**") on 28 November 2013 and entered into force on 28 December 2013) (the "**Mortgage Regulations**"). These regulations, among other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products such as residential mortgage loans. For example, the Retail Circular requires 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.

The Mortgage Regulations, which supersede Central Bank notice no. 3871/2012 dated 30 December 2012, provide that the amount of mortgage loans for non-nationals should not exceed 75 per cent. of the property value for a first purchase of a home with a value of less than AED 5 million and, for a first purchase of a home with a value greater than AED 5 million, should not exceed 65 per cent. of the property value. For the purchase of a second or subsequent home, the limit for non-nationals is set at 60 per cent. of the property value (irrespective of the value of the property in question). The corresponding limits for UAE nationals 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). ENBD is compliant with the Retail Circular and the Mortgage Regulations. The Mortgage Regulations and



other circulars may affect ENBD's net retail income and may potentially add to market price volatility in the UAE real estate market.

## Insurance

There is an absence of published statistical data on the insurance sector in the UAE and Dubai. Insurance companies are regulated by the Insurance Division of the Federal Ministry of Economy.

## Capital Markets

The capital markets in the UAE are regulated by a number of entities including the Emirates Securities and Commodities Authority (the "**SCA**"), which licenses intermediaries to trade on the DFM and the Abu Dhabi Stock Exchange (the "**ADX**"). The SCA is a federal government organisation but has financial, legal and administrative independence.

In common with other regional exchanges, the DFM and ADX experienced a sustained decline in market capitalisation from mid-2008 to the end of 2010. However, the ADX recovered slightly in 2009, with a 17 per cent. increase in market capitalisation, following a fall of 43 per cent. in 2008.

The other significant stock exchange in the UAE is NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) which commenced operations in September 2005 and, as an entity based in the Dubai International Financial Centre, is separately regulated.

## Dubai Financial Market

The DFM, which is now, along with NASDAQ Dubai, owned by Borse Dubai, was established by the Government in 2000 as an independent entity and operates as a market for the listing and trading of shares, bonds and investment units issued by companies, investment funds and other local or foreign financial institutions that conform to its listing requirements.

The DFM Index stood at 1,353.4 as at 31 December 2011 compared to 1,630.5 as at 31 December 2010, a decrease of 17.0 per cent. during 2011. This is a reflection of reduced profits especially from the leading real estate sector. However, the DFM Index stood at 1,622.53 as at 31 December 2012, reflecting an increase of 20 per cent. from 2011. The total market capitalisation of the DFM Index reduced by 8.5 per cent. in 2011 reaching AED 182.0 billion as at 31 December 2011 down from AED 199.1 billion as at 31 December 2010. 2012 saw a slight increase of 0.8 per cent. in the total market capitalisation of the DFM Index reaching AED 183.4 billion as at 31 December 2012.

The following table sets out the number of traded shares, the value of traded shares, and the number of executed transactions on the DFM and the closing price of the DFM Index as at 31 December in each of the years 2009 to 2012:

	2009	2010	2011	2012
Number of Traded Shares ( <i>millions</i> ).....	110,700	38,392	25,163	40,463
Value of Traded Shares ( <i>AED millions</i> ) .....	173,600	69,665	32,088	48,774
Number of Trades .....	1,984,000	795,000	444,814	621,434
Market Capitalisation ( <i>AED millions</i> ) .....	213,377	199,086	181,993	183,386
DFM Index year-end index closing price.....	1,803.58	1,630.52	1,353.39	1,622.53

Source: Dubai Statistics Centre, DFM

The value of traded shares on the DFM decreased by 53.9 per cent. reaching AED 32.1 billion in 2011, down from AED 69.7 billion in 2010. The value of traded shares on the DFM increased by 52.0 per cent. reaching AED 48.8 billion in 2012, up from AED 32.1 billion in 2011. The number of shares traded decreased by 34.5 per cent. to AED 25.2 billion in 2011 from 38.4 billion in 2010. The number of shares traded increased by 60.7 per cent. to AED 40.5 billion in 2012 from 25.2 billion in 2011. The number of trades decreased by 44.0 per cent. to 444,814 in 2011 from 795,000 in 2010. The number of trades increased by 39.7 per cent to 621,434 in 2012 from 444,814 in 2011. The real estate and construction sector accounted for the highest value of trades in 2012, at AED 23.2 billion, representing 47.7 per cent. of the value of all traded shares. This was followed by the banking sector with a value of AED 8.9 billion, representing 18.2 per cent. of the value of all traded shares, the financial and investment services sector with a value of AED

5.1 billion, representing 10.5 per cent. of the value of all traded shares, and the services sector with AED 4.1 billion, representing 8.4 per cent. of the value of all traded shares.

### **NASDAQ Dubai**

NASDAQ Dubai (formerly known as the Dubai International Financial Exchange or DIFX) commenced operations in September 2005. On 22 December 2009, DFM announced that it had made an offer to Borse Dubai Limited and the NASDAQ OMX Group to acquire NASDAQ Dubai. The offer was valued at U.S.\$121 million and comprised U.S.\$102 million in cash and 40 million DFM shares. The merger was approved by Borse Dubai Limited and the OMX Group and was completed on 11 July 2010. Subsequent to the transaction, both NASDAQ Dubai and DFM are operating as two distinct markets that are subject to different regulatory frameworks. NASDAQ Dubai is regulated by the Dubai Financial Services Authority and the DFM is regulated by the SCA.

NASDAQ Dubai's standards are comparable to those of leading international exchanges in New York, London and Hong Kong. NASDAQ Dubai allows regional and international issuer's access to regional and international investors through primary or dual listings. Investors can access NASDAQ Dubai through a unique mix of regional and international brokers.

NASDAQ Dubai currently lists equities, equity derivatives, Dubai gold securities, structured products, sukuk and conventional bonds. It is one of the world's largest exchanges for sukuk, with 22 sukuk listed on NASDAQ Dubai as at 18 March 2014.

Equity listings on NASDAQ Dubai include DP World, which had the Middle East's largest IPO in 2007 at U.S.\$5.0 billion, as well as Damas, Depa and Gold Fields.

In 2011, the value of equities on NASDAQ Dubai declined by 29.0 per cent. to AED 3.4 billion compared to AED 4.8 billion in 2010. However the volume of equities traded fell in 2011 to 0.6 billion shares from 2.6 billion shares in 2010. The closing price of the NASDAQ Dubai UAE 20 Index as at 31 December 2011 was 1,374.4, down 23.7 per cent. from 31 December 2010 when the closing price was 1,800.6.

In 2012, the value of equities on NASDAQ Dubai declined by 45.2 per cent. to AED 1.9 billion compared to AED 3.4 billion in 2010. However the volume of equities traded fell in 2012 to 0.2 billion shares from 2011. The closing price of the NASDAQ Dubai UAE 20 Index as at 31 December 2012 was 1,820, up 32.4 per cent. from 31 December 2011.

The following table sets out the number of traded shares, the value of traded shares and the number of executed transactions on NASDAQ Dubai, the market capitalisation of NASDAQ Dubai and the closing price as at 31 December of the NASDAQ Dubai UAE 20 Index in each of the years 2009 to 2012:

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Number of Traded Shares ( <i>millions</i> ).....	3,096	2,623	602	259
Value of Traded Shares ( <i>AED millions</i> ) .....	3,952	4,805	3,410	1,867
Number of Executed Transactions.....	22,471	20,241	16,416	11,792
Market Capitalisation ( <i>AED millions</i> ) .....	181,229	183,337	32,777	36,426
NASDAQ Dubai UAE 20 year-end closing price..	1,851.35	1,800.58	1,374.39	1,820

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Sources: Dubai Statistics Centre, Bloomberg

## TAXATION

*The following is a general description of certain tax considerations relating to the Capital Securities. It does not purport to be a complete analysis of all tax considerations relating to the Capital Securities and does not constitute legal or tax advice. Prospective purchasers of Capital Securities should consult their tax advisers as to the consequences under the tax laws of the countries of their respective citizenship, residence or domicile of acquiring, holding and disposing of Capital Securities and receiving payments under the Capital Securities. This overview is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### Dubai and the United Arab Emirates

The following is a general overview of the current tax law and practice in Dubai and the UAE (to the extent applicable in Dubai) ("**Dubai Law**") and does not constitute legal or tax advice. Prospective investors in the Capital Securities are advised to consult their own tax advisers with respect to the tax consequences under the tax laws of the country in which they are resident, of the purchase ownership or disposition of the Capital Securities or any interest therein.

Under existing Dubai Law, although an income tax decree has been enacted in Abu Dhabi and in Dubai (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)) which provides for tax to be imposed on the taxable income of all bodies corporate which carry on a trade or business, the regime is not currently enforced. In practice, only companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE have been required to pay tax. There are currently no withholding taxes required to be levied under UAE, Abu Dhabi or Dubai law in respect of payments on debt securities (including in relation to the Capital Securities). In the event of the imposition of any withholding, each of the Issuer and ENBD (as applicable) has undertaken to gross-up any payments subject to certain limitations, as described in Condition 12 (*Taxation*).

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to revise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

### EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**Savings Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments, deducting tax at a rate of 35.0 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

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

The Council of the European Union formally adopted a Council Directive amending the Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or secured for, certain other

entities and legal arrangements. They also broaden the definition of “interest payment” to cover additional types of income payable on securities.

Investors who are in any doubt as to their position should consult their professional advisers.

### **The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a directive for a financial transactions tax (the “**FTT**”) to be adopted in certain participating EU Member States (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia) (the “**participating Member States**”).

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Capital Securities (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Capital Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Capital Securities.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Capital Securities are advised to seek their own professional advice in relation to the FTT.

### **Luxembourg Taxation**

The following overview is of a general nature. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Capital Securities should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

#### **(i) Luxembourg tax residency of the holders of the Capital Securities**

A holder of the Capital Securities will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Capital Securities, or the execution, performance, delivery and/or enforcement of the Capital Securities.

#### **(ii) Withholding Tax**

##### *Luxembourg resident individual holders of the Capital Securities*

Under Luxembourg general tax laws currently in force, and subject to the law of 23 December 2005 below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Capital Securities, nor on accrued but unpaid interest in respect of Capital Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Capital Securities held by Luxembourg resident holders of Capital Securities. However, under the Luxembourg law dated 23 December 2005 (the “**Law**”), a 10 per cent. Luxembourg withholding tax is levied since 1 January 2006 on interest payments made by Luxembourg-based paying agents (defined in a similar way as in the Savings Directive) to Luxembourg individual residents. This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Capital Securities. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

Furthermore, pursuant to the Law as amended by the law of 17 July 2008, Luxembourg resident individuals acting in the course of the management of their private wealth who are the beneficial owners of interest payments made by a paying agent established outside Luxembourg in a Member State of either the European Union or the EEA, or in a jurisdiction having concluded an agreement with Luxembourg in connection with the Savings Directive can opt to self declare and pay a 10 per cent. tax on these interest payments.

The withholding tax of 10 per cent. as described above is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

#### *Luxembourg non-resident holders of the Capital Securities*

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest in the context of the holding, disposal, redemption or repurchase of the Capital Securities, nor on accrued but unpaid interest in respect of the Capital Securities. However, under the Savings Directive and the Luxembourg laws dated 21 June 2005 (the “**Laws**”) implementing the Savings Directive and notifying several agreements concluded between Luxembourg and certain dependent or associated territories of the Member States, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State or a residual entity in the sense of article 4.2 of the Savings Directive, established in another Member State of the European Union unless the beneficiary of the interest payments elects for the procedure of the exchange of information or for the tax certificate procedure. The same regime applies to payments to individuals resident and residual entities established in certain dependent or associated territories of the EU.

The withholding tax rate is currently 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-European Union countries to the exchange of information relating to such payments.

In each case described here above, responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

On 18 March 2014, the Luxembourg government has submitted to the Luxembourg parliament the draft Law N°6668 putting an end to the withholding tax system as from 1 January 2015 and implementing the automatic provision of details on payments of interest (or similar income) under the Savings Directive for any payment made as from 1 January 2015. This draft law is in line with the announcement of the Luxembourg officials on 10 April 2013.

### **Cayman Islands**

The following is a discussion of certain Cayman Islands tax consequences of an investment in the Capital Securities issued by the Issuer. The discussion is a general overview 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:

- (a) payments of amounts in respect of any Capital Securities will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of the Capital Securities and gains derived from the sale of any Capital Securities will not 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;
- (b) no stamp duty is payable in respect of the issue or transfer of the Capital Securities although duty may be payable if Capital Securities are executed in or brought into the Cayman Islands; and
- (c) certificates evidencing the Capital Securities, in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. However, an instrument transferring title to such a Capital Securities, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and obtained an undertaking from the Governor-



in-Cabinet of the Cayman Islands, pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, that for a period of 20 years from the date of issue no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Issuer 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, bonds, sukuk or other obligations (which would include the Capital Securities) of the Issuer or by way of the withholding in whole or part of any relevant payment (as defined in Section 6(3) of the Tax Concessions Law (1999 Revision)).

An annual registration fee is payable by the Issuer to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. Person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer may be classified as an FFI. The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the Cayman Islands have entered into an agreement (the "**U.S.-Cayman Islands IGA**").

If the Issuer is deemed to be an FFI under FATCA, the Issuer expects to be treated as a Reporting FI pursuant to the U.S.-Cayman Islands IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Capital Securities are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Capital Securities is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Capital Securities are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Capital Securities by the Issuer any paying agent or the common depository, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Capital Securities. The documentation expressly contemplates the possibility that the Capital Securities may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Capital Securities will only be printed in remote circumstances.



If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Capital Securities, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Capital Securities, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

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

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the “**Subscription Agreement**”) dated 16 September 2014 between the Issuer, the Guarantor and the Joint Lead Managers, the Issuer has agreed to issue U.S.\$500,000,000 in aggregate principal amount of the Capital Securities and subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe or procure subscribers for the Capital Securities at the issue price of 100 per cent. of the principal amount of Capital Securities less certain commissions as described below.

The Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and offering of the Capital Securities. To the extent permitted by law, the Issuer, the Guarantor and the Joint Lead Managers may agree that commissions or fees may be paid to certain brokers, financial advisors and other intermediaries based upon the amount of investment in the Capital Securities purchased by such intermediary and/or its customers. Any disclosure and other obligations in relation to the payment of such commission to such intermediary are solely the responsibility of the relevant intermediary and none of the Issuer, the Guarantor, the Joint Lead Managers or any of their affiliates, nor any person who controls or is a director, officer, employee or agent of any such person accepts any liability or responsibility whatsoever for compliance with such obligations. Each customer of any such intermediary is responsible for determining for itself whether an investment in the Capital Securities is consistent with its investment objectives.

Any such agreement will extend to those matters stated under “*Form of the Capital Securities*” and “*Terms and Conditions of the Capital Securities*”. In the Subscription Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of Capital Securities and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

### Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities other than: (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**CO**”) or which do not constitute an offer to the public within the meaning of the CO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Capital Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to any Capital Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made under the SFO.

### United States

The Capital Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

Each Joint Lead Manager has represented and agreed that it has not offered and sold any Capital Securities, and will not offer and sell any Capital Securities: (a) as part of their distribution at any time; and (b) otherwise until 40 days after the completion of the distribution of all Capital Securities as determined and certified as provided below, constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Each Joint Lead Manager who purchases Capital Securities shall determine and certify to the Fiscal Agent the completion of the distribution of the Capital Securities. On the basis of such

notification or notifications, the Fiscal Agent has agreed to notify such Joint Lead Manager of the end of the distribution compliance period with respect to the Capital Securities.

Each Joint Lead Manager has also agreed that, at or prior to confirmation of sale of Capital Securities, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Capital Securities from it during the distribution compliance period, a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Joint Lead Manager, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Each Joint Lead Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Capital Securities, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Unless otherwise defined herein, terms used in the four preceding paragraphs have the meanings given to them by Regulation S under the Securities Act.

### **United Kingdom**

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of any Capital Securities in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Guarantor, would not apply, if it was not an authorised person; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Capital Securities in, from or otherwise involving the United Kingdom.

### **Japan**

The Capital Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**FIEA**”) and each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Capital Securities in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **The United Arab Emirates (excluding Dubai International Financial Centre)**

Each Joint Lead Manager has represented and agreed that the Capital Securities have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

### **Dubai International Financial Centre**

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Capital Securities to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules of the Dubai Financial Services Authority (the “**DFSA**”); and
- (b) made only to persons who meet the “Professional Client” criteria set out in Rule 2.3.2 of the Conduct of Business Module of the DFSA Rulebook.

### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Capital Securities. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **"Saudi Investor"**) who acquires any Capital Securities pursuant to an offering should note that the offer of Capital Securities is a private placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the **"KSA Regulations"**), through a person authorised by the Capital Market Authority (**"CMA"**) to carry on the activity of arranging securities and following a notification to the CMA under the KSA Regulations. The Capital Securities may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations.

Each Joint Lead Manager has represented and agreed that any offer of Capital Securities to a Saudi Investor will comply with the KSA Regulations.

### **Kingdom of Bahrain**

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Capital Securities except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **"accredited investor"** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### **State of Qatar (excluding the Qatar Financial Centre)**

Each Joint Lead Manager has represented and agreed that it will not offer, sell or deliver, directly or indirectly, any Capital Securities in the State of Qatar, except: (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

### **Cayman Islands**

Each Joint Lead Manager has represented and agreed that it shall not make, and has not made, any invitation or offer to the public in the Cayman Islands to subscribe for the Capital Securities.

### **General**

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Capital Securities or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Capital Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor ENBD nor any of the other Joint Lead Managers shall have any responsibility therefor.

Neither the Issuer nor ENBD nor any of the other Joint Lead Managers represents that Capital Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. Persons into whose possession this Prospectus or the Capital Securities may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of Capital Securities.

## GENERAL INFORMATION

### Authorisation

The giving of the Guarantee by ENBD and its entry into the Transaction Documents was duly authorised by a resolution of the ENBD's directors on 26 March 2014. The issue of Capital Securities by the Issuer and its entry into the Transaction Documents was duly authorised by a resolution of the Issuer's directors on 25 August 2014.

### Approval of the Prospectus, Admission to Trading and Listing of Capital Securities

Application has been made to the CSSF to approve this document as a prospectus. The CSSF assumes no responsibility as to the economic and financial soundness of the Capital Securities or in respect of the quality or solvency of the Issuer or ENBD pursuant to Article 7(7) of the Luxembourg Law. Application has also been made to the Luxembourg Stock Exchange for the Capital Securities to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's Regulated Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The Capital Securities are expected to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the Official List of the Luxembourg Stock Exchange on or around 17 September 2014. The total expenses relating to the admission to trading of the Capital Securities on the Luxembourg Stock Exchange's Regulated Market are expected to amount to approximately €6,500.

An application has been made for this Prospectus to be approved by the DFSA under Markets Rule 2.6. Application has also been made for the Capital Securities to be admitted to the Official List of securities maintained by the DFSA and to be admitted to trading on NASDAQ Dubai. The Capital Securities are expected to be admitted to the Official List of securities maintained by the DFSA and to be admitted to trading on NASDAQ Dubai on or around 17 September 2014. The total expenses relating to the admission to trading of the Capital Securities on NASDAQ Dubai are expected to amount to approximately U.S.\$20,500.

### Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of each of the Issuer and ENBD and from the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (a) the Memorandum and Articles of Association (with an English translation thereof) of each of the Issuer and ENBD;
- (b) the unaudited condensed consolidated interim financial statements of ENBD in respect of the six months ended 30 June 2014 (with an English translation thereof), together with the review report prepared in connection therewith;
- (c) the audited consolidated annual financial statements of ENBD in respect of the financial years ended 31 December 2013 and 2012 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith;
- (d) the Deed of Covenant, the Deed of Guarantee and the Agency Agreement (which contains the forms of the Global Certificate and the Individual Certificate); and
- (e) a copy of this Prospectus.

In addition, copies of the Prospectus and each document incorporated by reference are available on the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu).

### Clearing Systems

The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 111111413 and ISIN XS1111114135.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1 210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, *société anonyme*, 42 Avenue JF Kennedy, L-1855 Luxembourg.

**Significant or Material Change**

There has been no significant change in the financial or trading position of ENBD since 30 June 2014 and there has been no material adverse change in the prospects of ENBD since 31 December 2013.

There has been no significant change in the financial or trading position of the Issuer and there has been no material adverse change in the prospects of the Issuer, in each case, since the date of its incorporation on 7 May 2014.

**Litigation**

Neither the Issuer nor ENBD nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either the Issuer or ENBD is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, ENBD or the Group.

**Auditors**

The auditors of ENBD are Ernst & Young Middle East (Dubai Branch). Ernst & Young Middle East (Dubai Branch) were appointed as auditors of ENBD on 6 March 2013 and have audited, in accordance with International Standards on Auditing, ENBD's consolidated annual financial statements as of and for the year ended 31 December 2013 as stated in their report incorporated by reference herein.

Ernst & Young Middle East (Dubai Branch) is regulated in the UAE by the UAE Ministry of Economy which has issued Ernst & Young Middle East (Dubai Branch) with a licence to practice as auditors. There is no professional institute of auditors in the UAE and, accordingly, Ernst & Young Middle East (Dubai Branch) is not a member of a professional body in the UAE. All of Ernst & Young's audit partners are members of the institutes from where they received their professional qualification.

Prior to 6 March 2013, the auditors of ENBD were KPMG, who have audited ENBD's accounts, without qualification, in accordance with International Financial Reporting Standards for each of the two financial years ended 31 December 2012 and 31 December 2011.

KPMG is regulated in the UAE by the UAE Ministry of Economy which has issued KPMG with a licence to practice as auditors. There is no professional institute of auditors in the UAE and, accordingly, KPMG is not a member of a professional body in the UAE. All of KPMG's audit professionals and partners are members of the institutes from where they received their professional qualification.

Since the date of its incorporation, no financial statements of the Issuer have been prepared and the Issuer is not required by Cayman Islands law to do so.

**Joint Lead Managers Transacting with the Issuer and ENBD**

In the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or ENBD or ENBD's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with ENBD routinely hedge their credit exposure to ENBD consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of Capital Securities. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.



#### **ISSUER**

**Emirates NBD 2014 Tier 1 Limited**  
c/o Deutsche Bank (Cayman) Limited  
Boundary Hall, Cricket Square  
171 Elgin Avenue  
P.O. Box 1984  
Grand Cayman, KY1-1104  
Cayman Islands

#### **GUARANTOR**

**Emirates NBD PJSC**  
P.O. Box 777  
Dubai  
United Arab Emirates

#### **FISCAL AGENT AND CALCULATION AGENT**

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

#### **REGISTRAR AND TRANSFER AGENT**

**Deutsche Bank Luxembourg S.A.**  
2 Boulevard Konrad Adenauer  
L-1115 Luxembourg

#### **LEGAL ADVISERS**

*To the Guarantor as to English law and UAE law*

#### **Clifford Chance LLP**

Building 6, Level 2  
The Gate Precinct  
Dubai International Financial Centre  
P.O. Box 9380  
Dubai  
United Arab Emirates

*To the Issuer as to Cayman law*

#### **Turners**

Strathvale House  
90 North Church Street  
P.O. Box 2636  
Grand Cayman, KY-1102  
Cayman Islands

*To the Joint Lead Managers as to English law and UAE law*

#### **Allen & Overy LLP**

Level 2  
The Gate Village Building GV08  
Dubai International Financial Centre  
P.O. Box 506678  
Dubai  
United Arab Emirates

## **AUDITORS**

*To ENBD since 6 March 2013*

### **ERNST & YOUNG MIDDLE EAST (DUBAI BRANCH)**

28th Floor, Al Attar Business Tower  
Sheikh Zayed Road  
P.O. Box 9267  
Dubai  
United Arab Emirates

*To ENBD prior to 6 March 2013*

### **KPMG**

Emirates Towers  
Sheikh Zayed Road  
P.O. Box 3800  
Dubai  
United Arab Emirates

## **JOINT GLOBAL COORDINATORS AND STRUCTURING BANKS**

### **Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
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### **Standard Chartered Bank**

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