

IMPORTANT NOTICE

THE ATTACHED BASE PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE OUTSIDE OF THE UNITED STATES.

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

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER 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, PLEDGED OR OTHERWISE TRANSFERRED 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).

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE DEALERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THIS BASE PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

THE ATTACHED BASE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THE ATTACHED BASE PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 12, ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS BASE PROSPECTUS MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of Your Representation: By accessing the attached Base Prospectus you confirm to Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank as dealers (together the "**Dealers**"), and the Trustee, as issuer of the Certificates (as defined in the attached Base Prospectus), that: (i) you understand and agree to the terms set out herein; (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions; (iii) you consent to delivery of the attached Base Prospectus by electronic transmission; (iv) you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Dealers; and (v) you acknowledge that

you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

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

If you received the attached Base Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your email software, will be ignored or rejected. If you received the attached Base Prospectus by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Trustee in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in the attached Base Prospectus.

The attached Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Dealers, the Trustee, First Gulf Bank P.J.S.C. ("**FGB**") nor any person who controls or is a director, officer, employee or agent of the Dealers, the Trustee, FGB nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

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



FGB SUKUK COMPANY LIMITED

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

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

Trust Certificate Issuance Programme

Under this U.S.\$3,500,000,000 trust certificate issuance programme (the "**Programme**"), FGB Sukuk Company Limited (in its capacity as issuer (the "**Issuer**") and as issuer and trustee, the "**Trustee**") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue trust certificates (the "**Certificates**") in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below).

Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$3,500,000,000 (or its equivalent in other currencies calculated as provided in the Programme Agreement described herein), subject to increase as described herein.

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

The Certificates will be limited recourse obligations of the Trustee. An investment in Certificates issued under the Programme involves certain risks. For a discussion of these risks, see "Risk Factors".

Each Series (as defined herein) of Certificates issued under the Programme will be constituted by: (i) an amended and restated master declaration of trust dated 21 April 2016 (the "**Master Declaration of Trust**") entered into between the Trustee, First Gulf Bank P.J.S.C. ("**FGB**" or "**Obligor**") and Citicorp Trustee Company Limited as delegate of the Trustee (in such capacity, the "**Delegate**"); and (ii) a supplemental declaration of trust (the "**Supplemental Declaration of Trust**") in relation to the relevant Series. Certificates of each Series confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the "**Trust**") over the relevant Trust Assets (as defined herein).

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

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

Moody's Singapore is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (the "CRA Regulation"). The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch, S&P and Moody's is established in the European Union and is registered under the CRA Regulation.

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

The Programme also permits Certificates to be issued on the basis that they will not be admitted to listing, trading on a regulated market for the purposes of MiFID in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system ("**Exempt Certificates**") or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Trustee and FGB.

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Fatwa and Shari'a Supervisory Board of FGB from time to time, the Shari'a Supervisory Committee of Standard Chartered Bank and the Executive Shariah Committee of HSBC Saudi Arabia Limited. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in the approval referred to above is in compliance with Shari'a principles.

Arrangers

Citigroup
National Bank of Abu Dhabi P.J.S.C.

HSBC
Standard Chartered Bank

Dealers

Citigroup
HSBC

Crédit Agricole CIB
National Bank of Abu Dhabi P.J.S.C.

Deutsche Bank
Standard Chartered Bank

IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "Prospectus Directive") in respect of all Certificates other than Exempt Certificates issued under the Programme, and for the purpose of giving information with regard to the Trustee, FGB and the Certificates which, according to the particular nature of the Trustee, FGB and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and FGB.

The Issuer and FGB accept responsibility for the information contained in this Base Prospectus, the applicable Final Terms (as defined below) or (in the case of Exempt Certificates) the applicable Pricing Supplement (as defined below) for each Series (as defined herein) of Certificates issued under the Programme and each declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

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

The Dealers and the Delegate have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers and the Delegate as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Trustee or FGB in connection with the Programme. No Dealer nor the Delegate accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Trustee and FGB in connection with the Programme.

Each Series of Certificates will be issued on the terms set out herein under "*Terms and Conditions of the Certificates*" (the "**Conditions**") as supplemented by a document specific to such Series called the applicable final terms (the "**Final Terms**") or (in the case of Exempt Certificates) the applicable pricing supplement (the "**Pricing Supplement**") or in a separate prospectus specific to such Series (the "**Drawdown Prospectus**") as described under "*Final Terms, Pricing Supplements and Drawdown Prospectuses*" in this Base Prospectus. In the case of a Series of Certificates which is the subject of a Pricing Supplement or a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the applicable Final Terms shall be read and construed as a reference to such information being specified or identified in the applicable Pricing Supplement or Drawdown Prospectus unless the context requires otherwise.

This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Series (as defined herein) of Certificates, should be read and construed together with the applicable Final Terms.

No person has been authorised by the Trustee or FGB to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme any information supplied by the Trustee or FGB or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, FGB, the Delegate or any of the Dealers.

None of the Arrangers, the Dealers, the Delegate or any of their respective affiliates make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Certificate shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Trustee or FGB since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other

information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Delegate and the Dealers expressly do not undertake to review the financial condition or affairs of the Trustee or FGB during the life of the Programme or to advise any investor in the Certificates of any information coming to their attention.

No comment is made or advice given by, the Trustee, FGB, the Delegate or the Dealers in respect of taxation matters relating to any Certificates or the legality of the purchase of Certificates by an investor under applicable or similar laws.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Trustee, FGB and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Certificates and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Certificates, see "*Subscription and Sale*". In particular, the Certificates have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"). Subject to certain exceptions, Certificates may not be offered, sold or delivered within the United States or to U.S. persons as defined in Regulation S under the Securities Act ("**Regulation S**"). The Trustee, FGB, the Delegate and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Certificates 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.

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

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

The Certificates may not be a suitable investment for all investors. Each potential investor in the Certificates 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 Certificates, the merits and risks of investing in the Certificates and the information contained or incorporated by reference in this Base Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates 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 Certificates, including where the currency of payment is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Certificates 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 and other factors that may affect its investment and its ability to bear the applicable risks.

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

The investment activities of certain investors are subject to investment laws and regulations, or the review of such laws and regulations by certain governmental or regulatory authorities. Each potential investor should consult its legal and tax advisers to determine whether and to what extent: (i) the Certificates constitute legal investments for it; (ii) the Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Certificates by the investor. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules and regulations. In addition, potential investors should consult their own tax advisers on how the rules relating to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**") may apply to payments they receive under the Certificates.

The requirement to publish a base prospectus under the Prospectus Directive only applies to Certificates which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "**Exempt Certificates**" are to Certificates issued by the Issuer for which no base prospectus is required to be published under the Prospectus Directive. Exempt Certificates do not form part of this Base Prospectus for the purposes of the Prospectus Directive and the United Kingdom Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Certificates.

PRESENTATION OF INFORMATION

Certain Defined Terms

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

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

Certain Conventions

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

All references in this Base Prospectus to "**U.S. dollars**", "**U.S.\$**", "**dollars**" and "**\$**" refer to United States dollars being the legal currency for the time being of the United States of America; all references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the Treaty on the Functioning of the European Union, as amended; and all references to "**dirham**" and "**AED**" refer to U.A.E. dirham being the legal currency for the time being of the U.A.E. The dirham has been pegged to the U.S. dollar since 22 November 1980. The midpoint between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00.

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

NOTICE TO UK RESIDENTS

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

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

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

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

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

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

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

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

NOTICE TO RESIDENTS OF MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within categories set out in Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) read together with Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or FGB and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Base Prospectus does not and is not intended to constitute an offer, sale or delivery of certificates, bonds or other debt financing instruments under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in

accordance with their regulations or any other regulations in the State of Qatar. The Certificates are not and will not be traded on the Qatar Stock Exchange.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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

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

STABILISATION

In connection with the issue of any Series, the Dealer or Dealers (if any) named as the stabilisation manager(s) in the relevant subscription agreement (the "Stabilisation Manager") (or persons acting on behalf of the Stabilisation Manager(s)) may over allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager(s) shall act as principal and not as agent of the Trustee or FGB. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of the Stabilisation Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the Issue Date of the relevant Series, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Series and 60 days after the date of the allotment of the relevant Series. The Stabilisation Manager(s) (or persons acting on behalf of the Stabilisation Manager(s)) must conduct such stabilisation in accordance with all applicable laws and rules with the prior consultation and prior agreement of the Dealers. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Dealers, with the prior consultation and prior agreement of the Dealers.

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DOCUMENTS INCORPORATED BY REFERENCE

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

1. the auditors' report and the audited consolidated financial statements of FGB for the year ended 31 December 2014, which also include the comparative balances for the year ended 31 December 2013; and
2. the auditors' report and the audited consolidated financial statements of FGB for the year ended 31 December 2015.

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

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

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

OVERVIEW OF THE PROGRAMME

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

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

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

Issuer and Trustee: FGB Sukuk Company Limited, as trustee for and on behalf of the Certificateholders and, in such capacity, as issuer of the Certificates, an exempted company with limited liability incorporated on 1 June 2011 in accordance with the laws of, and formed and registered in, the Cayman Islands with registered number 257247 with its registered office at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party. FGB Sukuk Company Limited shall on each Issue Date issue the Certificates to the Certificateholders and act as Trustee in respect of the Trust Assets for the benefit of the Certificateholders.

Obligor, Buyer and Wakeel: First Gulf Bank P.J.S.C., was incorporated in the U.A.E. in 1979 for a duration of 100 years and is registered as a public joint stock company with limited liability in accordance with U.A.E. Federal Law No. 2 of 2015. FGB's commercial registration number is 1002668 and its registered address and telephone number are P.O. Box 6316, Abu Dhabi, U.A.E. and +971 2 681 6666, respectively.

Ownership of the Trustee: The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held by MaplesFS Limited, with registered office at P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands on trust for charitable purposes.

Administration of the Trustee: The affairs of the Trustee are managed by MaplesFS Limited (the "**Trustee Administrator**"), who provide, *inter alia*, corporate administrative services and director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement (as amended and restated from time to time) made between the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**").

Arrangers: Citigroup Global Markets Limited, HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank

Dealers: Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C., Standard Chartered Bank and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates.

Delegate: Citicorp Trustee Company Limited.

**Principal Paying Agent,
Calculation Agent and Transfer
Agent:**

Citibank N.A., London Branch.

Registrar:

Citigroup Global Markets Deutschland AG.

Initial Programme Amount:

Up to U.S.\$3,500,000,000 (or its equivalent in other currencies) aggregate face amount of Certificates outstanding at any one time. The amount of the Programme may be increased in accordance with the terms of the Programme Agreement.

Issuance in Series:

The Certificates will be issued in series (each series of Certificates being a "**Series**"). The specific terms of each Series will be completed in a final terms document (the "**applicable Final Terms**").

Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies:

Subject to any applicable legal and/or regulatory and/or central bank requirements, any currency agreed between the Trustee, FGB and the relevant Dealer.

Maturities:

The Certificates will have such maturities as may be agreed between the Trustee, FGB and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the relevant Specified Currency (as defined in the applicable Final Terms).

Issue Price:

Certificates may be issued at any price on a fully paid basis, as specified in the applicable Final Terms. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, FGB and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Status of the Certificates:

Each Certificate will represent an undivided *pro rata* ownership interest in the Trust Assets of the relevant Series, will be a limited recourse obligation of the Trustee and will rank *pari passu*, without preference or priority, with all other Certificates of the relevant Series issued under the Programme.

In respect of each Series, the Trustee shall hold the relevant Trust Assets for such Series upon trust absolutely for and on behalf of the Certificateholders of such Series according to the face amount of Certificates held by each holder of the relevant Series of Certificates. The "**Trust Assets**" of the relevant Series will comprise: (i) the cash proceeds of the issue of the Certificates, pending the application thereof in accordance with the terms of the Transaction Documents; (ii) the interests, rights, title, benefits and entitlements, present and future of the Trustee in, to and under the Sukuk Assets from time to time (excluding any representations given by FGB to the Trustee and/or the Delegate under any Transaction Documents constituting the Sukuk Assets from time to time); (iii) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by FGB to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to clause 17.1 of the Master Declaration of Trust); (iv) all moneys standing

to the credit of the Transaction Account from time to time; and (v) all proceeds of the foregoing.

- Periodic Distribution Amounts:** Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.
- Cross-Default:** The Certificates will have the benefit of a cross-default provision, as described in Condition 14 (*Dissolution Events*).
- Negative Pledge:** The Certificates will have the benefit of a negative pledge granted by FGB, as described in Condition 5 (*Negative Pledge*).
- Dissolution on the Scheduled Dissolution Date:** Unless the Certificates are previously redeemed or purchased and cancelled in full, each Certificate shall be finally redeemed at its Dissolution Distribution Amount and the Trust in relation to the relevant Series shall be dissolved by the Trustee on the Scheduled Dissolution Date specified in the applicable Final Terms.
- Dissolution Amount:** Means, in relation to a particular Series, either:
- (a) the Dissolution Distribution Amount, being;
 - (i) the sum of: (A) the outstanding face amount of such Series; and (B) any due but unpaid Periodic Distribution Amounts for such Series; or
 - (ii) such other amount specified in the applicable Final Terms as being payable upon dissolution of the relevant Series; or
 - (b) the Certificateholder Put Option Dissolution Amount; or
 - (c) the Change of Control Put Option Dissolution Amount; or
 - (d) the Early Dissolution Amount (Tax); or
 - (e) the Optional Dissolution Amount.
- Dissolution Events:** The Dissolution Events are described in Condition 14 (*Dissolution Events*). Following the occurrence of a Dissolution Event which is continuing, the Certificates of the relevant Series may be redeemed in full at an amount equal to the relevant Dissolution Distribution Amount and the Trust in relation to the relevant Series shall be dissolved by the Trustee on any Dissolution Event Redemption Date. See Condition 14 (*Dissolution Events*).
- Early Dissolution for Tax Reasons:** Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 11 (*Taxation*) or FGB has or will become obliged to pay any additional amounts in respect of amounts payable under the Transaction Documents as a result of a change in the laws of a Relevant Jurisdiction (as defined in the Conditions), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (as defined in the Conditions) of the relevant Series and such obligation cannot be avoided by the Trustee or FGB, as applicable, taking reasonable measures available to it, the Trustee will, on giving not less than the Minimum Notice Period nor more than the Maximum Notice Period (each as specified in

the applicable Final Terms) give notice to Certificateholders (which notice shall be irrevocable), redeem the Certificates in whole but not in part at an amount equal to the relevant Early Dissolution Amount (Tax) on any Early Tax Dissolution Date subject to and in accordance with Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Taxation Reasons*).

Optional Dissolution Right:

If so specified in the applicable Final Terms, FGB may, in accordance with Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of FGB*), require the Trustee, on giving not less than the Minimum Notice Period nor more than the Maximum Notice Period (each as specified in the applicable Final Terms) give notice to the Certificateholders (which notice shall be irrevocable) to redeem all or, if so provided, some of the Certificates only on any Optional Dissolution Date subject to and in accordance with Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of FGB*). Any such redemption of Certificates shall be at their Optional Dissolution Amount.

Change of Control Put Option:

If so specified in the applicable Final Terms, the Trustee may, in accordance with Condition 10(e) (*Capital Distributions of the Trust – Redemption at the Option of the Certificateholders (Change of Control Put Option)*), upon the occurrence of a Change of Control Event (as defined in the Conditions) (and following the notification thereof by FGB to the Trustee and the Delegate), in the event that Certificateholders holding Certificates of the relevant Series elect within 90 days of a notice that a Change of Control Event has occurred being delivered to the Certificateholders (the "**Change of Control Put Period**") by the Trustee to redeem their Certificates (the "**Change of Control Certificates**"), on any Change of Control Put Option Date at the Change of Control Put Option Dissolution Amount subject to and in accordance with Condition 10(e) (*Capital Distributions of the Trust – Redemption at the Option of the Certificateholders (Change of Control Put Option)*).

Certificateholder Put Option:

If so specified in the applicable Final Terms, the Trustee shall, at the option of the holder of any Certificates, upon the holder of such Certificates giving not less than the Minimum Notice Period nor more than the Maximum Notice Period (each as specified in the applicable Final Terms) to the Trustee and FGB, redeem such Certificates on any Certificateholder Put Option Date at the Certificateholder Put Option Dissolution Amount subject to and in accordance with Condition 10(d) (*Capital Distributions of the Trust – Certificateholder Put Option*).

Cancellation of Certificates held by FGB and/or any of its Subsidiaries:

Pursuant to Condition 13(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by FGB and/or any of its Subsidiaries*), FGB and/or any of its subsidiaries may at any time purchase Certificates in the open market or otherwise. If FGB wishes to cancel such Certificates purchased by it and/or any of its subsidiaries (the "**Cancellation Certificates**"), FGB may, in accordance with the Conditions and the Master Declaration of Trust, and following the service of a cancellation notice by FGB to the Trustee, require the Trustee, any time prior to the Scheduled Dissolution Date, to cancel any Cancellation Certificates surrendered to it by FGB and/or any of its subsidiaries.

Limited Recourse:

Each Certificate of a particular Series will represent an undivided *pro rata* ownership interest in the Trust Assets for such Series. No

payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.

Certificateholders will otherwise have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or FGB (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts due from the relevant Trust Assets to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee and FGB shall be extinguished. See Condition 4(b) (*Status and Limited Recourse – Limited Recourse*).

Denomination of Certificates:

The Certificates will be issued in such denominations as may be agreed between the Trustee, FGB and the relevant Dealer(s) and as specified in the applicable Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The minimum denomination of each Certificate admitted to trading on a regulated market within the European Economic Area, or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, will be €100,000 (or, if the Certificates are denominated in a currency other than euro, the equivalent amount in such currency as at the Issue Date of such Certificates).

Form and Delivery of the Certificates:

The Certificates will be issued in registered form only. The Certificates will be represented on issue by beneficial interests in a global certificate (the "**Global Certificate**"), which will be deposited with, and registered in the name of a nominee for, a common depository (the "**Common Depository**") for Euroclear Bank S.A./N.V. ("**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. See the section entitled "*Form of the Certificates*". Certificates in definitive form evidencing holdings of Certificates ("**Definitive Certificates**") will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances.

Clearance and Settlement:

Certificateholders must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg (or any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Trustee and FGB). Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

Withholding Tax:

All payments by FGB under the Transaction Documents to which it is a party are to be made free and clear of, and without withholding or deduction for, or on account of, any Taxes imposed in the U.A.E. (or any political subdivision or any authority thereof or therein having power to tax) unless the withholding is required by law. In the event that any such deduction is made by FGB as a result of any requirement of law, FGB will be required, pursuant to the relevant Transaction Document, to pay to the Trustee additional amounts so that the Trustee will receive the full amount

which otherwise would have been due and payable under the relevant Transaction Document.

All payments by the Trustee in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, or on account of, Taxes imposed in the Cayman Islands (or any political subdivision or any authority thereof or therein having power to tax). FGB has agreed in the Transaction Documents that, if the Trustee is required to make any payment under the Certificates after deduction or withholding for: (i) Taxes; or (ii) as otherwise required by applicable law and is required to pay additional amounts in respect thereof, FGB will pay to the Trustee additional amounts to cover the amounts so deducted as would have been paid had no such deduction or withholding been required.

Listing and Trading:

Application has been made to the United Kingdom Listing Authority for the Certificates (other than Exempt Certificates) to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the Regulated Market.

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

The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Certificates) will state whether or not the relevant Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Certificateholder Meetings:

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

Tax Considerations:

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

Governing Law and Submission to Jurisdiction:

Each Transaction Document, the Certificates and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

In respect of any dispute under any such Transaction Document or the Certificates, the parties have consented to arbitration under the LCIA Arbitration Rules. Any dispute may also be referred to the courts in England (which shall have exclusive jurisdiction to settle any dispute arising from such documents).

The Corporate Services Agreement will be governed by the laws of the Cayman Islands and subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

Transaction Documents:

The Transaction Documents are the Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered in connection with the relevant Series), the Commodity Agency Agreement, the Commodity Sale Agreement, the Settlement Deed, the Commodity Purchase Agreement, the Wakala Agreement, the

Master Declaration of Trust, the Agency Agreement and the Programme Agreement (each a "**Transaction Document**" and, together, the "**Transaction Documents**").

Rating: The rating(s) of any Series of Certificates to be issued under the Programme which is to be rated will be specified in the applicable Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation).

Selling and Transfer Restrictions: There are restrictions on the distribution of this Base Prospectus and the offer, sale or transfer of Certificates in the United States of America, the European Economic Area, the United Kingdom, Hong Kong, Japan, Malaysia, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar, the Cayman Islands and such other restrictions as may be required in connection with the offering and sale of the Certificates. See "*Subscription and Sale*".

United States Selling Restrictions: Regulation S, Category 2.

Waiver of Immunity: FGB has acknowledged in the Transaction Documents to which it is a party that to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, FGB has agreed in the Transaction Documents to which it is a party that it will not claim and has irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

RISK FACTORS

Each of the Trustee and FGB believes that the following factors may affect its ability to fulfil its obligations relating to Certificates issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Trustee nor FGB 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 Certificates issued under the Programme are also described below.

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

Although the Trustee and FGB believe that the various structural elements described in this Base Prospectus lessen some of these risks for Certificateholders, there can be no assurance that these measures will be sufficient to ensure payment to Certificateholders of any Periodic Distribution Amount or the relevant Dissolution Amounts in respect of the Certificates of any Series on a timely basis or at all.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in "Form of the Certificates" and "Terms and Conditions of the Certificates" shall have the same meanings in this section.

Risk factors relating to the Trustee

The Trustee was incorporated under the laws of the Cayman Islands on 1 June 2011 as an exempted company with limited liability and has a limited operating history. As at the date of this Base Prospectus, the only activity the Trustee has engaged in is the issuance of Certificates under the Programme, the acquisition of Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents. The Trustee has not engaged in any other business activity.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets relating to each Series of Certificates, including the obligation of FGB to make payments under the Master Murabaha Agreement and the Wakala Agreement to the Trustee.

The ability of the Trustee to pay amounts due on the Certificates will primarily be dependent upon receipt by the Trustee from FGB of all amounts due under the Transaction Documents (which in aggregate may not be sufficient to meet all claims under the relevant Certificates and the Transaction Documents in the event that FGB does not fully perform its obligations thereunder). As a result, the Trustee is subject to all the risks to which FGB is subject, to the extent such risks could limit FGB's ability to satisfy in full and on a timely basis, its obligations under the Transaction Documents. See "*Risk factors relating to FGB and the Group*" for a further description of these risks.

Risk factors relating to FGB and the Group

General

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

Business in the U.A.E.

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

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

Credit risk

Credit risk is the risk that a customer will fail to meet its obligations in accordance with agreed terms and in doing so will cause FGB, together with its subsidiaries (the "**Group**"), to incur a financial loss. The Group controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties, diversification of lending activities and compliance with internal limits to avoid undue concentrations of risk with individuals or groups of customers in specific locations or businesses, and by obtaining security when appropriate. In addition to monitoring credit limits, the Group seeks to manage its credit exposure by entering into netting agreements and collateral arrangements with counterparties in appropriate circumstances and by limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. FGB has a dedicated Credit Risk Management Unit, reporting to the Head of the Risk Management and Compliance Group ("**HORMCG**"), to monitor credit risk (see "*Description of First Gulf Bank P.J.S.C. – Risk and Compliance Management Framework – Overview of Risk Management and Compliance Function*").

Market risk

Market risk is defined as the risk of losses in the Group's on or off balance sheet positions arising from movements in interest rates, credit spreads, foreign exchange rates and the prices of its debt, equity and commodity investments. FGB has established an independent middle office to track the magnitude of market risk on a daily basis. The Group has established policies and guidelines for undertaking investments in the trading book that are subject to market risk. These policies and guidelines are reviewed and approved by IMCO and further ratified by Board level committee on a yearly basis. These guidelines stipulate inter-alia the risk appetite for market risk through a comprehensive limit structure covering exposure, sensitivities, concentration, Value-at-Risk ("**VaR**") and stop loss and lay down the investment criteria for each asset class.

Positions in FGB's trading book portfolio and funds are created subject to compliance with the investment policies and guidelines. The magnitude of the risks is also monitored on a daily basis against the limits by an established and independent market risk function within the ambit of the Group's market risk policy.

FGB's market risk unit also carries out regular scenario analysis and stress testing exercises to ascertain the level of risk in the event of unforeseen movements in FGB's key risk factors.

Legal and operational risk

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

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

Liquidity risk

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

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

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

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

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

Interest rate risk

Interest rate risk is the risk that arises from a timing difference in the maturity and/or repricing of the Group's assets and liabilities. Repricing mismatches expose the Group to unanticipated fluctuations in interest rate income or underlying economic value.

Interest rates in the market are affected by a number of factors that are beyond the Group's control. Changes in interest rates, changes in the relationship between short-term and long-term interest rates or changes in the relationship between different types of interest rates can affect the interest rate earned on interest-earning assets to a different degree from the interest rate paid on interest-bearing liabilities. This impact may be increased if the Group is unable to adjust to rate changes with respect to the fixed rate portions of its financing portfolio. In an economic environment with increasing interest rates (exemplified by the U.S. federal reserve's decision to raise interest rates in December 2015 for the first time since 2006), the Group's ability to earn higher returns on its fixed interest rate assets is limited by the maturity periods of such assets. How the Group manages interest rate volatility will determine, to a certain extent, the impact of such volatility on the Group.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices. The Group has dedicated teams that aim to measure, monitor and lessen the effect of interest rate risk, for further detail please refer to the section entitled "*Description of First Gulf Bank P.J.S.C. – Risk and Compliance Management Framework – Overview of Risk Management and Compliance Function*".

Dependence on key personnel

Revenues of FGB will depend, in part, on FGB's ability to continue to attract, retain and motivate qualified and skilled personnel. FGB relies on its senior management for the implementation of its strategy and its day-to-day operations. There is intense competition in the U.A.E. for skilled personnel, especially at the senior management level, due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. If FGB were unable to retain key members of its senior management and/or hire new qualified personnel in a timely manner, this could have an adverse effect on the operations of FGB. The loss of any member of the senior management team may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives. These adverse results could, among other things, reduce potential revenue, which could adversely affect FGB's business, results of operations, financial condition, prospects and ability to make payment of all amounts due under the Transaction Documents.

Political, economic and related considerations

The U.A.E. has enjoyed significant economic growth and relative political stability, however there can be no assurance that such growth or stability will continue.

This is particularly so in light of significant adverse financial and economic conditions experienced worldwide commencing in early 2008. Since that time, there has been a slowdown or reversal of the high rates of growth that had been experienced by many countries within the Gulf Co-operation Council ("GCC") and the U.A.E., especially in Dubai and, to a lesser extent, Abu Dhabi. Consequently, certain sectors of the GCC economy such as financial institutions that had benefitted from such high growth rates, have been adversely affected by the crisis. While the impacts have become less pronounced in the years since 2010, the current instability in the international debt and equity capital markets in the context of the economic slowdown in China and emerging markets generally, the global reduction in oil prices and volatile interest rates globally may have an adverse impact on FGB's investment portfolios and its financial condition and results of operations.

In common with other banks in the GCC region, FGB suffered a deterioration in its portfolio between 2008 and 2010, principally manifested in the form of increases in non-performing loan levels, as a result of such adverse economic conditions (see "*Financial Review – Risk Management – Credit Risk*"). FGB's non-performing loan levels have stayed relatively stable over the last four years with a non-performing loan ratio of 3.3 per cent. as at 31 December 2012, 3.3 per cent. as at 31 December 2013, 2.5 per cent. as at 31 December 2014 and 2.8 per cent. as at 31 December 2015. FGB has the majority of its operations in the U.A.E. Consequently, its business, results of operations, financial condition and prospects have been and may continue to be affected by economic developments impacting the U.A.E., in particular, the level of economic activity in the U.A.E.

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

Like many economies in the Middle East and North Africa ("**MENA**") region, oil and gas and related industries, as well as the prices and production quantities of these commodities, play a prominent role in the U.A.E. economy (see "*Overview of the United Arab Emirates*"). Oil prices have, however, been volatile in recent years and declined significantly between mid-2014 and January 2016. If this decline in prices is sustained, and results in declining economic conditions which negatively impact the Group's borrowers and contractual counterparties, it could have a material adverse effect on the Group. The decline in oil prices has also witnessed the downgrade of the sovereign credit ratings of certain GCC countries (such as Bahrain, Oman and Saudi Arabia). Oil prices have started to recover recently and FGB has been monitoring these to make necessary credit and risk adjustments as required.

FGB's direct exposure to the crude oil, gas, mining and quarrying sector is equal to approximately 2.7 per cent. of its on balance sheet total funded assets. However, a continued deterioration in oil prices may have an adverse impact on the economy of the U.A.E. as a whole. Therefore, FGB might be indirectly adversely impacted due to a deterioration in other sectors of the U.A.E.'s economy (such as the real estate,

contracting and SME (defined below) sectors). See "*Risk Factors – Risk Factors relating to FGB and the Group – Loan portfolio concentration*".

On 4 March 2016, Moody's placed the credit ratings of Abu Dhabi (rated Aa2) and the United Arab Emirates (rated Aa2) on review for downgrade as they assess the impact of the sharp fall in oil prices, since September 2014, on 18 sovereigns. The U.A.E is not rated by any other rating agency. Due to the fact that FGB's credit rating is derived, in part, on the understanding that it will receive extraordinary government support, if the U.A.E. or Abu Dhabi are downgraded, FGB may also be downgraded or placed on review for downgrade. In addition, FGB may also be downgraded or placed on review for downgrade if the other risks described in the risk factors herein were to materialise.

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

FGB's business may be affected if there are geo-political events that prevent FGB from delivering its services. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Libya, the Hashemite Kingdom of Jordan, Palestine, Oman, Syria, Saudi Arabia, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and has given rise to increased political uncertainty across the region and, in certain cases, regime changes. Conflict in Libya, which led to the ousting of its military ruler, led to a civil war and resulted in multiple sides claiming to be the legitimate government in the country. Conflict in Yemen expanded into a multinational conflict with GCC countries, including the U.A.E., becoming involved in military operations against the Al Houthi militia. Diplomatic relations between GCC nations and Iran have also deteriorated with many GCC nations cutting full diplomatic ties, whilst the UAE has downgraded its diplomatic relations. Unrest in Syria and conflicts between multiple sides (including the government of Bashar al-Assad, numerous rebel groups and 'Islamic State of Iraq and Syria') have led to many countries including Russia, Iran, the United States and other North Atlantic Treaty Organization forces becoming involved with military operations in Syria, supporting different sides. Further, the UAE, along with other Arab states, is currently participating in the Saudi Arabian led intervention in Yemen which began in 2015 in response to requests for assistance from the Yemeni government. The UAE is also a member of another Saudi Arabian led coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. FGB does not have operations in any of these countries except in Libya where it has an investment in First Gulf Libyan Bank ("**FGLB**"), which is a 50:50 partnership with the Economic and Social Development Fund of Libya. It is not possible to predict the occurrence of events or circumstances such as, or similar to, a war or the impact of such occurrences and no assurance can be given that FGB would be able to sustain its current profit levels if such events or circumstances were to occur. A general downturn or sustained deterioration in the economy of the U.A.E., instability in certain sectors of the U.A.E. or regional economy, or major political upheaval therein could have an adverse effect on FGB's business, financial condition, results of operations, prospects or ability to make payments due under the Transaction Documents.

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

Principal shareholder

FGB's principal beneficial shareholders are U.A.E. companies and individuals, holding approximately 87.2 per cent. of FGB's share capital as at 31 December 2015. These mainly include shares owned or controlled in a private capacity by members of the ruling family of Abu Dhabi, their families and companies controlled by them. The ruling family of Abu Dhabi has the ability to influence FGB's business significantly through their ability to control and/or block actions that require shareholder approval. If circumstances were to arise where the interests of the ruling family of Abu Dhabi conflict with the interests of the Certificateholders, Certificateholders could be disadvantaged by any such conflict.

Loan portfolio growth

FGB's loans and advances net of provisions have increased in recent years, growing from AED 125,594.4 million as at 31 December 2013 to AED 139,708.7 million as at 31 December 2014 and to AED 149,766.1 million as at 31 December 2015. The significant increase in the loan portfolio size has increased FGB's credit exposure. FGB has witnessed an increase in non-performing loan levels in relation to certain economic sectors such as trading (where levels increased from AED 160 million as at 31 December 2014 to AED 372 million as at 31 December 2015.), retail (where levels increased from AED 1,695 million as at 31 December 2014 to AED 2,402 million as at 31 December 2015) and crude oil/gas and mining (where levels increased from nil as at 31 December 2014 to AED 718 million as at 31 December 2015).

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

Loan portfolio concentration

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

FGB's loans and advances constituted 65.8 per cent. of its total assets, or AED 149.8 billion, as at 31 December 2015. FGB's loan portfolio is concentrated in particular economic sectors. Of total gross loans as at 31 December 2015, 25.8 per cent. were classified as personal – retail (including consumer mortgages but excluding any such mortgages granted as part of the U.A.E. Federal Government's National Home Loans programme), 16.9 per cent. as other services, 8.9 per cent. as public sector, and 8.3 per cent. as real estate (the remainder falling within a number of other sectors).

FGB's customers' deposits constituted 74.5 per cent. of its total liabilities, or AED 142.5 billion, as at 31 December 2015. FGB's customers' deposits constitute a majority of its total funding. FGB's depositors are geographically concentrated in the U.A.E., and the largest customers' deposits contribute a significant proportion of FGB's total deposits. If FGB's largest customers were to withdraw a significant amount of their deposits and FGB could not obtain funding from other sources, this could have an adverse effect on FGB's liquidity position thereby affecting FGB's ability to perform its obligations under the Transaction Documents.

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

Foreign exchange movements may adversely affect FGB's profitability

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

Impact of regulatory changes

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

Competition

Generally, the banking market in the U.A.E. has been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the U.A.E.'s obligations to the World Trade Organisation (the "**WTO**"), the GCC or any other similar entities, it is likely to lead to a more competitive environment for FGB and other domestic financial institutions. Such increase in competition could have a material adverse effect on the business, results of operations, financial condition and prospects of FGB. For further detail on the level of competition in the U.A.E. banking sector, please refer to the section entitled "*The United Arab Emirates Banking Sector and Regulations*".

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

In common with other financial institutions based in the GCC and elsewhere in the world, there is a growing threat to the security of FGB's information and customer data from cyber-attacks. Activists, rogue states and cyber criminals are among those targeting computer systems around the world. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could have an adverse effect FGB's business, results of operations, financial condition and prospects and thereby affect FGB's ability to perform its obligations under the Transaction Documents.

Risk factors relating to the Certificates

No third party guarantees

Investors should be aware that no guarantee is given in relation to the Certificates by the shareholders of FGB or any other person.

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Certificates of any Series will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of such Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity. An application has been made for the listing of the Certificates on the London Stock Exchange but there can be no assurance that any such listing will occur on or prior to the date of this Base Prospectus or at all, if it does occur, that it will enhance the liquidity of the Certificates.

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, each Certificate represents solely an undivided *pro rata* beneficial ownership interest in the relevant Trust Assets relating to that Series. Recourse to the Trustee is limited to the relevant Trust Assets of the relevant Series and the proceeds of the relevant Trust Assets of the relevant Series are the sole source of payments on the Certificates of that Series. Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 14 (*Dissolution Events*) or upon an early redemption of the relevant Certificates in whole or, as the case may be, in part, under Condition 10 (*Capital Distributions of the Trust*), the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders) as applicable, will be (subject to Condition 15 (*Enforcement and Exercise of Rights*)) against FGB to perform its obligations under the Transaction Documents.

Certificateholders will otherwise have no recourse to any assets of the Trustee (other than the Trust Assets) or the Delegate in respect of any shortfall in the expected amounts due on the Certificates. FGB is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against FGB to recover such payments due to the Trustee pursuant to the Transaction Documents.

No Certificateholder shall be entitled to proceed directly against the Trustee or FGB unless: (a) the Delegate, having become bound so to proceed, fails to do so within 30 days of becoming so bound and such failure is continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or FGB as the case may be) holds at least 20 per cent. of the then outstanding aggregate face amount of the Series. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and FGB shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

Following the enforcement, realisation and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Certificates of the relevant Series to the Certificateholders in accordance with the Conditions and the Master Declaration of Trust, the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate or any other person (including FGB) to recover any such sum in respect of the Certificates or the relevant Trust Assets.

After enforcing the relevant Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 6(c) (*Trust – Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.

The Certificates may be subject to early dissolution

In certain circumstances, the Certificates may be subject to early dissolution. If the Optional Dissolution Right is specified in the applicable Final Terms, FGB shall; (in its various capacities under the Transaction Documents): (i) pay to the Trustee the Optional Dissolution Proportion of the outstanding Deferred Payment Price on the Business Day prior to any relevant Optional Dissolution Date by crediting an amount equal to the relevant Optional Dissolution Amount to the Transaction Account; and (ii) liquidate the Wakala Investment (in a proportion equal to the Optional Dissolution Proportion) at its market value (as determined by FGB in its capacity as Wakeel (acting reasonably)), and applying the proceeds of such liquidation to procure the Trustee to dissolve the Trust and redeem the relevant Certificates (either in whole or in part) on the relevant Optional Dissolution Date at the relevant Optional Dissolution Amount as specified in the applicable Final Terms.

In addition, the Certificates may be redeemed prior to their stated maturity in accordance with Condition 11 (*Taxation*) if the Trustee has or will become liable to pay additional amounts in respect of the Certificates and/or FGB is required to pay additional amounts pursuant to certain Transaction Documents,

in each case as a result of certain changes affecting taxation in the Relevant Jurisdictions, the Trustee may redeem all but not some only of the Certificates upon giving notice in accordance with the Conditions.

An early dissolution feature of any Certificate is likely to limit its market value. During any period when the Trustee may elect to or, as the case may be, FGB may require the Trustee to redeem any Certificates, the market value of those Certificates generally will not rise substantially above the dissolution amount payable. This also may be true prior to any dissolution period. The Trustee may be expected to redeem the Certificates when FGB's cost of financing is lower than the profit rate (including such additional amounts as are referred to above) on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates and may only be able to do so at a significantly lower rate. Potential investors should consider re-investment risk in light of other investments available at that time.

Certificates where denominations involve integral multiples: Definitive Certificates

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

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

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

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

Risk factors relating to taxation

Taxation risks on payments

Payments made by FGB to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to taxation. The Wakala Agreement requires the Wakeel, and the Master Murabaha Agreement requires FGB, to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 11 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by a Relevant Jurisdiction in certain circumstances. In the event that the Trustee fails to pay any such additional amounts in respect of any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, FGB has (pursuant to the Master Declaration of Trust) unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 11 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

Risk factors relating to enforcement

Claims for specific enforcement

In the event that FGB fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of

FGB's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement of a contractual obligation, which is a discretionary matter for the relevant court.

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

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

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

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

The U.A.E. is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

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

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the U.A.E. on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the U.A.E. in accordance with the terms of the New York Convention. Under the New York Convention, the U.A.E. 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 U.A.E. 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 U.A.E..

How the New York Convention provisions would be interpreted and applied by the U.A.E. courts in practice and whether the U.A.E. courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. This is reinforced by the lack of a system of binding judicial precedent in the U.A.E. and the independent existence of different Emirates within the U.A.E., 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 U.A.E. under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign awards under the U.A.E. Federal Law No. 1 of 1992 as amended, or ignoring the provisions of Article 238 of Federal Law No. 11 of 1992 (as amended by Federal Law No. 30 of 2005) (the "**Law of Civil Procedure**"). 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 U.A.E. 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 U.A.E. courts might continue to ignore Article 238 of the Law of Civil Procedure and instead apply Articles 235 to 237. If Article 238 is ignored, there is a risk that a foreign arbitration award will be refused enforcement by the U.A.E. courts.

Additional risks

Credit ratings may not reflect all risks

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

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

Change of law

The conditions of the Certificates and the Transaction Documents are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English or administrative practice after the date of this Base Prospectus nor whether any such change could adversely affect the ability of the Trustee to comply with its obligations and make payments under the Certificates or FGB to comply with its obligations and make payments under the Transaction Documents.

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

Members of the *Fatwa* and *Shari'a* Supervisory Board of FGB from time to time, the *Shari'a* Supervisory Committee of Standard Chartered Bank and the Executive Shariah Committee of HSBC Saudi Arabia Limited have issued a fatwa in respect of the Certificates and the related structure and mechanism described in the Transaction Documents and their compliance with *Shari'a* principles. However, a fatwa is only an expression of the view of the relevant *Shari'a* advisory board based on its experience in the subject and is not a binding opinion. There can be no assurance as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates and neither the Trustee, FGB, the Delegate nor the Dealers makes any representation as to the same. Investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Investors are advised to obtain their own independent *Shari'a* advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradeability of the Certificates on any secondary market. Questions as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents would be, if in dispute, either the subject of arbitration under English law or court proceedings under the laws of England and Wales. In such circumstances, the

arbitrator or judge (as applicable) may first apply the governing law of the relevant Transaction Document rather than *Shari'a* principles in determining the obligations of the parties.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Certificates of each Series 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 Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate. While the Certificates of any Series are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

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

Conflicts of interest – Calculation Agent

Potential conflicts of interest may exist between the Calculation Agent (if any) and Certificateholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Certificateholders during the term of the Certificates and upon their redemption.

Exchange rate risks and exchange controls

The Trustee will pay Periodic Distribution Amounts and Dissolution Amounts on the Certificates and FGB will make any payments under the Transaction Documents in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency.

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

Neither the Trustee nor FGB have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the face amount payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Trustee or FGB to make payments in respect of the Certificates or Transaction Documents (as applicable). As a result, investors may receive lower Periodic Distribution Amounts or amounts in respect of the face amount of such Certificates than expected, or no such Periodic Distribution Amount or face amount.

No third-party guarantees

Prospective investors should be aware that no guarantee is or will be given in relation to the Certificates by FGB or any other person.

Consents in relation to the variation of the Transaction Documents and other matters

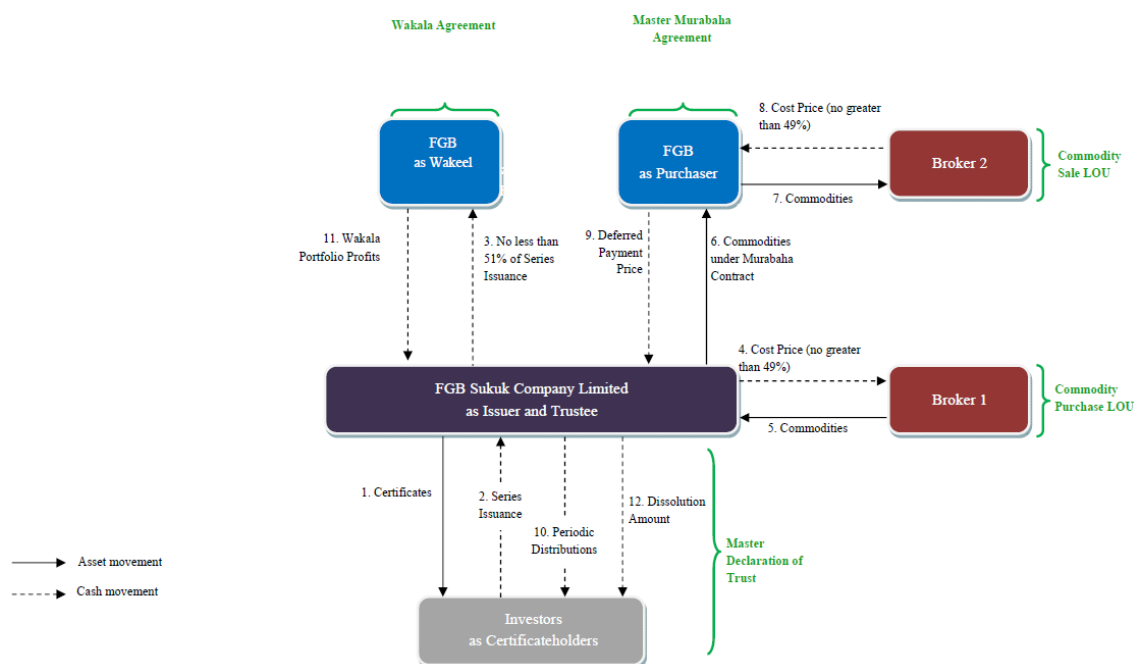
The Master Declaration of Trust and the Conditions of the Certificates contain provisions for calling meetings of Certificateholders of a Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders of such a Series including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Master Declaration of Trust contains provisions permitting the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to make any modification to the Master Declaration of Trust or any Transaction Document if, in the opinion of the Delegate, such modification: (a) is of a formal, minor or technical nature; or (b) is made to correct a manifest error; or (c) is not materially prejudicial to the interests of the Certificateholders and is other than in respect of a Reserved Matter (as defined in the Master Declaration of Trust). Unless the Delegate otherwise agrees, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series to be issued under the Programme. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Base Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram



Payments by the Certificateholders and the Trustee

On the issue date of a Series (the "**Issue Date**"), the Certificateholders will pay the issue price in respect of the Certificates (the "**Issue Price**") to the Trustee.

The Trustee will apply the proceeds of the Issue Price of each Series as follows:

- an amount as specified in the applicable Final Terms, which shall be no more than 49 per cent. of the relevant Issue Price (the "**Murabaha Investment Amount**"), will be used to purchase certain *Shari'a*-compliant commodities (the "**Commodities**") through the Commodity Agent and the Trustee will sell such Commodities to FGB (in its capacity as buyer, the "**Buyer**") on a deferred payment basis for a sale price specified in an offer notice (the "**Deferred Payment Price**") pursuant to a murabaha contract (the "**Murabaha Contract**") (such sale of *Shari'a*-compliant commodities by the Trustee to FGB and all of the Trustee's rights and entitlements against FGB (in its capacity as buyer) in connection therewith being the "**Commodity Murabaha Investment**"); and
- the remaining portion of the proceeds of the relevant Issue Price, which shall be equal to no less than 51 per cent. of the relevant Issue Price and which will be specified in the applicable Final Terms, will be provided to FGB (in its capacity as wakeel, the "**Wakeel**") for the Wakeel to make investments in FGB's Islamic finance business on an unrestricted basis, as a *Wakala bil Istithmar*, in accordance with the terms of the Wakala Agreement and the relevant Wakala Investment Plan (as defined below) (the Trustee's share in FGB's Islamic finance business constituting the "**Wakala Investment**"). The Wakeel shall:
 - ensure that, on the Issue Date of the relevant Series, and prior to the Commodity Murabaha Investment being entered into, the Wakala Investment Value (as defined below) shall be equal to no less than 51 per cent. of the face amount of the Certificates for that Series;

- (ii) use reasonable endeavours to ensure that, at all times after the Issue Date of the relevant Series, the Wakala Investment Value shall be equal to no less than 30 per cent. of the Sukuk Asset Value for that Series at the relevant time; and
- (iii) use reasonable endeavours to ensure that, at all times, the Sukuk Asset Value is at least equal to the face amount of the Certificates for that Series then outstanding.

The aggregate of the:

- (a) outstanding Deferred Payment Price at any time; and
- (b) in relation to each Series, at any time, the value of the Wakala Investment for that Series (being the sum of: (A) the value of the relevant Wakala Investment at that time, as determined by the Wakeel in accordance with its usual business practices and in consultation with the *Shari'a* committee of FGB; and (B) all profits generated by the Wakala Investment which, for the avoidance of doubt, will be determined after taking into account any deductions specified in clause 3.2 of the Wakala Agreement (the "**Wakala Investment Profits**") standing to the credit of the relevant Collection Account and held by the Wakeel at the relevant time in respect of that Series) (the "**Wakala Investment Value**"),

shall together constitute the value of the assets of the Certificates in respect of the relevant Series (the "**Sukuk Asset Value**").

The Trustee has, pursuant to the terms of the Wakala Agreement, appointed FGB as the Wakeel to perform certain obligations set out in the Wakala Agreement in respect of the Wakala Investment for each Series.

Periodic Distribution Payments

The Wakeel will record: (i) all Wakala Investment Profits from the Wakala Investment for each Series as and when received by the Wakeel; and (ii) any remaining balance of the relevant outstanding Deferred Payment Price which is expressed to be payable under the Master Murabaha Agreement, to a book-entry ledger account (the "**Collection Account**"). Under the Master Murabaha Agreement, the Buyer has irrevocably and unconditionally undertaken to the Trustee to pay, on the business day prior to each Periodic Distribution Date, an amount of the outstanding Deferred Payment Price which is intended to be sufficient to fund the Periodic Distribution Amount payable by the Trustee under the Certificates of the relevant Series on the Periodic Distribution Date falling one business day after such date (the "**Required Amount**") by crediting such amount to the Transaction Account on the business day prior to each Periodic Distribution Date and any such amount paid into the Transaction Account shall be applied by the Trustee for that purpose.

If on the business day prior to the relevant Periodic Distribution Date there is a shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the Required Amount payable on such Periodic Distribution Date, the Wakeel shall apply amounts standing to the credit of the relevant Collection Account by paying into the Transaction Account on such date (after payment of any claims, losses, actual costs and expenses (excluding funding costs and opportunity costs) properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee (the "**Wakeel Liabilities Amount**") in performing its obligations in relation to the Wakala Investment) an amount equal to such shortfall (or such lesser amount as is then standing to the credit of the Collection Account). Following payment in full of the relevant Required Amount on the relevant Periodic Distribution Date, any remaining balance in the Collection Account shall be debited from the Collection Account and shall be further invested by the Wakeel in FGB's Islamic finance business to grow the Wakala Investment.

The Deferred Payment Price in respect of each Series shall be an amount equal to the aggregate of: (i) the Issue Price of that Series; (ii) the aggregate amount of all Periodic Distribution Amounts that will be payable under the Certificates of that Series during the period from (and including) the relevant Issue Date to (and including) the relevant Scheduled Dissolution Date; and (iii) any other amount specified in the applicable Final Terms as being payable on any Dissolution Date. As such, it is intended that the Deferred Payment Price in respect of a Series will be sufficient to pay all Periodic Distribution Amounts payable under the Certificates of that Series.

Distribution Payments

On the business day prior to the relevant Scheduled Dissolution Date in relation to each Series:

- (a) the outstanding Deferred Payment Price shall be due and payable in full; and
- (b) the Wakeel shall liquidate the Wakala Investment at its market value (as determined by the Wakeel (acting reasonably)) and the proceeds of such liquidation shall be credited to the Collection Account and any amounts standing to the credit of the Collection Account (the "**Wakala Proceeds**") shall be applied in accordance with the terms of the Wakala Agreement.

The outstanding Deferred Payment Price payable by FGB as Buyer under the Master Murabaha Agreement (and, to the extent that on the business day prior to the relevant Dissolution Date there is a shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the relevant Dissolution Amount payable on the relevant Dissolution Date, the Wakala Proceeds payable by FGB following liquidation of the Wakala Investment under the Wakala Agreement), is intended to fund the Dissolution Amount payable by the Trustee under the Certificates on the Scheduled Dissolution Date.

The Certificates in relation to any Series may be redeemed in whole prior to the relevant Scheduled Dissolution Date for the following reasons:

- (a) redemption following a Dissolution Event; and
- (b) an early redemption for taxation reasons.

In each case, the amounts payable by the Trustee on the due date for dissolution will be funded in the same manner as for the payment of the Dissolution Amount on the Scheduled Dissolution Date.

The Certificates in relation to any Series may also be redeemed in whole or in part prior to the relevant Scheduled Dissolution Date for the following reasons, in each case, if so specified in the applicable Final Terms:

- (a) at the option of the Certificateholders;
- (b) on the occurrence of a Change of Control Event, at the option of the Certificateholders; and
- (c) at the option of FGB.

Upon the exercise of any such right, the Trustee shall redeem the relevant Certificates for an amount equal to the aggregate of the face amounts of the Certificates being so redeemed and the Periodic Distribution Amounts on such Certificates (if any) accrued and unpaid to the date of redemption, together with any amounts specified in the applicable Final Terms.

Such redemption of the Certificates will be funded in a similar manner to that described above for the payment of Periodic Distribution Amounts and the relevant Dissolution Amount through: (i) a proportionate amount of the outstanding Deferred Payment Price becoming immediately due and payable; and (ii) the liquidation of the Wakala Investment by the Wakeel (in whole or, as applicable, in proportion to the aggregate face amount of Certificates being so redeemed) at its market value (as determined by the Wakeel (acting reasonably)), such that the amounts standing to the credit of the Transaction Account on the relevant Dissolution Date are sufficient for the Trustee to pay the amount payable in respect of the Certificates being redeemed.

Cancellation of Certificates held by FGB and/or any of its subsidiaries

Pursuant to the Conditions, FGB and/or any of its subsidiaries may at any time purchase Certificates in the open market or otherwise. If FGB wishes to cancel such Certificates purchased by it and/or any of its subsidiaries, FGB may, in accordance with the Conditions and the Master Declaration of Trust and the relevant Supplemental Declaration of Trust, deliver a cancellation notice to the Trustee requiring it to cancel any relevant Certificates surrendered to it by FGB and/or any of its subsidiaries in exchange for, on the relevant Cancellation Date: (i) an amount of the outstanding Deferred Payment Price equal to the relevant Cancellation Proportion specified in the relevant Cancellation Notice (as each such term is defined in the Conditions) being deemed to be cancelled with effect from the Cancellation Date; and (ii)

the Wakala Investment being reduced by an amount equal to the relevant Cancellation Proportion specified in the relevant Cancellation Notice.

Following payment in full of all amounts due and payable under the relevant Certificates, the Wakeel shall be entitled to retain any amounts that remain standing to the credit of the relevant Collection Account of that Series for its own account as an incentive payment for acting as Wakeel (in relation to each Series, an "**Incentive Payment**").

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates which, subject to completion and as supplemented by the applicable Final Terms or, as applicable, the applicable Pricing Supplement (as defined below) will be incorporated by reference into each Global Certificate and Definitive Certificate, in the case of Definitive Certificates only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Trustee and FGB at the time of issue but, if not so permitted and agreed, each Definitive Certificate will have endorsed thereon or attached thereto such terms and conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Certificate and Definitive Certificate. Reference should be made to "Applicable Final Terms" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Certificates.

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

FGB Sukuk Company Limited (in its capacity as issuer and in its capacity as trustee, the "**Trustee**") has established a programme (the "**Programme**") for the issuance of trust certificates (the "**Certificates**" and each a "**Certificate**") in a maximum aggregate face amount of U.S.\$3,500,000,000 as may be increased in accordance with the terms of the Master Declaration of Trust (as defined below).

Certificates issued under the Programme are issued in series (each series of Certificates being a "**Series**"). The final terms for a Certificate (or the relevant provisions thereof) are set out in Part A of the applicable Final Terms attached to the relevant Supplemental Declaration of Trust or endorsed on a Certificate which supplement and complete these terms and conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of each Series. References to the "**applicable Final Terms**" are to the final terms (or the relevant provisions thereof) attached to the relevant Supplemental Declaration of Trust or endorsed on each Certificate.

Each Certificate will represent an undivided *pro rata* ownership interest in the relevant Trust Assets (as defined below) held on trust by the Trustee (the "**Trust**") for the holders of such Certificates pursuant to: (i) an amended and restated master declaration of trust (the "**Master Declaration of Trust**") dated 21 April 2016 and entered into by the Trustee, First Gulf Bank P.J.S.C. ("**FGB**") and Citicorp Trustee Company Limited as the Trustee's delegate (the "**Delegate**"); and (ii) a supplemental declaration of trust in respect of the relevant Series (the "**Supplemental Declaration of Trust**").

The Certificates of each Series shall form a separate series and these Conditions shall apply *mutatis mutandis* separately and independently to the Certificates of each Series and, in these Conditions, the expressions "**Certificates**", "**Certificateholders**" and related expressions shall be construed accordingly.

In these Conditions, references to "**Certificates**" shall be references to the Certificates (whether in global form as a global Certificate (a "**Global Certificate**") or in definitive form as definitive Certificates (each a "**Definitive Certificate**")) which are the subject of the applicable Final Terms.

These Conditions include summaries of, and are subject to, the detailed provisions of the Master Declaration of Trust as supplemented by each relevant Supplemental Declaration of Trust and the other Transaction Documents. Payments relating to the Certificates will be made pursuant to an amended and restated agency agreement to be dated 21 April 2016 (the "**Agency Agreement**") made between, *inter alios*, the Trustee, the Delegate, FGB and Citibank N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the "**Paying Agents**"), calculation agent (together with any further or other calculation agents appointed from time to time in respect of the Certificates, in such capacity, the "**Calculation Agent**") Citibank N.A., London Branch as transfer agent

(together with any further or other transfer agents appointed from time to time in respect of the Certificates, in such capacity, the "**Transfer Agent**") and Citigroup Global Markets Deutschland AG as registrar (in such capacity, a "**Registrar**"). The Paying Agents, the Calculation Agent, the Registrar and the Transfer Agent are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors.

The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of the following documents, copies of which are available for inspection during usual business hours at the principal office of the Trustee (presently at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands) and at the specified offices of the Paying Agents:

- (a) a master murabaha agreement dated 21 April 2016 between the Trustee (in its capacity as seller of the Commodities) and FGB (in its capacity as buyer of the Commodities, the "**Buyer**") (the "**Master Murabaha Agreement**");
- (b) a wakala agreement dated 21 April 2016 between the Trustee and FGB (in its capacity as wakeel, the "**Wakeel**") (the "**Wakala Agreement**");
- (c) the Master Declaration of Trust and, in respect of each Series, the applicable Supplemental Declaration of Trust with respect thereto;
- (d) the Agency Agreement;
- (e) a corporate services agreement entered into on 8 July 2011 between MaplesFS Limited (as provider of corporate services to the Trustee) and the Trustee (the "**Corporate Services Agreement**"); and
- (f) in respect of each Series, the applicable Final Terms,

as each may be amended and restated and/or supplemented from time to time.

Each Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed, in respect of each Series, to authorise and direct the Trustee on behalf of the Certificateholders, to: (i) apply the proceeds of the issue of the Certificates to the Wakeel for investments in the relevant Wakala Investment (as defined below) and to enter into a Commodity Murabaha Investment (in the proportions to be determined prior to the relevant Issue Date and otherwise in accordance with the provisions of the Transaction Documents); and (ii) enter into each other Transaction Document, subject to the terms and conditions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust and these Conditions.

1. **INTERPRETATION**

Words and expressions defined in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust and the Agency Agreement or used in the applicable Final Terms 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 the applicable Final Terms, the applicable Final Terms will prevail. In addition, in these Conditions the following expressions have the following meanings:

"Accountholder" means each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as entitled to a particular face amount of the Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error);

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

"Broken Amount" has the meaning given to it in the applicable Final Terms;

"Business Day" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Financial Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant Specified Currency and in each (if any) Additional Financial Centre;

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

- (a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) "**Modified Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day; and
- (d) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

"**Cancellation Certificates**" means the Certificates which are the subject of the relevant Cancellation Notice;

"**Cancellation Date**" means the date specified as such in the relevant Cancellation Notice;

"**Cancellation Notice**" means a cancellation notice in substantially the form of Schedule 6 (*Form of Cancellation Notice*) to the Master Declaration of Trust;

"**Cancellation Proportion**" means the proportion (expressed as a percentage) determined by dividing: (i) the aggregate face amount of the Cancellation Certificates; by (ii) the aggregate outstanding face amount of the Certificates of the relevant Series outstanding immediately prior to cancelling the Cancellation Certificates;

"**Certificateholder**" means a person in whose name a Certificate is registered in the Register (or in the case of joint holders, the first named thereof) save that, for so long as the Certificates of any Series are represented by a Global Certificate, each Accountholder shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, for the purposes hereof other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Trustee, solely in the registered holder of such Global Certificate in accordance with and subject to the terms of the Master Declaration of Trust as supplemented by the relevant supplemental Declaration of Trust and such Global Certificates, and the expressions "**holder**" and "**holder of Certificates**" and related expressions shall (where appropriate) be construed accordingly;

"**Certificateholder Put Option**" means the right specified in Condition 10(d) (*Capital Distributions of the Trust – Certificateholder Put Option*);

"**Certificateholder Put Option Date**" means, in relation to the exercise of the Certificateholder Put Option, the date specified as such in the applicable Final Terms;

"Certificateholder Put Option Dissolution Amount" means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Certificateholder Put Option for the relevant Series; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates being redeemed; plus
- (c) without duplication or double-counting, such other amount specified in the applicable Final Terms as being payable upon dissolution of the relevant Series in connection with a Certificateholder Put Option (if any);

"Certificateholder Put Option Proportion" means the proportion (expressed as a percentage) determined by dividing: (i) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Certificateholder Put Option; by (ii) the aggregate outstanding face amount of the Certificates of the relevant Series outstanding immediately prior to redeeming the Certificates pursuant to the Certificateholder Put Option;

"Change of Control Certificates" has the meaning given to it in Condition 10(e) (*Capital Distributions of the Trust – Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"Change of Control Confirmation Notice" has the meaning given to it in Condition 10(e) (*Capital Distributions of the Trust – Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

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

"Change of Control Put Notice" has the meaning given to it in Condition 10(e) (*Capital Distributions of the Trust – Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"Change of Control Put Notice Receipt" has the meaning given to it in Condition 10(e) (*Capital Distributions of the Trust – Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"Change of Control Put Option" means the right specified in Condition 10(e) (*Capital Distributions of the Trust – Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"Change of Control Put Option Date" has the meaning given to it in Condition 10(e) (*Capital Distributions of the Trust – Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"Change of Control Put Option Dissolution Amount" means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Change of Control Put Option for the relevant Series; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates being redeemed; plus

- (c) without duplication or double-counting, such other amount specified in the applicable Final Terms as being payable upon dissolution of the relevant Series in connection with a Change of Control Put Option (if any);

"Change of Control Put Option Proportion" means the proportion (expressed as a percentage) determined by dividing: (i) the aggregate face amount of the Certificates being redeemed pursuant to the Change of Control Put Option; by (ii) the aggregate outstanding face amount of the Certificates of the relevant Series outstanding immediately prior to redeeming the Certificates pursuant to the Change of Control Put Option;

"Change of Control Put Period" has the meaning given to it in Condition 10(e) (*Capital Distributions of the Trust – Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"Change of Control Notice" has the meaning given to it in Condition 10(e) (*Capital Distributions of the Trust – Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

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

"Commodities" means any of the commodities traded over the counter, which comprise any *Shari'a* compliant London Metal Exchange approved non-ferrous base metals, platinum group metals, or other *Shari'a* compliant commodities acceptable to the Buyer and the Trustee (which, for the avoidance of doubt, shall exclude silver and gold) which, in each case, must be kept in London Metal Exchange approved, non-United Kingdom bonded warehouses or secure vaults and which, in connection with a proposed Murabaha Contract, will be specified in the relevant notice of request to purchase;

"Commodity Agency Agreement" means the commodity agency agreement dated 21 April 2016 between the Trustee and Citi Islamic Investment Bank E.C.;

"Commodity Murabaha Investment" means, in relation to a Series, the sale of certain Commodities by the Trustee to the Buyer, which Commodities were initially purchased by the Trustee in its capacity as seller using the relevant Murabaha Investment Amount, pursuant to the Master Murabaha Agreement and having the terms set out in the relevant Murabaha Contract;

"Commodity Purchase Agreement" means the commodity purchase agreement dated 21 April 2016 between Citi Islamic Investment Bank E.C. and DD&Co Limited;

"Commodity Sale Agreement" means the commodity sale agreement dated 21 April 2016 between FGB and Condor Trade Limited;

"Clearstream, Luxembourg" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

"Day Count Fraction" has the meaning given to it in Condition 8(b) (*Periodic Distribution Provisions – Determination of Periodic Distribution Amount*);

"Deferred Payment Price" means the deferred payment price payable by FGB to the Trustee in respect of the Commodity Murabaha Investment as further described in the Master Murabaha Agreement;

"Delegation" has the meaning given to it in Condition 19 (*The Delegate*);

"Dispute" has the meaning given to it in Condition 21 (*Governing Law and Arbitration*);

"Dissolution Amount" means, in relation to a particular Series, either:

- (a) the Dissolution Distribution Amount; or
- (b) the Certificateholder Put Option Dissolution Amount; or
- (c) the Change of Control Put Option Dissolution Amount; or
- (d) the Early Dissolution Amount (Tax); or
- (e) the Optional Dissolution Amount;

"Dissolution Distribution Amount" means, in relation to a particular Series, either:

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

"Dissolution Date" means, in relation to a particular Series, either:

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

"Dissolution Event" has the meaning given to it in Condition 14 (*Dissolution Events*);

"Dissolution Event Redemption Date" has the meaning given to it in Condition 14 (*Dissolution Events*);

"Dissolution Request" has the meaning given to it in Condition 14 (*Dissolution Events*);

"Early Dissolution Amount (Tax)" means, in respect of any Certificate, the Dissolution Distribution Amount or such other amount specified in the applicable Final Terms payable on any Early Tax Dissolution Date;

"Early Tax Dissolution Date" has the meaning given to it in Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

"Euroclear" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

"Extraordinary Resolution" has the meaning given to it in schedule 4 (Provisions for Meetings of Certificateholders) to the Master Declaration of Trust;

"FGB Event" has the meaning given to it in Condition 14 (*Dissolution Events*);

"First Wakala Distribution Date" means, in relation to each Series, the date specified as such in the relevant Wakala Investment Plan;

"Fixed Amount" has the meaning given to it in the applicable Final Terms;

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

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

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

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

"Initial Wakala Investment Amount" means, in relation to a Series, the relevant proportion of the proceeds of the issue of the Certificates of that Series which are to be applied in accordance with the terms of the Wakala Agreement and the relevant Wakala Investment Plan, as specified in the applicable Final Terms and the relevant Wakala Investment Plan, and which shall not be less than 51 per cent. of the proceeds of the issue of the Certificates of that Series;

"Issue Date" has the meaning given to it in the applicable Final Terms;

"Liability" means, in respect of any person, any actual loss, damage, cost, charge, award, claim, demand, expense, judgment, action, proceeding or other liability whatsoever and including any value added tax or similar tax charged or chargeable in respect of any sums referred to in this definition and legal or other fees and expenses on a full indemnity basis and references to **"Liabilities"** shall mean all of these;

"Maximum Notice Period" has the meaning given in the applicable Final Terms;

"Maximum Optional Dissolution Amount" means the amount specified as such in the applicable Final Terms;

"Minimum Notice Period" has the meaning given in the applicable Final Terms;

"Minimum Optional Dissolution Amount" means the amount specified as such in the applicable Final Terms;

"Murabaha Contract" means an individual contract for the sale of Commodities at a deferred payment price and made pursuant to the Master Murabaha Agreement by the delivery of both an offer notice by the Trustee to the Buyer and the subsequent countersignature of such offer notice by the Buyer in accordance with the terms of the Master Murabaha Agreement;

"Murabaha Investment Amount" means, in relation to a Series, the relevant proportion of the proceeds of the issue of the Certificates of that Series which are to be applied in the acquisition of Commodities by or on behalf of the Trustee for the purposes of the entry into of a Murabaha Contract pursuant to the terms of the Master Murabaha Agreement, as specified in the applicable Final Terms and which shall not be more than 49 per cent. of the proceeds of the issue of the Certificates of that Series;

"Optional Dissolution Amount " means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Optional Dissolution Right for the relevant Series; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates being redeemed; plus
- (c) without duplication or double-counting, such other amount specified in the applicable Final Terms as being payable upon dissolution of the relevant Series in connection with an Optional Dissolution Right (if any);

"Optional Dissolution Date" means, in relation to the exercise of an Optional Dissolution Right, the date specified as such in the applicable Final Terms;

"Optional Dissolution Proportion" means the proportion (expressed as a percentage) determined by dividing: (i) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Optional Dissolution Right; by (ii) the aggregate outstanding face amount of the Certificates of the relevant Series outstanding immediately prior to redeeming the Certificates pursuant to the Optional Dissolution Right;

"Optional Dissolution Right" means the right specified in Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of FGB*);

"Payment Business Day" means: (i) in the case where presentation and surrender of a Definitive Certificate is required before payment can be made, a day on which banks in the relevant place of surrender of a Definitive Certificate are open for presentation and payment of registered securities and for dealings in foreign currencies; and (ii) in the case of payment on a Global Certificate, by transfer to an account, if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Financial Centre;

"Periodic Distribution Amount" has the meaning given to it in Condition 8(a) (*Periodic Distribution Provisions – Periodic Distribution Amount*) and as specified in the applicable Final Terms;

"Periodic Distribution Date" means the date or dates specified as such in the applicable Final Terms;

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

"Permitted Reorganisation" means:

- (a) any solvent winding up or dissolution of a Principal Subsidiary where the remaining assets of such Principal Subsidiary are distributed to FGB or any wholly owned Subsidiary of FGB;
- (b) any disposal by any Subsidiary (including, but not limited to, on its solvent winding up) of the whole or a substantial part of its business, undertaking or assets to FGB or any wholly owned Subsidiary of FGB;
- (c) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly owned Subsidiary of FGB; or
- (d) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by a modification made by Extraordinary Resolution of the Certificateholders pursuant to Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*);

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

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

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

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

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

"Principal Subsidiary" means any Subsidiary of FGB: (i) whose assets from time to time represent not less than 15 per cent. of the consolidated assets of FGB, or whose revenues from time to time represent not less than 15 per cent. of the consolidated revenues of FGB, as shown in FGB's most recent audited consolidated annual financial statements (or, if more recent, consolidated interim financial statements); or (ii) to which is transferred all or substantially all of

the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary;

"**Proceedings**" has the meaning given to it in Condition 21 (*Governing Law and Arbitration*);

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

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

"**Programme Agreement**" means the amended and restated programme agreement between the Trustee, FGB and the Dealers named therein dated 21 April 2016 in relation to the Programme;

"**Rate**" means, in relation to a particular Series, the rate or rates (expressed as a per cent. per annum) specified in the applicable Final Terms for such Series and calculated or determined in accordance with these Conditions and/or the applicable Final Terms;

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

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

"**Record Date**" has the meaning given to it in Condition 9(a) (*Payment – Payments in respect of Certificates*);

"**Register**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

"**Regular Period**" means:

- (a) in the case of Certificates where Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including the Return Accrual Commencement Date to but excluding the first Periodic Distribution Date and each successive period from and including one Periodic Distribution Date to but excluding the next Periodic Distribution Date;
- (b) in the case of Certificates where, apart from the first Return Accumulation Period, Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Periodic Distribution Date falls; and
- (c) in the case of Certificates where, apart from one Return Accumulation Period other than the first Return Accumulation Period, Periodic Distribution Amounts are scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Periodic Distribution Date falls other than the Periodic Distribution Date falling at the end of the irregular Return Accumulation Period;

"Relevant Date" has the meaning given to it in Condition 11 (*Taxation*);

"Relevant Jurisdiction" has the meaning given to it in Condition 11 (*Taxation*);

"Relevant Powers" has the meaning given to it in Condition 19 (*The Delegate*);

"Required Amount" means, in relation to each Series and each relevant Periodic Distribution Date, an amount equal to the Periodic Distribution Amount payable on the relevant Periodic Distribution Date;

"Return Accumulation Period" means the period from (and including) a Periodic Distribution Date (or, in the case of the first Return Accumulation Period, the Issue Date) to (but excluding) the next (or, in the case of the first Return Accumulation Period, the first) Periodic Distribution Date;

"Rules" has the meaning given to it in Condition 21 (*Governing Law and Arbitration*);

"Scheduled Dissolution Date" means, in respect of each Series, the date specified as such in the applicable Final Terms;

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

"Settlement Deed" means the settlement deed dated 21 April 2016 between the Trustee, FGB, Citi Islamic Investment Bank E.C., DD & Co Limited and Condor Trade Limited;

"Shari'a" means the *Shari'a* as interpreted by the *Shari'a* Boards;

"Shari'a Boards" means the Fatwa and *Shari'a* Supervisory Board of FGB from time to time, the *Shari'a* Supervisory Committee of Standard Chartered Bank and the Executive Shariah Committee of HSBC Saudi Arabia Limited;

"Specified Currency" has the meaning given to it in the applicable Final Terms;

"Specified Denomination(s)" has the meaning given to it in the applicable Final Terms;

"sub-unit" has the meaning given to it in Condition 8(b) (*Periodic Distribution Provisions – Determination of Periodic Distribution Amount*);

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

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

"Sukuk Assets" means the Wakala Investment and the Commodity Murabaha Investment in respect of a Series;

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET or TARGET 2) (the **"TARGET System"**) is open;

"Tax Event" has the meaning given to it in Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

"Taxes" has the meaning given to it in Condition 11 (*Taxation*);

"Transaction Account" has the meaning given to it in Condition 6(b) (*Trust – Operation of Transaction Account*);

"Transaction Documents" means, in relation to each Series, the Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered in connection with the entry into a Murabaha Contract pursuant to the Master Murabaha Agreement in connection with the relevant Series); the Commodity Agency Agreement; the Commodity Sale Agreement; the Commodity Purchase Agreement; the Settlement Deed; the Wakala Agreement; the Master Declaration of Trust; each Supplemental Declaration of Trust; the Agency Agreement; the Programme Agreement; the Agency Agreement; the relevant Certificates and any documents specified in the applicable Final Terms;

"Trust Assets" has the meaning given to it in Condition 6(a) (*Trust – Trust Assets*);

"Trustee Administrator" means MaplesFS Limited;

"Wakala Distribution Date" means, in relation to a Series, each Periodic Distribution Date;

"Wakala Distribution Determination Date" means, in relation to a Series, the Business Day immediately preceding each Periodic Distribution Date;

"Wakala Distribution Period" means, in relation to a Series, the period beginning on (and including) the Issue Date and ending on (but excluding) the First Wakala Distribution Date and each successive period beginning on (and including) a Wakala Distribution Date and ending on (but excluding) the next succeeding Wakala Distribution Date;

"Wakala Investment" means, in relation to each Series, the Trustee's share in First Gulf Bank P.J.S.C.'s Islamic finance business from time to time arising as a result of the Wakeel investing the relevant Initial Wakala Investment Amount, pursuant to the terms of this Agreement and the relevant Wakala Investment Plan, in First Gulf Bank P.J.S.C.'s Islamic finance business on an unrestricted basis, as a *Wakala bil Istithmar*;

"Wakala Investment Plan" means, in relation to a Series, the investment plan scheduled to the relevant Supplemental Declaration of Trust which will be substantially in the form set out in schedule 1 (*Wakala Investment Plan*) to the Wakala Agreement;

"Wakala Investment Profits" means, in relation to a Series, all profits generated by the Wakala Investment which, for the avoidance of doubt, will be determined after taking into account any deductions specified in clause 3.2 of the Wakala Agreement; and

"Wakeel Liabilities Amount" means, in relation to each Series and each corresponding Wakala Distribution Determination Date, the amount of any claims, losses, actual costs and expenses (excluding funding costs and opportunity costs) properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee, in each case in performing its obligations under the Wakala Agreement during the Wakala Distribution Period ending on such Wakala Distribution Determination Date.

All references in these Conditions to "U.S. dollars", "USD", "U.S.\$" and "\$" are to the lawful currency of the United States of America. 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 Union, as amended.

2. **FORM, DENOMINATION AND TITLE**

(a) **Form and Denomination**

The Certificates are issued in registered form in the Specified Denomination(s). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the "**Register**") which the Trustee will cause to be kept by the Registrar outside the Cayman Islands and the United Kingdom in accordance with the provisions of the Agency Agreement.

Upon issue, Certificates will be represented by beneficial interests in one or more Global Certificates, in fully registered form, which will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). Ownership interests in Global Certificates 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.

References to Euroclear and Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system.

(b) **Title**

Title to the Certificates passes only by registration in the Register. Subject to the terms of any relevant Global Certificate and/or the definition of "**Certificateholders**", the registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

The Trustee and the Delegate may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to any Certificateholder by reason only of either having accepted as valid or not having rejected an original certificate or letter of confirmation purporting to be signed on behalf of Euroclear or Clearstream,

Luxembourg or any other relevant clearing system to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular nominal amount of Certificates credited to his or her securities account.

3. **TRANSFERS OF CERTIFICATES**

(a) **Transfers**

Subject to Condition 3(d) (*Transfers of Certificates – Closed Periods*), Condition 3(e) (*Transfers of Certificates – Regulations*), the limitations as to transfer set out in Condition 2(b) (*Form, Denomination and Title – Title*) and the provisions of the Agency Agreement, a Certificate may be transferred whole or in an amount equal to the Specified Denomination(s) or any integral multiple thereof by depositing the Certificate, with the form of transfer on the back, duly completed and signed, at the specified office of the Transfer Agent together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

Transfers of interests in the Certificates represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

(b) **Delivery of New Certificates**

Each new Certificate to be issued upon any transfer of Certificates will, within three (3) business days of receipt by the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open

for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five (5) business days of receipt by the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in each Global Certificate, owners of interests in a Global Certificate will not be entitled to receive physical delivery of Certificates.

(c) **Formalities Free of Charge**

Registration of any transfer of Certificates will be effected without charge on behalf of the Trustee by the Registrar or the Transfer Agent but upon payment (or the giving of such indemnity as the Trustee, Registrar or Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

(d) **Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered during the period of fifteen (15) days ending on (and including) the due date for any payment of the Dissolution Amount or any Periodic Distribution Amount (as defined in Condition 8(a) (*Periodic Distribution Provisions – Periodic Distribution Amount*) as specified in the applicable Final Terms) or any other date on which payment of the face amount or payment of any profit in respect of a Certificate falls due as specified in the applicable Final Terms.

(e) **Exercise of Options or Partial Dissolution in Respect of Certificates**

In the case of an exercise of FGB's or a Certificateholder's option in respect of, or a partial redemption of, a holding of Certificates, the Registrar will update the entries on the Register accordingly and, in the case of Definitive Certificates, new Definitive Certificates shall be issued to the Certificateholders to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Definitive Certificates shall only be issued against surrender of the existing Definitive Certificates to the Registrar or any Transfer Agent.

(f) **Regulations**

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Master Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

Unless otherwise requested by him, each Certificateholder shall be entitled to receive, in accordance with Condition 2(b) (*Form, Denomination and Title – Title*), only one Certificate in respect of his or her entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3(b) (*Transfers of Certificates – Delivery of New Certificates*).

4. STATUS AND LIMITED RECOURSE

(a) **Status**

Each Certificate will represent an undivided *pro rata* ownership interest in the relevant Trust Assets (pursuant to the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust) and will be a limited recourse obligation of the Trustee. Each Certificate will rank *pari passu*, without preference or priority, with all other Certificates of the relevant Series issued under the Programme.

(b) **Limited Recourse**

The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, FGB, any of the Agents or any of their respective affiliates. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 15 (*Enforcement and Exercise of Rights*), Certificateholders acknowledge that, by subscribing for or acquiring Certificates, they will not have any claim against the Trustee (and/or its directors, officers or shareholders), FGB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates, or against any of their respective assets (other than the relevant Trust Assets) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee (and/or its directors), FGB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

FGB is obliged to make payments under the relevant Transaction Documents directly to the Trustee, the Delegate (acting in the name and on behalf of the Trustee) and/or the Agents. The Delegate will, as delegate of the Trustee for the Certificateholders, have direct recourse against FGB to recover payments due to the Trustee from FGB pursuant to such Transaction Documents. Neither the Trustee nor the Delegate shall be liable for the late, partial or non-recovery of any such payments from FGB save in the case of its wilful default, actual fraud or gross negligence.

(c) **Agreement of Certificateholders**

By subscribing for or acquiring Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (i) no payment of any amount whatsoever shall be made by any of the Trustee, the Delegate (acting in the name and on behalf of the Trustee) or any of their respective agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets;
- (ii) no recourse shall be had for the payment of any amount owing hereunder or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, administrators or shareholders), FGB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, any Agent or any of their respective agents or affiliates to the extent the relevant Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, FGB, any Agents and their respective agents or affiliates shall be extinguished;

- (iii) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;
- (iv) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any shareholder, member, officer, agent, administrator or director of the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Trustee under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, administrators or directors of the Trustee save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and
- (v) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates.

5. **NEGATIVE PLEDGE**

So long as any Certificate remains outstanding, FGB shall not, and shall procure that none of its Subsidiaries will create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness of FGB or Guarantee (by FGB) of Relevant Indebtedness of others, other than a Permitted Security Interest, without: (a) at the same time or prior thereto securing the Certificates equally and rateably therewith; or (b) providing such other security for the Certificates as: (i) the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of the Certificateholders; or (ii) as may be approved by an Extraordinary Resolution of Certificateholders.

In this Condition 5 (*Negative Pledge*):

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

"Permitted Security Interest" means, for the purposes of this Condition 5 (*Negative Pledge*):

- (i) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;
- (ii) any Security Interest arising by operation of law, provided that such Security Interest is discharged within 30 days of arising;
- (iii) any Security Interest arising in the ordinary course of banking transactions (such as sale and repurchase transactions and share, loan and bonding lending transactions) provided that the Security Interest is limited to the assets which are the subject of the relevant transaction;
- (iv) any Security Interest on assets or property existing at the time FGB or any Subsidiary acquired such assets or property provided that such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property (other

than proceeds of such acquired assets or property), provided that the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

- (v) any Security Interest securing Indebtedness of a Person and/or its Subsidiaries existing at the time that such Person is merged into or consolidated with FGB or a Subsidiary, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of FGB or any Subsidiary;
- (vi) any Security Interest created in connection with any Non-recourse Project Financing; and
- (vii) any other Security Interest provided that the aggregate outstanding amount secured by that Security Interest and any other Security Interest permitted to be created and in effect under this Condition 5 (*Negative Pledge*) does not, at any time, exceed 10 per cent. of the aggregate share capital and reserves of FGB as shown in its most recent audited consolidated (if then prepared by FGB) or non-consolidated (if consolidated financial statements are not then prepared by FGB) financial statements prepared in accordance with International Financial Reporting Standards.

6. TRUST

(a) Trust Assets

Pursuant to the Master Declaration of Trust, as supplemented by the relevant Supplemental Declaration of Trust for the relevant Series, the Trustee holds the Trust Assets for each Series on trust absolutely for and on behalf of the Certificateholders of such Series pro rata according to the face amount of Certificates held by each holder. The term "**Trust Assets**" in respect of each Series means the following:

- (i) the cash proceeds of the issue of the Certificates, pending the application thereof in accordance with the terms of the Transaction Documents;
- (ii) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Sukuk Assets from time to time (excluding any representations given by FGB to the Trustee and/or the Delegate under any Transaction Documents constituting the Sukuk Assets from time to time);
- (iii) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by FGB to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to clause 17.1 of the Master Declaration of Trust);
- (iv) all moneys standing to the credit of the Transaction Account from time to time; and
- (v) all proceeds of the foregoing.

(b) Operation of Transaction Account

For each Series, the Trustee will establish a non-interest bearing transaction account denominated in the Specified Currency, details of which are set out in the applicable Final Terms (the "**Transaction Account**") with the Principal Paying Agent into which, among other things: (i) FGB, as Buyer under the Master Murabaha Agreement, will credit amounts of the outstanding Deferred Payment Price on the Business Day prior to the relevant Periodic Distribution Date or, as applicable, the relevant Dissolution Date; (ii) the Wakeel will (as required) apply any amounts of Wakala Investment Profits standing to the credit of the relevant Collection Account to fund a shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the relevant

Required Amount payable on the relevant Periodic Distribution Date or (as applicable) the relevant Dissolution Amount payable on the relevant Dissolution Date; and (iii) the Delegate will deposit all the proceeds of any action to enforce or realise the relevant Trust Assets taken in accordance with Condition 15 (*Enforcement and Exercise of Rights*).

(c) **Application of Proceeds from Trust Assets**

On each Periodic Distribution Date, any Dissolution Date or on any earlier date specified for the dissolution of the Trust for each Series, the relevant Paying Agent will apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (i) *first*, (to the extent not previously paid) to pay the Delegate all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust;
- (ii) *second*, (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all amounts properly incurred and documented (each in the opinion of the Delegate) owing to it under the Transaction Documents in its capacity as Trustee; (ii) the Trustee Administrator in respect of all amounts owing to it under the Corporate Services Agreement in its capacity as Trustee Administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;
- (iii) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (iv) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment of the relevant Dissolution Amount; and
- (v) *fifth*, only if such payment is made on a Dissolution Date, payment of any residual amount to the Wakeel as an incentive amount for its performance.

7. **COVENANTS**

The Trustee covenants that, among other things, for so long as any Certificate is outstanding (as defined in the Master Declaration of Trust), it shall not:

- (i) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (ii) create any Security Interest over any of its present or future indebtedness for borrowed money or upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) (other than under or pursuant to any of the Transaction Documents));
- (iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;

- (iv) subject to Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (v) except as provided in the Master Declaration of Trust as supplemented by any relevant Supplemental Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (vi) have any subsidiaries or employees;
- (vii) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
- (viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (ix) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly permitted or required thereunder or engage in any business or activity other than:
 - (A) as provided for or permitted in the Transaction Documents;
 - (B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
 - (C) such other matters which are incidental thereto.

8. PERIODIC DISTRIBUTION PROVISIONS

(a) Periodic Distribution Amount

A "**Periodic Distribution Amount**" representing a defined share of the profit in respect of the relevant Sukuk Assets will be payable in respect of the relevant Certificates and be distributable by the Trustee to the Certificateholders in accordance with these Conditions.

(b) Determination of Periodic Distribution Amount

Except as provided in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Certificate for any Return Accumulation Period shall be the Fixed Amount and, if the Certificates are in more than one Specified Denomination, shall be the Fixed Amount as specified in the applicable Final Terms in respect of the relevant Specified Denomination. Payments of Periodic Distribution Amounts on any Periodic Distribution Date as specified in the applicable Final Terms may, if so specified in the applicable Final Terms, amount to the Broken Amount as specified in the applicable Final Terms.

If any Periodic Distribution Amount is required to be calculated for a period other than a Return Accumulation Period or if no relevant Fixed Amount or Broken Amount is specified in the applicable Final Terms, such Periodic Distribution Amount shall be calculated by applying the Rate to the Calculation Amount, multiplying the product by the applicable Day Count Fraction, and rounding the resulting figure to the nearest sub-unit of the relevant Specified Currency (half of any such sub-unit being rounded upwards) and multiplying such rounded figure by a figure equal to the Specified Denomination of the relevant Certificate divided by the Calculation Amount.

"Day Count Fraction" means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition 8(c) (*Periodic Distribution Provisions – Determination of Periodic Distribution Amount*):

- (i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:
 - (A) where the Determination Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Determination Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) where the Determination Period is longer than one Regular Period, the sum of:
 - (1) the actual number of days in such Determination Period falling in the Regular Period in which it begins divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year; and
 - (2) the actual number of days in such Determination Period falling in the next Regular Period divided by the product of: (i) the actual number of days in such Regular Period; and (ii) the number of Regular Periods in any year;
- (ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Issue Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(c) **Payment in Arrear**

Subject to Condition 8(d) (*Fixed Periodic Distribution Provisions – Cessation of Profit Entitlement*), Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of FGB*), and Condition 14 (*Dissolution Events*) below, and unless otherwise specified in the applicable Final Terms, each Periodic Distribution Amount will be paid in respect of the relevant Certificates in arrear on each Periodic Distribution Date specified in the applicable Final Terms.

(d) **Cessation of Profit Entitlement**

Provided that, upon due presentation, payment is not improperly withheld or refused, no further amounts will be payable on any Certificate from and including the relevant Dissolution Date. For the avoidance of doubt, in the event that the relevant Dissolution Date falls after the Scheduled Dissolution Date, no profit will accrue from and including the Scheduled Dissolution Date.

9. **PAYMENT**

(a) **Payments in respect of Certificates**

Subject to Condition 8 (*Periodic Distribution Provisions – Periodic Distribution Amount*), payment of each Periodic Distribution Amount and the relevant Dissolution Amount will be made by the relevant Paying Agent in the Specified Currency, by wire transfer in same day funds to the registered account of each Certificateholder. Payments of the relevant Dissolution Amount will only be made against surrender of the relevant Certificate, where the Certificate is in definitive form, at the specified office of the relevant Paying Agent. Payments of the relevant Dissolution Amount and each Periodic Distribution Amount in respect of the Global Certificate will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of these Conditions:

- (i) a Certificateholder's "**registered account**" means an account denominated in the Specified Currency maintained by or on behalf of it with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date;
- (ii) a Certificateholder's "**registered address**" means its address appearing on the Register at that time; and
- (iii) "**Record Date**" means:
 - (A) in the case of the payment of a Periodic Distribution Amount, the close of business on the day prior to the relevant Periodic Distribution Date; and
 - (B) in the case of the payment of a Dissolution Amount, the date falling two Payment Business Days before the relevant Dissolution Date or other due date for payment of the relevant Periodic Distribution Amount.

(b) **Payments subject to Applicable Laws**

All payments are subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of this Condition 9 (*Payment*) and Condition 11 (*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 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

(c) **Payment only on a Payment Business Day**

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated by the relevant Paying Agent, on the due date for payment or, in the case of a payment of the relevant Dissolution Amount, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of the relevant Paying Agent.

Certificateholders will not be entitled to any additional Periodic Distribution Amount, Dissolution Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering his Certificate (if required to do so).

If the relevant Dissolution Amount or any Periodic Distribution Amount is not paid in full when due, the relevant Registrar will annotate the Register with a record of the amount actually paid.

(d) **Agents**

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided in the Master Declaration of Trust and the Agency Agreement) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders or any other party to the Transaction Documents.

The names of the initial Agents and their initial specified offices are set out in this Condition. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents provided that: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); and (b) so long as any Certificates are admitted to listing, trading and/or

quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any such change or any change of any Specified Office shall be given to the Trustee, the Delegate and the Certificateholders in accordance with the provisions of the Agency Agreement.

The name and specified office of the Principal Paying Agent, Calculation Agent and Transfer Agent:

Citibank N.A., London Branch
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

The name and specified office of the Registrar:

Citigroup Global Markets Deutschland AG
Reuterweg 16 D-60323 Frankfurt am Main
Germany

10. CAPITAL DISTRIBUTIONS OF THE TRUST

(a) **Dissolution on the relevant Scheduled Dissolution Date**

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

(b) **Early Dissolution for Tax Reasons**

If a Tax Event occurs, where "**Tax Event**" means:

- (i) (A) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Series; and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (ii) (A) the Trustee has received notice from FGB that it has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Series; and (B) such obligation cannot be avoided by FGB taking reasonable measures available to it,

the Certificates shall be redeemed by the Trustee in whole, but not in part, at any time (such dissolution date being an "**Early Tax Dissolution Date**"), on giving not less than the Minimum Notice Period nor more than the Maximum Notice Period notice to the Certificateholders (which notice shall be irrevocable) at their Early Dissolution Amount (Tax) if the Trustee satisfies the Delegate immediately before the giving of such notice of the occurrence of such a Tax Event provided, however, that no such notice of dissolution shall be given earlier than 90 days prior to the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due, or FGB would be obliged to pay such additional amounts if a

payment to the Trustee under the Master Murabaha Agreement or the Wakala Agreement was then due.

Upon the occurrence of such a Tax Event, FGB shall:

- (a) in its capacity as Buyer under the Master Murabaha Agreement, pay the outstanding Deferred Payment Price in full on the Business Day prior to the relevant Early Tax Dissolution Date by crediting: (i) an amount equal to the Early Dissolution Amount (Tax) to the Transaction Account no later than such date and; (ii) any remaining balance of the outstanding Deferred Payment Price to the Collection Account; and
- (b) in its capacity as Wakeel, on the date falling one Business Day prior to the Early Tax Dissolution Date, liquidate the Wakala Investment at its market value (as determined by the Wakeel (acting reasonably)) and the proceeds of such liquidation shall be credited to the Collection Account and any amounts standing to the credit of the Collection Account shall be applied in the following order of priority: (i) in payment to the Wakeel on behalf of the Trustee of any unpaid Wakeel Liabilities Amounts; (ii) in the event of any shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the Early Dissolution Amount (Tax) payable on the relevant Early Tax Dissolution Date, by paying into the Transaction Account an amount equal to such shortfall (or such lesser amount as is then standing to the credit of the Collection Account) on such date; and (iii) following payment of all amounts due and payable under the Certificates of a Series, the Wakeel shall be entitled to retain any amounts that remain standing to the credit of the relevant Collection Account of that Series for its own account as an incentive payment for acting as Wakeel (in relation to each Series, an "**Incentive Payment**").

Prior to the publication by or on behalf of the Trustee of any notice to Certificateholders pursuant to this Condition 10 (*Capital Distributions of the Trust*), it shall be sufficient to establish that the conditions precedent set out in this Condition 10 (*Capital Distributions of the Trust*) to the right of the Trustee to dissolve the Trust have occurred, if FGB shall deliver to the Trustee and the Delegate an opinion of independent legal advisers of recognised standing or accountant of recognised standing to the effect either that such circumstances do exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto), or in the interpretation or administration thereof, of any Relevant Jurisdiction, which at the date of such Certificate is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant Periodic Distribution Amount or, as the case may be, Dissolution Amount in respect of the Certificates would otherwise be made, becoming so effective, such circumstances would exist and the Trustee or the Delegate shall be entitled to accept such opinion as sufficient evidence of the satisfaction of the relevant conditions precedent in which event they shall be conclusive and binding on the Certificateholders.

Upon the expiry of any such notice to Certificateholders as is referred to above and payment in full of the Early Dissolution Amount (Tax) to Certificateholders, the Trustee shall be bound to dissolve the Trust and redeem the Certificates in accordance with this Condition 10 (*Capital Distributions of the Trust*). Upon such dissolution of the Trust as aforesaid and the redemption of the Certificates, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(c) **Dissolution at the Option of FGB**

If the Optional Dissolution Right is specified in the applicable Final Terms, FGB may, in its sole discretion, require the Trustee to, upon giving not less than the Minimum Notice Period nor more than the Maximum Notice Period to the relevant Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to dissolve the Certificates on the relevant Optional Dissolution Date),

dissolve the Trust and redeem all or, if so specified in such notice, part only of the Certificates at the relevant Optional Dissolution Amount on the relevant Optional Dissolution Date specified in such notice in accordance with this Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of FGB*).

Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed and no greater than the Maximum Optional Dissolution Amount to be redeemed (in each case as specified in the applicable Final Terms).

Upon delivery of such notice, FGB shall:

- (a) in its capacity as Buyer under the Master Murabaha Agreement, pay the Optional Dissolution Proportion of the outstanding Deferred Payment Price on the Business Day prior to any relevant Optional Dissolution Date by crediting:
 - (i) an amount equal to the relevant Optional Dissolution Amount to the Transaction Account no later than such date; and
 - (ii) any remaining balance to the Collection Account; and
- (b) in its capacity as Wakeel, on the date falling one Business Day prior to the Optional Dissolution Date, liquidate the portion of the Wakala Investment equal to the Optional Dissolution Proportion at its market value (as determined by the Wakeel (acting reasonably)) and the proceeds of such liquidation shall be credited to the Collection Account and any amounts standing to the credit of the Collection Account shall be applied in the following order of priority: (i) in payment to the Wakeel on behalf of the Trustee of any unpaid Wakeel Liabilities Amounts; (ii) in the event of any shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the relevant Optional Dissolution Amount payable on the relevant Optional Dissolution Date, by paying into the Transaction Account an amount equal to such shortfall (or such lesser amount as is then standing to the credit of the Collection Account) on such date; and (iii) following payment of all amounts due and payable under the Certificates of a Series, the Wakeel shall be entitled to retain any amounts that remain standing to the credit of the relevant Collection Account of that Series for its own account as an Incentive Payment for acting as Wakeel.

If all (and not some only) of the Certificates are to be redeemed on any Optional Dissolution Date in accordance with this Condition 10(c), upon payment in full of the Optional Dissolution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

In the case of a partial redemption, the notice to the relevant Certificateholders shall also specify the face amount of Certificates drawn and the holder(s) of such Certificates to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(d) **Certificateholder Put Option**

If the Certificateholder Put Option is specified in the applicable Final Terms, the Trustee shall, at the option of any Certificateholder, upon such holder giving not less than the Minimum Notice Period nor more than the Maximum Notice Period notice to the Trustee, upon the expiry of such notice, redeem such Certificates on the Certificateholder Put Option Date at its Certificateholder Put Option Dissolution Amount. If all (and not some only) of the Certificates are to be redeemed on any Certificateholder Put Option Date in accordance with this Condition 10(d), upon payment in full of the Certificateholder Put Option Dissolution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

To exercise the option in this Condition 10(d) the relevant holder must, if such Certificates are in definitive form and held outside Euroclear and Clearstream, Luxembourg, deposit its Certificate(s), on any business day in the city of the specified office of the Principal Paying Agent falling within the notice period, with the Principal Paying Agent, giving notice to the Principal Paying Agent of such exercise (a "**Certificateholder Put Option Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable). If Certificates are represented by a Global Certificate or are in definitive form and held through Euroclear or Clearstream, Luxembourg, then in order to exercise the option in this Condition 10(d), a Certificateholder must, within the notice period, give notice to a Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Certificateholder Put Option Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent) and, if this Certificate is represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to a Paying Agent for notation or entry in the Register accordingly.

Any Certificateholder Put Option Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Certificates pursuant to this Condition 10(d) shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Certificates due and payable pursuant to Condition 14 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 10(d).

Upon receipt of a Certificateholder Put Option Notice, FGB shall:

- (a) in its capacity as Buyer under the Master Murabaha Agreement, pay the Certificateholders Put Option Proportion of the outstanding Deferred Payment Price on the Business Day prior to any relevant Certificateholders Put Option Date by crediting: (i) an amount equal to the relevant Certificateholders Put Option Dissolution Amount to the Transaction Account no later than such date; and (ii) any remaining balance to the Collection Account; and
- (b) in its capacity as Wakeel, on the date falling one Business Day prior to the Certificateholder Put Option Date, liquidate the portion of the Wakala Investment equal to the Certificateholders Put Option Proportion at its market value (as determined by the Wakeel (acting reasonably)) and the proceeds of such liquidation shall be credited to the Collection Account and any amounts standing to the credit of the Collection Account shall be applied in the following order of priority: (i) in payment to the Wakeel on behalf of the Trustee of any unpaid Wakeel Liabilities Amounts; (ii) in the event of any shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the relevant Certificateholders Put Option Dissolution Amount payable on the relevant Certificateholder Put Option Date, by paying into the Transaction Account an amount equal to such shortfall (or such lesser amount as is then standing to the credit of the Collection Account) on such date; and (iii) following payment of all amounts due and payable under the Certificates of a Series, the Wakeel shall be entitled to retain any amounts that remain standing to the credit of the relevant Collection Account of that Series for its own account as an Incentive Payment for acting as Wakeel.

(e) **Redemption at the Option of the Certificateholders (Change of Control Put Option)**

If Change of Control Put Option is specified in the applicable Final Terms, the Certificates may be cancelled following the occurrence of a Change of Control Event (other than a Permitted Merger) subject to and in accordance with this Condition 10(e).

FGB has undertaken in the Master Declaration of Trust to notify the Trustee and the Delegate forthwith upon the occurrence of a Change of Control Event and to provide details in respect thereof. The Trustee, upon receipt of such a notice from FGB or otherwise upon becoming aware of the occurrence of a Change of Control Event, shall promptly give notice (a "**Change of Control Notice**") of the occurrence of a Change of Control Event to the Certificateholders in accordance with Condition 17 (*Notices*).

A Change of Control Notice shall provide a description of the Change of Control Event and shall require Certificateholders to elect within 90 days (the "**Change of Control Put Period**") of the date of the Change of Control Notice if they wish all or any of their Certificates to be redeemed.

To elect to redeem all or any of its Certificates in accordance with this Condition 10(e), a Certificateholder must, if such Certificates are in definitive form and held outside Euroclear and Clearstream, Luxembourg deposit its Certificate(s), on any business day in the city of the specified office of the Registrar or Transfer Agent falling within the Change of Control Put Period with the Registrar or Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Change of Control Put Notice**") in the form obtainable from the relevant Paying Agent, Registrar or Transfer Agent (as applicable). If Certificates are represented by a Global Certificate or are in definitive certificate form and held through Euroclear or Clearstream, Luxembourg, then in order to exercise the right to require redemption of a Certificate under this Condition 10(e), a Certificateholder must, within the Change of Control Put Period, give notice to a Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to a Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Certificate is represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to a Paying Agent for notation or entry in the Register accordingly.

No Certificate so deposited and option exercised may be withdrawn (except as otherwise provided in the Agency Agreement) without the prior consent of the Trustee. The Agent to which such Certificate and Change of Control Put Notice are delivered will issue to the holder concerned a non-transferable receipt (a "**Change of Control Put Notice Receipt**").

The relevant Agent shall serve a notice on the Trustee (the "**Change of Control Confirmation Notice**"). On the last day of the Change of Control Put Period, following the receipt of a Change of Control Confirmation Notice, the Trustee shall require FGB on the seventh day after the last day of the Change of Control Put Period, to:

- (a) in its capacity as Buyer under the Master Murabaha Agreement, pay the Change of Control Put Option Proportion of the outstanding Deferred Payment Price relating to the Certificates being so redeemed (such Certificates being the "**Change of Control Certificates**") on the Business Day prior to any relevant Change of Control Put Option Date by crediting: (i) an amount equal to the relevant Change of Control Put Option Dissolution Amount to the Transaction Account no later than such date; and (ii) any remaining balance to the Collection Account; and
- (b) in its capacity as Wakeel, on the date falling one Business Day prior to the Change of Control Put Option Date, liquidate the portion of the Wakala Investment equal to the Change of Control Put Option Proportion at its market value (as determined by the Wakeel (acting reasonably)) and the proceeds of such liquidation shall be credited to the Collection Account and any amounts standing to the credit of the Collection Account shall be applied in the following order of priority: (i) in payment to the Wakeel on behalf of the Trustee of any unpaid Wakeel Liabilities Amounts; (ii) in the event of any shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the relevant Change of Control Put Option Dissolution Amount payable on the

relevant Change of Control Put Option Date, by paying into the Transaction Account an amount equal to such shortfall (or such lesser amount as is then standing to the credit of the Collection Account) on such date; and (iii) following payment of all amounts due and payable in respect of the Change of Control Certificates of a Series, the Wakeel shall be entitled to retain any amounts that remain standing to the credit of the relevant Collection Account of that Series for its own account as an Incentive Payment for acting as Wakeel.

If all (and not some only) of the Certificates are to be redeemed on any Change of Control Put Option Date in accordance with this Condition 10(e), upon payment in full of the Change of Control Put Option Dissolution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

(f) **Dissolution following a Dissolution Event**

Upon the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date, if the conditions set out in Condition 14 (*Dissolution Events*) are satisfied, and the Trust will be dissolved by the Trustee.

(g) **No other Dissolution**

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 10 (*Capital Distributions of the Trust*), Condition 13 (*Purchase and Cancellation of Certificates*) and Condition 14 (*Dissolution Events*).

(h) **Cancellations**

Subject to and in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, all Certificates which are redeemed will forthwith be cancelled. All Certificates purchased and surrendered for cancellation by or on behalf of FGB and/or any of its Subsidiaries shall be cancelled by surrendering (or procuring the surrender of) the relevant Global Certificate or Definitive Certificates representing such Certificates to the Registrar and by FGB delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Master Declaration of Trust. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 10(h) (*Capital Distributions of the Trust – Cancellations*) and Condition 13 (*Purchase and Cancellation of Certificates*), the Trustee shall be bound to dissolve the Trust. All Certificates cancelled pursuant to this Condition 10(h) (*Capital Distributions of the Trust – Cancellations*) and Condition 13 (*Purchase and Cancellation of Certificates*) shall be forwarded to the Registrar and cannot be reissued or resold.

(i) **Effect of payment in full of Dissolution Amount**

Upon payment in full of all amounts due and payable in respect of the Certificates of any Series and the dissolution of the Trust as provided for in this Condition 10 (*Capital Distributions of the Trust*), Condition 13(d) (*Purchase and Cancellation of Certificates – Dissolution of the Trust upon cancellation of all outstanding Certificates in a Series*) or Condition 14 (*Dissolution Events*) (as applicable), each Certificate shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

11. **TAXATION**

All payments in respect of the Certificates by the Trustee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction ("**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay such additional amounts as shall be necessary in order that the full amount which otherwise would have been due

and payable under the Certificates is received by the Certificateholders, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate presented for payment (where presentation is required):

- (i) by or on behalf of a holder who is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or
- (ii) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days.

In these Conditions:

"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 relevant Paying Agent or the Trustee or the Registrar 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 Certificateholders by the Trustee in accordance with Condition 17 (*Notices*); and

"Relevant Jurisdiction" means the Cayman Islands (in the case of any payment made by the Trustee) and the United Arab Emirates or any Emirate therein (in the case of any payment made by FGB) or, in each case, any political subdivision or authority thereof or therein having the power to tax.

The Master Murabaha Agreement and the Wakala Agreement provide that payments thereunder by FGB shall be made without any deduction or withholding for, or on account of, any present or future Taxes, unless such deduction or withholding is required by law and, in such case, FGB has undertaken to pay such additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee or the Delegate acting on its behalf.

Further, FGB has undertaken in each of the Master Murabaha Agreement, the Wakala Agreement and the Master Declaration of Trust to pay such additional amounts as may be necessary pursuant to this Condition 11 so that the full amount due and payable by the Trustee in respect of the Certificates to the Certificateholders is received by the Trustee no later than the due date for payment of such amounts under the Certificates for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of this Condition 11.

If FGB becomes subject to any taxing jurisdiction other than the United Arab Emirates, or any Emirate therein, references in these Conditions to the United Arab Emirates, or any Emirate therein, shall be construed as references to the United Arab Emirates and/or such other jurisdiction, as the case may be.

12. **PRESCRIPTION**

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within a period of ten (10) years (in the case of the Dissolution Amount) and five (5) years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

13. **PURCHASE AND CANCELLATION OF CERTIFICATES**

(a) **Purchases**

FGB and/or any Subsidiary may at any time purchase Certificates at any price in the open market or otherwise at any price. Such Certificates may be held, re-sold or, at the option of FGB, surrendered to the Registrar for cancellation in accordance with Condition 10(h) (*Capital Distributions of the Trust – Cancellations*) and 13(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by FGB and/or any of its Subsidiaries*).

(b) **Cancellation of Certificates held by FGB and/or any of its Subsidiaries**

If FGB wishes to cancel any of the Cancellation Certificates purchased by it and/or any Subsidiary pursuant to Condition 13(a), FGB may, in accordance with the terms of the Master Declaration of Trust, deliver a Cancellation Notice to the Trustee and require the Trustee to cancel any Cancellation Certificates surrendered to it by FGB and/or any Subsidiary.

Following delivery of such a Cancellation Notice and the redemption and cancellation of the relevant Cancellation Certificates in accordance with this Condition 13 (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by FGB and/or any of its Subsidiaries*) and the Master Declaration of Trust, on such Cancellation Date:

- (a) the Wakala Investment shall be reduced by an amount equal to the relevant Cancellation Proportion specified in the relevant Cancellation Notice; and
- (b) an amount of the outstanding Deferred Payment Price equal to the relevant Cancellation Proportion specified in the relevant Cancellation Notice shall be deemed to be cancelled with effect from the Cancellation Date.

(c) **Dissolution of the Trust upon cancellation of all outstanding Certificates in a Series**

In the event FGB and/or any of its Subsidiaries purchase all the outstanding Certificates in a Series pursuant to this Condition 13 (*Purchase and Cancellation of Certificates*) and all such Certificates are subsequently cancelled by the Trustee, the relevant Trust will be dissolved and each Certificate shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14. **DISSOLUTION EVENTS**

If, upon the occurrence of any of the following events (each a "**Dissolution Event**"):

- (i) default is made in the payment of the relevant Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of seven (7) days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of fourteen (14) days; or
- (ii) the Trustee defaults in the performance or observance of or compliance with any of its other obligations or undertakings under the Transaction Documents to which it is a party and such default is not capable of remedy (in the opinion of the Delegate) or (if capable of remedy (in the opinion of the Delegate)) is not remedied within thirty (30) days after written notice of such default shall have been given to the Trustee by the Delegate; or
- (iii) an FGB Event occurs; or
- (iv) the Trustee repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or
- (v) at any time it is or will become unlawful or impossible for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its obligations under the Transaction Documents or any of the obligations of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (vi) either: (a) the Trustee becomes insolvent or is unable to pay its debts as they fall due; (b) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); (c) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for

the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (d) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business; or

- (vii) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or
- (viii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraph (vi) and (vii) above,

provided however that in the case of the occurrence of any of the events described in paragraphs (ii) and (v), the Delegate shall have certified in writing to FGB that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates, the Delegate shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), subject to it having been notified in writing of the occurrence of such Dissolution Event, give notice in writing of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 17 (*Notices*) with a request to such holders to indicate if they wish the Trust to be dissolved. If so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series outstanding or if so directed by an Extraordinary Resolution of the Certificateholders (a "**Dissolution Request**") it shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Trustee and FGB of the Dissolution Request and, upon receipt of such notice, the Trustee shall: (a) notify FGB that the outstanding Deferred Payment Price is immediately due and payable under the Master Murabaha Agreement; and (b) notify the Wakeel of the Dissolution Request, following which the Wakeel will liquidate the Wakala Investment in accordance with the terms of the Wakala Agreement and the Trustee shall use the outstanding Deferred Payment Price (and, only to the extent required to fund any shortfalls in the Dissolution Distribution Amount following delivery of a Dissolution Request, the proceeds of the liquidation of the Wakala Investment) to redeem the Certificates at the Dissolution Distribution Amount on the date specified in such notice (the "**Dissolution Event Redemption Date**") and the Trust shall be dissolved on the day after the last outstanding Certificate has been redeemed.

Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of paragraph (i) above, amounts shall be considered due in respect of the Certificates (including for the avoidance of doubt any amounts calculated as being payable under Condition 8 (*Periodic Distribution Provisions*) and Condition 10 (*Capital Distributions of the Trust*)) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

For the purposes of this Condition, an "**FGB Event**" will occur if one or more of the following events occurs:

- (i) *Non-payment*: FGB (acting in any capacity) fails to pay any amount in the nature of principal (corresponding to the relevant Dissolution Amount payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document on the due date for payment thereof and such failure has continued for a period of seven days, or fails to pay any amount in the nature of profit (corresponding to the Periodic Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document on the due date for payment thereof and such failure has continued for a period of 14 days; or
- (ii) *Breach of other obligations*: FGB, acting in any capacity, defaults in the performance or observance of any of its other obligations in relation to the Certificates under the Transaction Documents to which it is a party (other than the Programme Agreement and the Agency Agreement) and such default remains unremedied for a period of 30 days after written notice of such default shall have been given to FGB by the Delegate (acting on behalf of the Trustee) (except where such default is, in the opinion of the Delegate, based on information received by the Delegate (as applicable) from FGB and/or the

Trustee (as applicable), not capable of remedy in which case no such notice of default shall be required); or

- (iii) *Cross-default:*
 - (A) any Indebtedness of FGB or any Principal Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period;
 - (B) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of FGB or (as the case may be) any of its Principal Subsidiaries or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
 - (C) FGB or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness, provided that such event shall not constitute an FGB Event unless the aggregate amount of all such Indebtedness either alone or when aggregated with all other Indebtedness in respect of which such an event shall have occurred and be continuing shall be more than U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or
- (iv) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment(s) of an amount in excess of U.S.\$15,000,000 (or its equivalent in any other currency or currencies) is rendered against FGB or any Principal Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (v) *Security enforced:* a secured party takes possession of, or a receiver, manager or other similar officer is appointed in respect of the whole or (in the opinion of the Delegate, based on information received by the Delegate from FGB and/or the Trustee) any substantial part of the undertaking, assets and revenues of FGB or any Principal Subsidiary; or
- (vi) *Insolvency, etc.:* (i) FGB or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of FGB or any Principal Subsidiary is appointed in respect of the whole or (in the opinion of the Delegate, based on information received by the Delegate from FGB and/or the Trustee) any substantial part of the undertaking, assets and revenues of FGB or any Principal Subsidiary (or application for any such appointment is made); (iii) FGB or any Principal Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) FGB or any Principal Subsidiary ceases or threatens to cease to carry on all or any substantial part of its business save in connection with a Permitted Reorganisation; or
- (vii) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of FGB or any Principal Subsidiary save in connection with a Permitted Reorganisation; or
- (viii) *Analogous event:* any event occurs which under the laws of the United Arab Emirates has an analogous effect to any of the events referred to in paragraphs (iv) (*Unsatisfied judgment*) to (vii) (*Winding up etc.*) inclusive above; or
- (ix) *Failure to take action, etc.:* any action, condition or thing at any time required to be taken, fulfilled or done in order: (i) to enable FGB, acting in any capacity, lawfully to enter into, exercise its rights and perform and comply with its obligations in relation to the Certificates under the Transaction Documents to which it is a party (other than the Programme Agreement and the Agency Agreement), (ii) to ensure that those obligations are legal, valid, binding and enforceable; and (iii) to make the Transaction Documents to

which it is a party (other than the Programme Agreement and Agency Agreement) admissible in evidence in the courts of the United Arab Emirates, is not taken, fulfilled or done; or

- (x) *Unlawfulness*: it is or will become unlawful for FGB to perform or comply with any of its obligations under or in respect of the Transaction Documents to which it is a party; or
- (xi) *Government intervention*: (A) all or any substantial part of the undertaking, assets and revenues of FGB or any Principal Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (B) FGB or any Principal Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues,

provided however that in the case of the occurrence of any of the events described in paragraphs (ii), (ix) or (x) or (in respect of a Principal Subsidiary only), (v) to (viii) inclusive and (xi), the Delegate shall have certified in writing to FGB that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates.

15. ENFORCEMENT AND EXERCISE OF RIGHTS

- (i) Upon the occurrence of a Dissolution Event, to the extent any amount payable in respect of the Certificates has not been paid in full, the Trustee (or the Delegate, acting on behalf of the Trustee), (subject, in each case, to it being indemnified and/or secured and/or prefunded to its satisfaction)), may (acting for the benefit of the Certificateholders) take one or more of the following steps:
 - (A) enforce FGB's obligations under the Master Murabaha Agreement and the Wakala Agreement in accordance with the provisions of the Master Murabaha Agreement and the Wakala Agreement and any other Transaction Document to which FGB is a party; and/or
 - (B) take such other steps as the Trustee or the Delegate (acting in the name and on behalf of the Trustee) may consider necessary to recover amounts due to the Certificateholders.
- (ii) Following the enforcement, realisation of the Certificates and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied. In such circumstances, the obligation of the Trustee in respect of the Certificates will be satisfied and the right of the Certificateholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate shall be liable for any such sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including FGB) to recover any such sum or asset in respect of the relevant Certificates or the Trust Assets. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.
- (iii) No Certificateholder shall be entitled to proceed directly against, or provide instructions to the Delegate to proceed against, the Trustee or FGB under any Transaction Document to which either of them is a party unless: (a) the Delegate fails to do so within 30 days of becoming so bound and such failure its continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or FGB as the case may be) holds at least 20 per cent. of the then outstanding aggregate face amount of the Series. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets and the sole right of the Delegate and the Certificateholders against the Trustee and FGB shall be to enforce their respective obligations under the Transaction Documents.

- (iv) Subject to paragraph (ii), neither the Trustee nor the Delegate shall be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action against (as applicable) the Trustee and/or FGB under any Transaction Document to which either of the Trustee or FGB is a party unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the Certificates of the relevant Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable and provided that the Delegate shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders.

16. **REPLACEMENT OF CERTIFICATES**

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

17. **NOTICES**

Save as provided in this Condition 17 (*Notices*) all notices regarding the Certificates will be in the English language and will be deemed to be validly given if published in a leading English language daily newspapers published in London which is expected to be the Financial Times, or if such publication is not practicable, in a leading English language newspaper having general circulation in Europe. The Trustee shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Certificates are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Certificates are issued, there may, so long as the Global Certificate representing the Certificates is held in its 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 Certificates. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with the relevant Certificate or Certificates, with the Principal Paying Agent.

18. **MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

- (i) The Master Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Master Declaration of Trust. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee and shall be convened by it upon the request in writing of Certificateholders holding not less than one tenth. of the aggregate face amount of the Certificates of a

Series. The quorum at any meeting for passing an Extraordinary Resolution will be two or more Certificateholders, proxies or representatives holding or representing in the aggregate more than half of the then outstanding aggregate face amount of the Certificates (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series) or at any adjourned such meeting two or more Certificateholders, proxies or representatives (whatever the outstanding face amount of the Certificates of all the relevant Series held or represented by him/ her or them), provided however that any meeting the business of which includes the modification of certain provisions of the Certificates (including, among others, modifying the relevant Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates, altering the currency of payment of the Certificates or amending any of FGB's covenants to make a payment under any Transaction Document), the quorum shall be two or more Certificateholders, proxies or representatives holding or representing in the aggregate not less than three quarters of the then aggregate outstanding face amount of the Series (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series) or at any adjourned such meeting one or more Certificateholders, proxies or representatives holding or representing not less than one quarter of the then aggregate outstanding face amount of the Series (or, in the case of a meeting called in respect of more than one Series, the then outstanding aggregate face amount of the Certificates of all the relevant Series). To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than three-quarters of the votes cast on such poll and, if duly passed, will be binding on all Certificateholders, whether or not they are present at the meeting and whether or not voting.

- (ii) The Master Declaration of Trust provides that a resolution in writing signed by or on behalf of all the holders of the Certificates outstanding who for the time being are entitled to receive notice of a meeting in accordance with Schedule 4 (*Provisions for Meetings of Certificateholders*) of the Master Declaration of Trust shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.
- (iii) The Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document and the Trustee's memorandum and articles of association may only be amended by the Trustee with the consent of the Delegate and the Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of any of the Master Declaration of Trust, any Supplemental Declaration of Trust, any other Transaction Document or the Trustee's memorandum and articles of association if, in the opinion of the Delegate: (i) such modification is of a formal, minor or technical nature; (ii) such modification is made to correct a manifest error; or (iii) such modification is not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter or any provisions of the Master Declaration of Trust referred to in the definition of a Reserved Matter. Any such modification may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding on the Certificateholders and, unless the Delegate otherwise decides, shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.
- (iv) The Delegate may, without the consent or sanction of the Certificateholders and without prejudice to its rights in respect of any subsequent breach from time to time and at any time: (i) give its consent under these presents or any other Transaction Document and agree to waive or to authorise any breach or proposed breach of any provision of the Master Declaration of Trust or any other Transaction Document; or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided that: (A) in the opinion of the Delegate, such waiver, authorisation or determination is not materially prejudicial to the interests of the outstanding Certificateholders; and (B) the Delegate will not do so in contravention of an express

direction given by Extraordinary Resolution or a request made pursuant to Condition 14 (*Dissolution Events*). No such direction or request will affect a previous waiver, authorisation or determination. Any such waiver, authorisation or determination shall be binding on the Certificateholders and unless the Delegate otherwise requires, shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

- (v) In connection with the exercise by it of any of its powers, trusts, authorities and discretions under the Master Declaration of Trust (including, without limitation, any modification), the Delegate shall have regard to the general interests of the Certificateholders as a class (except where the context otherwise requires (as determined by the Delegate in its absolute discretion)) and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from them being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, FGB or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Trustee and FGB, to the extent already provided for in Condition 11 (*Taxation*)).

19. THE DELEGATE

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

In addition to the Delegation of the Relevant Powers under the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Master Declaration of Trust.

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

The Master Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any

other right it may have pursuant to the Master Declaration of Trust, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 15 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of FGB under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by FGB but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust.

The Delegate may rely without liability to Certificateholders on a report, confirmation, certificate or any advice of any accountants, financial advisers, financial institution, auditors, insolvency officials or any other expert (whether or not addressed to the Delegate and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Delegate or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise) in accordance with or for the purposes of the Master Declaration of Trust or the other relevant Transaction Documents. The Delegate may accept and shall be entitled to rely on any such report, confirmation or certificate or advice as sufficient evidence of the facts stated therein and such report, confirmation, certificate or advice shall be binding on the Trustee, the Delegate and the Certificateholders. The Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

Each of the Trustee and the Delegate is exempted from: (a) any liability in respect of any loss or theft of the Trust Assets or any cash; (b) any obligation to insure the Trust Assets (other than, with respect to the Trustee, in accordance with the Transaction Documents) or any cash; and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depository or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of gross negligence, wilful default or fraud by the Trustee or the Delegate, as the case may be.

Nothing shall, in any case where the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Master Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Master Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Master Declaration of Trust.

20. **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.

21. **GOVERNING LAW AND ARBITRATION**

(i) ***Governing Law***

The Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust (including these Conditions), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with the same (including the remaining provisions of this Condition 21 (*Governing Law and Arbitration*)) are and shall be governed by, and construed in accordance with, English law.

(ii) ***Agreement to arbitrate***

Subject to Condition 21(iii) (*Governing Law and Arbitration – Option to Litigate*), any dispute, claim, difference or controversy arising out, relating to or having any connection with the Master Declaration of Trust and/or the Conditions (including any dispute as to the existence, validity, interpretation, performance, breach or termination or the consequences of any nullity thereof and any dispute relating to any non-contractual obligations arising out of or in connection with the Master Declaration of Trust and/or the Certificates) ("**Dispute**") shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("**LCIA**") Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 21 (*Governing Law and Arbitration*). For these purposes:

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

(iii) ***Option to litigate***

Notwithstanding the agreement that any Dispute will be settled by arbitration as set out in Condition 21(ii) (*Governing Law and Arbitration – Agreement to arbitrate*), the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, may, in the alternative and at its sole discretion, by notice in writing to the Trustee and FGB:

- (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 such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 21(iii) (*Governing Law and Arbitration – Effect of exercise of Option to litigate*) and subject as provided below, any arbitration commenced under Condition 21(ii) (*Governing Law and Arbitration – Agreement to arbitrate*) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation to the terminated arbitration.

If any notice to exercise the option to litigate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, as the case may be, 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.

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

In the event that a notice pursuant to Condition 21(iii) (*Governing Law and Arbitration – Option to litigate*) 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 Trustee submits to the exclusive jurisdiction of such courts;
- (B) the Trustee 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 21(iv) (*Governing Law and Arbitration – Effect of exercise of option to litigate*) is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding paragraph (A) above, the Delegate or, but only where it is permitted to take action in accordance with the terms of the Master Declaration of Trust, any Certificateholder, may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Certificateholders may take concurrent Proceedings in any number of jurisdictions.

(v) ***Process agent***

The Trustee agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to First Gulf Bank, UK Representative Office at its registered office at Floor 8, 125 Old Broad Street, London, EC2N 1AR, United Kingdom or, if different, its registered office for the time being or at any address of the Trustee in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Trustee, the Trustee shall appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Delegate shall be entitled to appoint such a person by written notice addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying Agent. Nothing in this Condition shall affect the right of any party to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(vi) ***Waiver***

Under the Master Declaration of Trust, FGB has acknowledged that the transactions contemplated by the Master Declaration of Trust are commercial transactions and, to the extent that FGB may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to FGB or its assets or revenues, FGB agrees not to claim and has irrevocably and unconditionally waived such immunity to the full extent permitted by the laws of such jurisdiction in relation to any Proceedings or Disputes.

FORM OF THE CERTIFICATES

The Certificates of each Series will be in registered form. Certificates will be issued outside the United States in reliance on Regulation S under the Securities Act.

Global Certificates

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

Payments to registered Holder

Payments of any amount in respect of the Global Certificates will, in the absence of provision to the contrary, be made to the person shown in the Register as the registered Holder of the Certificates represented by a 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 the "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business. None of the Trustee, the Delegate, FGB, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payment of any amounts in respect of Certificates in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 1 (*Interpretation*)) immediately preceding the due date for payment in the manner provided in that Condition.

Exchange for definitives

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. For these purposes, an "**Exchange Event**" will occur if: (a) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system is available; or (b) any of the circumstances described in Condition 15 (*Dissolution Events*) occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any other person acting on their behalf, as the case may be, (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

For so long as any Certificate 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 face amount of such Certificate (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificate 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 as the holder of such face amount of such Certificate for all purposes other than with respect to any payment on such face amount of such Certificate, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Trustee and their respective agents as the holder of such face amount of such Certificate in accordance with and subject to the terms of the relevant Global Certificate and the expressions "**Certificateholder**" and "**holder of Certificates**" and related expressions shall be construed accordingly.

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.

APPLICABLE FINAL TERMS

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

Final Terms dated [Date]

FGB Sukuk Company Limited

Issue of [Aggregate Face Amount of Series] [Title of Certificates]

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

Trust Certificate Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 21 April 2016 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**"). This document constitutes the Final Terms relating to the issue of Certificates described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus (including any supplement thereto).

Full information on the Trustee, FGB and the Certificates is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [as so supplemented] [is][are] available for viewing in accordance with Article 14 of the Prospectus Directive at the market news section of the London Stock Exchange website (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>) and during normal business hours at the registered offices of FGB at P.O. Box 6316, Abu Dhabi, United Arab Emirates and the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.

1. (i) Trustee: FGB Sukuk Company Limited
- (ii) Obligor: First Gulf Bank P.J.S.C.
2. Series Number: [•]
3. Specified Currency: [•]
4. Aggregate Face Amount of Series: [•]
5. (i) Issue Price: [•] per cent. of the Aggregate Face Amount
- (ii) Murabaha Investment Amount: [•]
- (iii) Initial Wakala Investment Amount: [•]
6. (i) Specified Denominations: [•]
- (ii) Calculation Amount: [•]
7. Issue Date: [•]
8. (i) Return Accrual Commencement Date: [•]/[Issue Date]
- (ii) Scheduled Dissolution Date: [•]
9. Periodic Distribution Amount Basis: [•] per cent. Fixed Periodic Distribution Amount
10. Dissolution Basis: Subject to any purchase and cancellation or early redemption, the Certificates will be redeemed at [100] per cent. of this Aggregate Face Amount
11. Call Option: [Not Applicable] [Optional Dissolution Right]
[Change of Control Put Option]
[Certificateholder Put Option]
12. Date [Board] approval for issuance of Certificates obtained: [•] in the case of the Trustee
[•] in the case of FGB
13. Status: Senior

PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

14. Periodic Distribution Provisions
 - (i) Profit Rate[(s)]: [•] per cent. per annum [payable [annually/ semi-annually/ quarterly/ monthly] in arrear]
 - (ii) Periodic Distribution Date(s): [•] in each year up to and including the Scheduled Dissolution Date
 - (iii) Fixed Amount[(s)]; [•] per Calculation Amount
 - (iv) Broken Amount(s): [[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in]/[on] [•]/[Not Applicable]
 - (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
 - (vi) Profit Rate Determination Date(s): [[•] in each year]/[Not Applicable]

(viii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]

PROVISIONS RELATING TO DISSOLUTION

15. Optional Dissolution Right: [Applicable]/[Not Applicable]
- (i) Optional Dissolution Amount(s) of each Certificate: [Final Dissolution Amount]/[[•] per Calculation Amount]
- (ii) Optional Dissolution Date(s): [•]
- (iii) If redeemable in part:
- (A) Minimum Optional Dissolution Amount: [•]
- (B) Maximum Optional Dissolution Amount: [•]
- (iv) Notice period: Minimum Notice Period: [•] days
Maximum Notice Period: [•] days
16. Change of Control Put Option: [Applicable]/[Not Applicable]
- (i) Provisions relating to Change of Control Put Option: [•]
- (ii) Change of Control Put Period: [•]
17. Certificateholder Put Option: [Applicable]/[Not Applicable]
- (a) Certificateholder Put Option Date(s): [•]
- (b) Certificateholder Put Option Dissolution Amount(s) of each Certificate: [Final Dissolution Amount]/[[•] per Calculation Amount]
- (c) Notice period: Minimum Notice Period: [•] days
Maximum Notice Period: [•] days
17. Final Dissolution Amount of each Certificate: [•] per Calculation Amount
18. Early Dissolution Amount (Tax) of each Certificate (following early dissolution for tax reasons): [Final Dissolution Amount]/[[•] per Calculation Amount]
- Notice period: Minimum Notice Period: [•] days
Maximum Notice Period: [•] days

GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

19. Form of Certificates: Registered Certificates
- Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate

20. Additional Financial Centre(s) relating to payment:

[Not Applicable]

Signed on behalf of
FGB SUKUK COMPANY LIMITED

By:
Duly authorised

Signed on behalf of
FIRST GULF BANK P.J.S.C.

By:
Duly authorised

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

Listing and admission to trading: [Application has been made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [•].] [Application is expected to be made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [•].]

(iii) Estimate of total expenses related to admission to trading; [•]

2. RATINGS

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

[Fitch: [•]]

[Moody's: [•]]

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

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

4. PROFIT RATE

[Indication of profit rate: [•]

The profit rate is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.]

5. OPERATIONAL INFORMATION

(i) ISIN: [•]

(ii) Common Code: [•]

(iii) Names and addresses of additional Paying Agent(s) or Calculation Agent (if any): [•]/[Not Applicable]

(iv) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s); [Not Applicable]/[•]

(v) Delivery: Delivery [against]/[free of] payment

(vi) Details of Transaction Account: FGB Sukuk Company Limited Transaction Account No; [•] for Series No.: [1]/[2]/[3]/[•]

6. **THIRD PARTY INFORMATION**

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

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement for use in connection with each Series of Exempt Certificates, whatever the denomination of those Certificates, issued by the Trustee under the Programme.

Pricing Supplement dated [•]

No base prospectus is required to be produced in accordance with Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**") for this issue of Certificates described below and, accordingly, the Certificates issued as described below are not required to, and do not comply with, the Prospectus Directive as so amended. The United Kingdom Listing Authority has neither approved nor reviewed the information contained in this Pricing Supplement.

FGB Sukuk Company Limited

Issue of [Aggregate Face Amount of Series] [Title of Certificates]

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

Trust Certificate Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 21 April 2016 [and the supplemental Base Prospectus dated [•]]. This document constitutes the Pricing Supplement relating to the issue of Certificates described herein and must be read in conjunction with the Base Prospectus [and its supplement(s)]. This Pricing Supplement must be read in conjunction with the Base Prospectus [as so supplemented].

Full information on the Trustee, FGB and the Certificates is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at the market news section of the London Stock Exchange website (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>) and during normal business hours at the registered offices of the Trustee at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and the Fiscal Agent at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.

Any person making or intending to make an offer of the Certificates may only do so in circumstances in which no obligation arises for the Trustee, FGB or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

1. (i) Trustee: FGB Sukuk Company Limited
- (ii) Obligor: First Gulf Bank P.J.S.C.
2. Series Number: [•]
3. Specified Currency: [•]
4. Aggregate Face Amount of Series: [•]
5. (i) Issue Price: 100 per cent. of the Aggregate Face Amount
- (ii) Murabaha Investment Amount: [•]
- (iii) Initial Wakala Investment Amount: [•]
6. (i) Specified Denominations: [•]
- (ii) Calculation Amount: [•]
7. Issue Date: [•]
8. (i) Return Accrual Commencement Date: [•]/[Issue Date]
- (ii) Scheduled Dissolution Date: [•]
9. Periodic Distribution Amount Basis: [•] per cent. Fixed Periodic Distribution Amount
10. Dissolution Basis: Subject to any purchase and cancellation or early redemption, the Certificates will be redeemed at [100] per cent. of this Aggregate Face Amount
11. Call Option: [Not Applicable] [Optional Dissolution Right] [Change of Control Put Option] [Certificateholder Put Option]
12. Date [Board] approval for issuance of Certificates obtained: [•] in the case of the Trustee
[•] in the case of FGB
13. Status: Unsubordinated

PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

14. Periodic Distribution Provisions
 - (i) Profit Rate[(s)]: [•] per cent. per annum [payable [annually/ semi-annually/ quarterly/ monthly] in arrear]
 - (ii) Periodic Distribution Date(s): [•] in each year up to and including the Scheduled Dissolution Date
 - (iii) Fixed Amount[(s)]; [•] per Calculation Amount
 - (iv) Broken Amount(s): [[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in]/[on] [•]/[Not Applicable]
 - (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
 - (vi) Profit Rate Determination Date(s): [[•] in each year]/[Not Applicable]

PROVISIONS RELATING TO DISSOLUTION

15. Optional Dissolution Right: [Applicable]/[Not Applicable]
- (i) Optional Dissolution Amount of each Certificate: [Final Dissolution Amount]/[[•] per Calculation Amount]
- (ii) Optional Dissolution Date: [Any Periodic Distribution Date]/[•]
- (iii) If redeemable in part:
- (A) Minimum Optional Dissolution Amount: [•]
- (B) Maximum Optional Dissolution Amount: [•]
- (iv) Notice period: Minimum Notice Period: [•] days
Maximum Notice Period: [•] days
16. Change of Control Put Option: [Applicable]/[Not Applicable]
- (i) Provisions relating to Change of Control Put Option: [•]
- (ii) Change of Control Put Period: [•]
17. Certificateholder Put Option: [Applicable]/[Not Applicable]
- (a) Certificateholder Put Option Date(s): [•]
- (b) Dissolution Amount(s) of each Certificate: [Final Dissolution Amount]/[[•] per Calculation Amount]
- (c) Notice period: Minimum Notice Period: [•] days
Maximum Notice Period: [•] days
17. Final Dissolution Amount of each Certificate: [•] per Calculation Amount
18. Early Dissolution Amount (Tax) of each Certificate (following early dissolution for tax reasons): [Final Dissolution Amount]/[[•] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

19. Form of Certificates: Registered Certificates
Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate
20. Additional Financial Centre(s) relating to payment: [Not Applicable]

Signed on behalf of
FGB SUKUK COMPANY LIMITED

By:
Duly authorised

Signed on behalf of
FIRST GULF BANK P.J.S.C.

By:
Duly authorised

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

Listing and admission to trading: [Application has been made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [•].] [Application is expected to be made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [•].]

(iii) Estimate of total expenses related to admission to trading; [•]

2. RATINGS

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

[Fitch: [•]]

[Moody's: [•]]

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

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

4. PROFIT RATE

[Indication of profit rate: [•]

The profit rate is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.]

5. OPERATIONAL INFORMATION

(i) ISIN: [•]

(ii) Common Code: [•]

(iii) Names and addresses of additional Paying Agent(s) or Calculation Agent (if any): [•]/[Not Applicable]

(iv) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s); [Not Applicable]/[•]

(v) Delivery: Delivery [against]/[free of] payment

(vi) Details of Transaction Account: FGB Sukuk Company Limited Transaction Account No; [•] for Series No.: [1]/[2]/[3]/[•]

6. **THIRD PARTY INFORMATION**

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

USE OF PROCEEDS

The proceeds of each Series of Certificates issued under the Programme will be applied by the Trustee as follows:

- (i) the Initial Wakala Investment Amount (as defined herein) to FGB in its capacity as Wakeel to invest, pursuant to the terms of the Wakala Agreement, in FGB's Islamic finance business on an unrestricted basis, as a *Wakala bil Istithmar* (such investment comprising the Wakala Investment); and
- (ii) the Murabaha Investment Amount (as defined herein) shall be used by the Trustee to enter into a commodity murabaha investment pursuant to the terms of the Master Murabaha Agreement and the proceeds of such commodity murabaha investment shall be invested in FGB's Islamic finance business.

DESCRIPTION OF THE TRUSTEE

General

FGB Sukuk Company Limited, a Cayman Islands exempted company with limited liability, was incorporated on 1 June 2011 under the Companies Law (2011 Revision) of the Cayman Islands with company registration number 257247. The Trustee was established as a company for the sole purpose of issuing Certificates under the Programme and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at the offices of MaplesFS Limited at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands, and its telephone number is +1 345 945 7099.

The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 ordinary shares of a par value of U.S.\$1.00 each, 250 of which have been issued. All of the issued shares (the "**Shares**") are fully-paid and are held by MaplesFS Limited as share trustee (the "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") dated 8 July 2011 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Declaration of Trust). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit a Qualified Charity (as defined in the Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to such Qualified Charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

Business of the Trustee

The business of the Trustee has been limited to issuing Certificates under the Programme and performing its obligations under the Transaction Documents. The Trustee has no substantial liabilities other than in connection with the Certificates to be issued under the Programme. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 1 June 2011.

Financial Statements

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

Directors of the Trustee

The Directors of the Trustee are as follows:

<u>Name</u>	<u>Function at the Trustee</u>	<u>Other appointments outside Trustee</u>
Cleveland Stewart	Director	Senior Vice President of MaplesFS Limited
Andrew Millar	Director	Regional Head of Fiduciary, Middle East of Maples Fund Services (Middle East) Limited

The business address for Cleveland Stewart is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The business address for Andrew Millar is c/o Maples Fund Services (Middle East) Limited, Liberty House, 6th Floor, Office 616, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The Trustee has no subsidiaries, employees or non-executive directors.

Conflicts

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

The Trustee Administrator

MaplesFS Limited acts as the corporate administrator of the Trustee (in such capacity the "**Trustee Administrator**"). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of an amended and restated corporate services agreement entered into between the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**"), the Trustee Administrator performs in the Cayman Islands, the United Arab Emirates and/or such other jurisdictions as may be agreed by the Trustee and the Trustee Administrator from time to time, various administrative functions on behalf of the Trustee, including communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator also provides registered office facilities for the Trustee. In consideration of the foregoing, the Trustee Administrator receives various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that either party may terminate the agreement upon the occurrence of certain stated events, including any breach by the other party of its obligations thereunder.

The Trustee Administrator is subject to the overview of the Trustee's Board of Directors. The Corporate Services Agreement may be terminated, (other than as stated above) by either the Trustee or the Trustee Administrator giving the other party at least three months' written notice.

The Trustee Administrator's principal office is at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof.

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

OVERVIEW

FGB was incorporated in the U.A.E. in 1979 for a duration of 100 years and is registered as a public joint stock company with limited liability in accordance with U.A.E. Federal Law No. (8) of 1984 (as amended) (which was replaced with U.A.E. Federal Law No. 2 of 2015 with effect from 1 July 2015). FGB's commercial registration number is 1002668 and its registered address and telephone number are P.O. Box 6316, Abu Dhabi, U.A.E. and +971 2 681 6666, respectively.

FGB began operations in Ajman in 1979 with a focus on corporate banking and has since developed into a diversified banking group. The Group currently provides a broad range of financial services. FGB's core banking activities include wholesale banking (principally comprising of loans and other credit facilities, and deposit and current accounts for corporate, institutional and high net worth customers), treasury and global markets (principally comprising of money market, portfolio management, brokerage, treasury services, foreign exchange and structured derivative products), consumer banking (principally comprising of consumer deposits, loans and overdrafts, credit cards and funds transfer facilities) and real estate activities (principally comprising of the development, acquisition, leasing, brokerage, management and resale of properties) to its customers who are predominantly based in the U.A.E. The Group's wholesale and consumer banking services include both conventional and *Shari'a*-compliant products. FGB operates through its head office and seven other branches in Abu Dhabi and through 14 other branches in Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah. Internationally, FGB has a presence in Singapore and Qatar through respective wholesale banking branches, in India, Hong Kong, South Korea and the United Kingdom through representative offices, and has an investment in Libya through FGLB, which is a joint venture with the Economic and Social Development Fund of Libya. FGB also benefits from an extensive network of correspondent banking relationships around the world.

FGB's shareholders include U.A.E. companies and individuals who held approximately 87.2 per cent. of its shares as at 31 December 2015. These mainly include shares owned or controlled in their private capacity by members of the ruling family of Abu Dhabi, their families and companies controlled by them. Members of the ruling family first became shareholders in 1996 with an original aggregate stake of 45.0 per cent. which was increased to a majority holding in 2005 following a capital increase by FGB. The shareholding by members of the ruling family is diversified as FGB's articles of association provide that no single shareholder can own more than 20.0 per cent. of FGB's shares. In addition to being shareholders, members of the ruling family are also members of the board of directors (the "**Board of Directors**" or the "**Board**").

FGB has grown to become one of the largest banks based in the U.A.E. in terms of total equity and total assets, with total equity of AED 36.3 billion and total assets of AED 227.5 billion as at 31 December 2015 compared to total equity of AED 34.7 billion and total assets of AED 212.2 billion as at 31 December 2014. For the year ended 31 December 2015, FGB's operating income was AED 9.4 billion and its net profit for the period was AED 6.0 billion compared to operating income of AED 9.0 billion and net profit of AED 5.7 billion for the year ended 31 December 2014.

FGB is required by the U.A.E. Central Bank to maintain its total capital adequacy ratio in excess of 12.0 per cent. FGB's total capital adequacy ratio (calculated in accordance with U.A.E. Central Bank guidelines) was 17.5 per cent. as at 31 December 2014 and remained the same at 17.5 per cent. as at December 31 2015. FGB's Tier 1 capital was AED 29.8 billion as at 31 December 2014 which increased to AED 30.9 billion as at 31 December 2015.

HISTORY

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

In 1999, FGB commenced a reorganisation through the recruitment of a new management team with an international banking background as well as by adopting a new business strategy. In line with this strategy, investment banking and treasury services were introduced in 2001 and consumer banking services were introduced in 2002. Over the same period, FGB focused on improving its asset quality and

introducing new systems and technology to support its growth. In 2001, FGB received an International Organisation for Standardisation certification for all its activities and branches.

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

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

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

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

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

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

In January 2011, FGB approved a plan to convert the mandatory convertible bonds issued by it in 2008 earlier than originally scheduled. After obtaining all necessary approvals, FGB converted the bonds in February 2011. The conversion resulted in the following: (i) the share capital of FGB increased by AED 125.0 million, representing the par value of AED 1.0 for 125 million newly issued shares; and (ii) the legal reserve of FGB increased by AED 3,475.0 million representing the share premium on those additional shares.

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

On 26 February 2014, FGB's shareholders approved a resolution of FGB's Board of Directors to distribute 900 million shares to shareholders as bonus shares of FGB. Accordingly, FGB's share capital increased to AED 3,900.0 million.

On 25 February 2015, FGB's shareholders approved a resolution of FGB's Board of Directors to distribute 600 million shares to shareholders as bonus shares of FGB. Accordingly, FGB's share capital increased to AED 4,500.0 million.

On 6 March 2016, FGB's shareholders approved a resolution authorising FGB's Board of Directors to issue any type of bonds, Islamic sukuk, non-convertible into shares or any financing programs, and determine the terms of issuing such bonds, Islamic Sukuk or any financing programs and set their issue date, not to exceed one year from the date of approval.

STRATEGY

FGB has grown significantly since 31 December 2010, with consolidated total assets growing at a compound annual growth rate ("**CAGR**") of 10.1 per cent. and consolidated net profit growing at a CAGR of 11.9 per cent. between 31 December 2010 and 31 December 2015. FGB's strategy comprises a combination of the following:

Core Banking Groups

Wholesale Banking Group ("WBG") strategy: WBG strategy is based on a segmented approach to client coverage and product specialism and has remained largely unchanged since 2013. WBG comprises the following client segments: Corporate Investment Group ("**CIB**"); Commercial Banking ("**CMB**"); Privileged Client Group ("**PCG**"); Financial Institutions Group ("**FIG**"); and International Banking ("**IB**"). Clients are also segmented into 3 tiers (Platinum, Gold and Silver) designated by reference to the revenue contributions of each client.

The CMB segment in WBG was created in 2015 to primarily target small and medium enterprises ("**SMEs**") that have an annual turnover between AED 75.0 million and AED 300.0 million. These clients are primarily concentrated in Dubai and the Northern Emirates and contribute to approximately AED 6.0 billion of banking revenues across the U.A.E. banking market.

Treasury and Global Markets ("TGM") strategy: In 2015, TGM introduced "Murex", a new trading and deal capture platform. The introduction of Murex allows TGM to increase its product offering to clients. This includes increased commodities trading capabilities (including expansion into other asset classes), increased derivatives trading capabilities and expanded collateral trading. In 2016, TGM will increase its focus on financial institutions as a client segment and enhance its offering of market maker services in the markets for foreign exchange, rates, credit and commodities, both in regional and emerging markets. FGB will continue to segregate proprietary trading activity, which will be moderated through strict enforcement of exposure, risk and stop loss limits. These measures will also continue to play a role in maintaining a robust liquidity profile for the bank.

Consumer Banking Group ("CBG") strategy: In 2014 FGB appointed a new head of CBG. The CBG business has since been re-organised to place greater emphasis on customer segments. CBG strategy for the next two years comprises creating stronger customer value propositions within each segment, leveraging investments in technology, such as new digital channels and analytical tools, and improving distribution capabilities.

The CBG strategy comprises distinct segmentation of products and customers, along with attracting new customers through the new employee banking product. The personal banking segment of CBG covers mass market customers. This is the largest segment in CBG in terms of number of customers. The product strategy for this segment is to offer product bundles to customers with embedded additional products, such as insurance, personal loans and fixed deposit accounts. One example of such a product bundle includes a combination of a current account and a credit card. The focus of this segment will be to increase customer deposits.

The affluent banking segment of CBG will focus on high net worth individual customers and address the financial planning and business needs of such customers. These customers will be served primarily through relationship managers and will be offered investments and asset products.

The Emirati segment will launch distinct products for sub-segments of Emirati customers, such as youth and elite, with the intention of becoming the bank of choice for all U.A.E. nationals. In addition, CBG will enhance the FGB brand image with respect to this segment of customers by partnering with prominent educational authorities and running campaigns to encourage customers to promote a savings culture and to increase their savings.

The business finance solutions segment focuses on SME customers with turnovers of under AED 75.0 million. CBG sees this as an important segment for future growth. The strategy of this segment will be to

move away from a loan-centric model, toward offering a wider range of products including insurance, cash management and wealth management products, delivered through traditional and alternate channels.

In 2014, the integration of Dubai First P.J.S.C. ("**Dubai First**") and Aseel Finance P.J.S.C. ("**Aseel Finance**") was successfully completed.

During 2015, FGB continued to invest in the growth of Dubai First P.J.S.C. with a view to changing Dubai First from a cards-only business into a multi-product finance company offering SME loans and personal loans. In 2016, Dubai First will continue to leverage its brand to focus on growth whilst maintaining strong performance and efficiency ratios.

In 2015, FGB appointed a new CEO of Aseel Finance P.J.S.C. and continued to change Aseel Finance's business model from a completely mortgage focussed business into a diversified Islamic finance business offering SME business finance and credit cards.

Maximising Cross-Business Synergies

One of the strategic priorities for the Group over the next two years is to maximise cross-business synergies. The intention is for various complementary units of the bank to work closely together to deliver greater value through synergies. The following are some specific examples of this general strategy:

Employee banking: CBG plans to appoint a new head of employee banking who will build a dedicated team for this business. The business will focus on delivering employee banking solutions to companies with more than 30 employees. CBG aims to use WBG connections to identify target companies to grow this business.

Cross-Selling to TGM: TGM will look to grow its sales and trading business by collaborating with WBG. Joint account plans will be prepared for all WBG clients along with treasury sales staff to identify opportunities to cross-sell TGM products to existing customers.

Harmonisation between CBG, Dubai First and Aseel Finance: FGB's consumer banking business is undertaken through CBG, Dubai First and Aseel Finance. In 2016, FGB will continue to harmonise these businesses across various parameters, such as segmentation criteria, sales policies, processes, risk and controls.

Selective International Expansion

International expansion will be a focus for FGB over the next two years as the bank intends to diversify its revenue base. International expansion will however be in selective markets which demonstrate a high level of connectivity to the FGB network. In 2014 FGB completed an extensive study on global banking markets wherein all countries worldwide were assessed by way of connectivity filters in order to arrive at an initial list of target countries. The initial list was further shortened after taking into account individual market considerations and applying two key guiding principles: "profitability over presence" and "business model sustainability". As a result of the study, FGB has an identified strategy on its target markets which will be prioritised based on further detailed assessments. During 2015, FGB initiated discussions with regulators in Hong Kong to upgrade its representative office to a branch. FGB is expecting to lodge a formal application for a branch licence with the Hong Kong Monetary Authority in 2016. FGB is also in discussions with the China Banking and Regulatory Commission to establish a representative office in Beijing in 2016.

COMPETITION AND COMPETITIVE STRENGTHS

Competition

The Group is subject to competition in the U.A.E. from both U.A.E. incorporated and foreign banks. As at 31 December 2015, there was, according to the "U.A.E. Monthly Banking Indicators (December 2015)" report issued by the U.A.E. Central Bank, a total of 49 banks with head offices in the U.A.E., of which 23 were U.A.E. incorporated and 26 were foreign. Foreign banks also enter the U.A.E. market via representative offices, which, according to the "list of representative offices", published by the Central bank, totalled 121 as at 31 December 2015. Of the 121 representative offices of foreign banks, 51 are located in Abu Dhabi, 68 are located in Dubai and two are located in Sharjah.

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

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

Competitive Strengths

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

- ***Profitability, efficiency and sound asset quality have kept pace with its growth.*** For the year ended 31 December 2015, the Group's annualised return on average assets was 2.7 per cent., its annualised return on average equity was 17.1 per cent., its cost to income ratio was 20.6 per cent. and its non-performing loan to gross loan ratio was 2.8 per cent.
- ***Core banking franchise provides a stable platform from which to expand and diversify its activities and improve its margins*** (see "*– Strategy – Core Banking Groups*") ***and its recently established businesses which are complementary to the core banking franchise.*** In terms of diversification, since 2006 the Group has established separate subsidiary and associated companies active in the real estate market, consumer financing and in Islamic banking. In addition, FGB has established a wider international presence in other regional emerging markets
- ***Ability to effectively leverage certain of its shareholders and its strong relationship with members of the ruling family of Abu Dhabi.*** FGB's relationship with its current principal shareholders (which began in 1996) provides it with a source of stable deposits and strong management.
- ***Stable and entrepreneurial management team with international experience.*** FGB's current management team is principally responsible for developing the Group from a predominantly corporate bank to its current position offering diversified banking services. FGB's management team has significant experience in the banking industry and many of its members have served with FGB for relatively long terms in an industry and region where there is frequent movement in senior management. FGB's management is focused on risk management, cost discipline, sustainable and profitable growth and revenue diversification.
- ***Strong risk management culture.*** The Group has a well-diversified loan portfolio and limited foreign exchange risk. It has invested, and continues to invest, significantly in improving its risk management procedures. The ratio of FGB's non-performing loans to gross loans has declined from 15.8 per cent. as at the end of 2002 to 2.8 per cent. as at 31 December 2015. The Group has also adopted a sound provisioning policy with total provisions being AED 4.4 billion, 2.9 per cent. of gross loans, as at 31 December 2015 compared to AED 4.5 billion, 3.1 per cent. of gross loans, as at 31 December 2014. The Group's provisioning charge divided by its net loans was 0.9 per cent. for the year ended 31 December 2015, 1.0 per cent. in 2014 and 1.4 per cent. in 2013.

EQUITY AND SHAREHOLDERS

As at 31 December 2015, FGB's authorised, issued and paid up share capital comprised 4,500,000,000 shares with a nominal value of AED 1 each.

FGB's major shareholder groups and their approximate shareholdings as at 31 December 2015 were as follows:

Shareholder	%
U.A.E. companies and individuals ⁽¹⁾	87.2
Foreign investors	10.8
GCC excluding U.A.E.	2.0
Total	100.0

Notes:

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

The articles of association of FGB provide that no single shareholder can own more than 20.0 per cent. of FGB's shares and that non-U.A.E. nationals cannot own, in aggregate, more than 25.0 per cent. of FGB's shares. As at 31 December 2015, approximately 12.8 per cent. of FGB's shares were owned by non-U.A.E. nationals.

BUSINESS ACTIVITIES

Overview

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

- **Wholesale Banking Group** – this segment supports corporates, financial institutions and high net worth individuals in capital raising, risk management and transaction services, both in the U.A.E. and internationally. The product offering also includes traditional corporate banking services (such as loans, credit facilities, deposits and current accounts), global transaction services (including cash management and trade finance), debt markets and syndications (including loan syndications, structured finance and bond origination) and corporate finance. Wholesale banking services are provided on both an Islamic and conventional basis.
- **Treasury and Global Markets** – this segment principally provides money market, asset management, brokerage, treasury services, foreign exchange and structured derivative products and also manages the Group's funding and investing operations. TGM banking services are provided on both an Islamic and a conventional basis.
- **Consumer Banking** – this segment principally handles consumer deposits, loans and overdrafts, credit card facilities and funds transfer facilities. The consumer banking segment has established a wealth management business, that services clients with a minimum relationship value of at least U.S.\$100,000, which is expanding globally. The consumer banking segment caters to the 'high net worth segment' and offers bespoke investment and banking solutions. The wealth management business offers both conventional and Islamic products.
- **Real Estate Activities** – this segment principally handles the acquisition, leasing, brokerage, management and resale of properties.

Set out below is a summary of certain financial information for each of these segments for each of the years ended 31 December 2013, 2014 and 2015.

Year ended 31 December 2015

	Wholesale banking	Treasury & Global Markets	Consumer banking	Real estate	Other operations ⁽¹⁾	Total
	<i>(AED millions)</i>					
Assets	96,993.5	53,971.6	55,056.3	8,981.5	12,493.5	227,496.4
Liabilities	108,765.8	37,386.4	37,111.9	772.8	7,155.3	191,192.2
Operating income, excluding associates	3,419.2	1,142.9	3,337.3	835.6	697.1	9,432.1
Share of profit/(loss) of associates .	—	—	—	1.2	0.3	1.5
Impaired assets charge.....	(319.9)	(220.1)	(845.0)	(17.0)	(51.8)	(1,453.8)
Profit/(loss) attributable to equity holders of FGB ⁽¹⁾	2,509.4	783.5	1,735.9	780.3	197.0	6,006.1

Year ended 31 December 2014

	Wholesale banking	Treasury & Global Markets	Consumer banking	Real estate	Other operations ⁽¹⁾	Total
	<i>(AED millions)</i>					
Assets	91,347.8	48,272.0	49,869.7	10,457.4	12,221.6	212,168.5
Liabilities	123,024.4	9,562.3	37,037.6	1,414.7	6,392.5	177,431.5
Operating income, excluding associates	3,532.7	1,215.7	3,150.8	460.4	597.9	8,957.5
Share of profit/(loss) of associates .	—	—	—	7.6	1.1	8.7
Impaired assets charge.....	(547.9)	(11.0)	(609.1)	—	(204.4)	(1,372.4)
Profit/(loss) attributable to equity holders of FGB	2,397.9	1,094.7	1,882.3	404.9	(124.2)	5,655.6

Year ended 31 December 2013

	Wholesale banking ⁽²⁾	Treasury & Global Markets	Consumer banking	Real estate	Other operations ⁽¹⁾	Total
	<i>(AED millions)</i>					
Assets	80,943.1	52,368.7	46,660.8	9,873.7	8,364.0	198,210.3
Liabilities	120,861.0	4,182.2	33,696.6	1,332.5	6,367.5	166,439.8
Operating income, excluding associates	3,264.7	1,114.9	3,385.7	482.1	174.2	8,421.6
Share of profit/(loss) of associates .	—	—	—	(14.5)	13.5	(1.0)
Impaired assets charge.....	(609.5)	(34.0)	(625.6)	—	(550.8)	(1,819.9)
Profit/(loss) attributable to equity holders of FGB	2,160.7	996.6	1,867.8	414.6	(665.3)	4,774.4

Wholesale Banking Group

During 2013, FGB created WBG to include under one umbrella the Corporate Banking Group ("CB"), FIG and IB.

Through WBG, FGB is looking to adopt a regional coverage model served by regional and global products with the aim of broadening its bank product capability and deepening its bank client relationships. The growth of WBG in 2015 resulted from its continued focus on FGB's clients, through the provision of a diverse range of products which WBG has continued to develop.

As at 31 December 2015, WBG accounted for 42.6 per cent. of the Group's assets (as compared to 43.1 per cent. as at 31 December 2014). For the year ended 31 December 2015, the WBG accounted for 36.3 per cent. of the Group's operating income excluding associates (as compared to 39.4 per cent. as at 31

Note:

- (1) Effective 1 January 2015, FGB changed its FTP methodology. As a result of the change, comparative figures relating to net interest income and income from Islamic financing as well as profit attributable to equity holders of the bank for 2014 have been adjusted for consistency purposes.

December 2014), and 41.8 per cent. of its net profit attributable to equity holders (as compared to 42.4 per cent. as at 31 December 2014).

WBG has also established a global product platform for its clients encompassing the following product groups: (i) global transaction services (providing cash management and trade finance products and services); (ii) debt markets and syndications (covering loan syndications, structured finance and bond origination); (iii) Islamic banking and (iv) corporate finance.

Beyond its traditional lending activities, FGB has established its global product platform to enable its WBG relationship management teams, both in the U.A.E. and internationally, to deliver tailored products and solutions to its WBG clients. These product groups are as follows:

- *Global Transaction Services ("GTS")*

The GTS team combines FGB's extensive local knowledge with its growing global capability to offer a range of innovative and customised products and services in the areas of trade finance and cash management. GTS is available to both FGB's corporate and financial institution clients.

- *Debt Markets and Syndications ("DMS")*

The DMS team specialises in the origination, structuring and distribution of debt related products. This includes FGB acting as arranger and underwriter in the syndicated loan market and the debt capital markets. The DMS team has expertise in sectors including real estate, hotel development, oil and gas, manufacturing, food and beverages and financial institutional banking. FGB also offers specialised financing for its clients in the project finance, aircraft and shipping finance sectors and in acquisition and leveraged financing.

- *Islamic Banking*

The Islamic banking team acts as a centre of excellence for the provision of Islamic products for FGB's WBG clients and, also, across the Group. See " – *Islamic Banking*" below.

- *Corporate Finance*

The Corporate Finance team currently acts in an advisory capacity to FGB's WBG clients in sectors including mergers and acquisitions, equity capital markets (including initial public offerings) and leveraged and acquisition finance.

Corporate Banking Group

In addition to traditional banking products for its small, medium and large public and private corporate and governmental customers, in early 2008 the Group established a new unit to manage and market high value corporate depository relationships. Corporate banking also offers private banking services, including lending to high net worth customers, principally being members of the ruling family of Abu Dhabi and the companies owned or controlled by them.

Coverage and Operating Model

In 2013, corporate banking implemented a new coverage and operating model to realign its business with the following customer segments:

- *Corporate and Investment Banking*

The CIB team focuses on large corporates and Government Related Entities ("**GRE**") within the U.A.E. and is serviced by origination teams based in Abu Dhabi and Dubai.

- *Corporate Banking*

The CB team is based in Abu Dhabi, Dubai and Sharjah and focuses on the development of business relationships with medium-sized corporate clients as well as multinational corporate clients. A dedicated CB team based in Jebel Ali covers clients based in the free zone.

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

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

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

FGB also offers a range of lending facilities including secured term loans (facilities secured by deposits, guarantees, shares or property and equipment) and unsecured working capital loans (including overdrafts and letters of credit) as well as bill discounting and other trade finance facilities. The segment is very competitive with corporate and financial institutions predominantly well banked.

Financial Institutions Group

The FIG has been integrated into the WBG in order to support FGB's U.A.E. WBG clients and their partners and affiliates located across its international network. The FIG covers banking and non-banking financial institution relationships with over 430 financial institution clients globally, while supporting FGB's treasury, consumer and corporate banking activities. FGB's corporate and institutional clients have access to international trade and payment products through the strong alliances which the FIG has established with a large network of reputable local and international banks. FGB's correspondent relationships facilitate the offering of various products, including the issuance of letters of credit and guarantees, risk participation in trade related transactions and offer opportunities for FGB to lead and participate in syndicated loan transactions relating to financial institution clients. The FIG is among the business areas with strong growth potential given the expanding economy and FGB's international expansion plans.

International Banking Group

The IBG has been integrated into the WBG in order to support FGB's U.A.E. WBG clients and their partners and affiliates located across its international network. FGB's international expansion is part of its diversification strategy to tap into new pools of profitability across new geographies and to further diversify risk in a sustainable manner. As at the date of this Base Prospectus, FGB's international footprint includes a presence in Singapore and Qatar through respective wholesale branches, in India, Hong Kong, South Korea and the United Kingdom through representative offices and Libya via FGLB, its joint venture with the Economic and Social Development Fund of Libya.

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

Treasury and Global Markets Group

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

As at 31 December 2015, services related to TGM accounted for 23.7 per cent. of FGB's assets (compared to 22.8 per cent. as at 31 December 2014). For the year ended 31 December 2015, TGM accounted for 12.1 per cent. of FGB's operating income excluding associates (compared to 13.6 per cent. for the year ended 31 December 2014) and 13.0 per cent. of its net profit attributable to equity holders (compared to 19.4 per cent. for the year ended 31 December 2014).

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

The following is a summary of certain of the principal areas of focus for TGM:

- ***Money Market***

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

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

Through its sales and marketing team, TGM delivers a comprehensive risk management service to the Group's customers comprising foreign exchange, interest rate, credit, equity and commodity asset classes. This service covers corporate, institutional and high net worth customers, both onshore and internationally, and is a bespoke offering designed to address a broad range of risk management objectives. The sales and marketing team also structures cross-asset investment solutions for distribution through FGB's corporate, institutional and global wealth management customers.

- ***Investments***

TGM manages FGB's proprietary investment portfolio in fixed income, equity, hedge funds and private equity. As at 31 December 2015, the portfolio represented 10.0 per cent. of the Group's assets, with 92.1 per cent. comprising fixed income investments.

- ***Islamic***

TGM's *Shari'a*-compliant product offering ranges from basic solutions such as commodity *murabaha* and *wakala*-based liquidity management solutions to more sophisticated solutions such as risk management solutions, including *Shari'a*-compliant derivatives.

- ***Execution Services***

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

- **Trading**

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

- **Group Funding**

Group Funding is mandated to raise term funding and manage the medium and long-term liquidity profile of FGB. Instruments used by Group Funding include institutional deposits, public and private medium term notes, *sukuk*, certificates of deposit, and syndicated loans and bilateral loans. Group Funding raises funds from a diversified base of investors across different countries and currencies.

- **Asset Management**

As at 31 December 2015, the TGM had U.S.\$83.1 million of assets under management (compared to U.S.\$228.4 million as at 31 December 2014, U.S.\$224.1 million as at 31 December 2013), principally hedge funds and private equity investments. TGM also manages investment portfolios for its high net worth clients and has expertise in equity investing in the MENA region. TGM plans to launch additional equity investment funds on an opportunistic basis.

Consumer Banking

Consumer banking services were first offered by FGB in 2002 and, as at 31 December 2015, these services accounted for 24.2 per cent. of the Group's assets (compared to 23.5 per cent. as at 31 December 2014). For the year ended 31 December 2015, consumer banking services accounted for 35.4 per cent. of the Group's operating income excluding associates (compared to 35.2 per cent. for the year ended 31 December 2014) and 28.9 per cent. of its net profit (compared to 33.3 per cent. for the year ended 31 December 2014).

The Group's consumer banking business has grown significantly since it first commenced operations in 2002 and as at 31 December 2015, the Group had 430,000 customers.

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

Whereas FGB provides only conventional consumer banking services, Aseel Finance (which has a licence to conduct all Islamic banking activities except the acceptance of consumer deposits) focuses on providing Islamic consumer banking products and services and Islamic SME financing (see "*Islamic Banking*" and "*Subsidiaries and Associates – Aseel Finance P.J.S.C.*" below).

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

The Group has also sought to reduce costs in the consumer banking business where possible through maintaining a limited branch network and through the use of remote banking channels such as internet banking, phone banking and mobile banking.

The principal consumer products offered by the Group include:

- **Credit and Debit Cards**

The Group's card products provide transactional settlement convenience. As at 31 December 2015, FGB had issued 378,237 credit cards, compared to 374,032 credit cards as at 31 December 2014 and 456,935 credit cards as at 31 December 2013. FGB offers Visa and Master Card credit cards which are accepted in over 28 million establishments in 200 countries and entitle holders to obtain cash advances from over 1.8 million ATMs around the world.

In January 2014, FGB launched the "FGB MCFC Credit Card" in partnership with Manchester City Football Club. The credit card offers a variety of privileges and services aimed at fans of Manchester City Football Club and gives its holders the opportunity to win a number of Manchester City Football Club related experiences in Manchester and Abu Dhabi. The credit card has attracted 22,300 "new to bank" customers since its launch. This complements FGB's existing credit cards in association with selected third parties ranging from the "Ferrari Card" to the "Masdar Card" (in association with Masdar, the Government of Abu Dhabi's renewable energy company) and also FGB's own "Abu Dhabi Affinity Card", which features monthly, quarterly and annual prize draws for its holders.

Dubai First, a wholly owned subsidiary of FGB, also specialises in the provision of credit card finance (see "*Subsidiaries and Associates – Dubai First*" below).

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

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

FGB was selected by the Abu Dhabi government in December 2006 to manage a AED 5.0 billion housing loan programme established by it. Since then, this amount has increased to AED 19.6 billion as at 31 December 2015. Under this programme, U.A.E. nationals are loaned up to AED 2.0 million on a zero interest basis by the government to build a single residence. The loan is repayable in monthly instalments over a 30-year period. As at 31 December 2015, FGB has disbursed AED 19.3 billion to U.A.E. nationals under this programme.

- ***Bancassurance***

The Group successfully launched its Bancassurance business with an objective to offer insurance linked long-term savings plans and other general insurance products. The Group has built a strong distribution team with certification and training to offer quality service to customers. First Insure was introduced to launch new product lines in relation to motor, property, travel and health insurance with conventional and Islamic options. FGB also collaborated with Life Insurance Corporation (International) B.S.C.(c) ("**LIC (I)**"), a subsidiary of India's largest insurance company, Life Insurance Company (LIC) in December 2012. FGB is the only bank in the U.A.E. to offer LIC (I) products.

- ***Investments***

"Global Wealth Management" is FGB's premier banking offering catering to high net-worth individuals with a minimum relationship size of USD 100,000. Since its launch in December 2007, FGB has built a strong relationship management team with a robust product platform offering a range of investment and insurance solutions across asset classes, with investment assets under management of over AED 5.7 billion as at 31 December 2015. In 2014, FGB launched its Global Wealth Management services in Singapore. It provides FGB's wealth customers with greater access to investment opportunities in the Asia Pacific region.

- ***Deposit Accounts***

Deposit accounts include fixed term deposit accounts and call accounts which are offered with various maturities and yields to suit the customer's savings and/or investment requirements and against which customers may take loans and/or overdrafts. In 2012, FGB launched the Advantage Plus, Power-up and ChildFirst products as well as the FirstSavings Certificate, a unique savings programme that ensures guaranteed interest on a customer's savings and gives them a chance to win a number of prizes throughout the year. In May 2013, FGB also launched Power Plus, a current account that works like a fixed deposit but with greater flexibility and no

restrictions or charges on withdrawal. Power Plus customers can earn higher rates of interest when they maintain their balances for longer tenures and with certain increases in account balances. In 2014, FGB launched the "iSave Online Account", an innovative online account with no restrictions on withdrawals, which enters its holders into daily, monthly and quarterly cash prize draws. In May 2014, FGB also launched U.A.E.-resident Indian banking services in partnership with two leading Indian Banks (ICICI Bank and Kotak Mahindra Bank), which means the products offered by those Indian banks are available to the large Indian expat community in the U.A.E.

Islamic Banking

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

Shari'a-compliant SME corporate financings, consumer mortgages and credit cards are offered through FGB's affiliate Aseel Finance (which has a licence to conduct all Islamic banking activities except the acceptance of consumer deposits). Large corporate *Shari'a*-compliant financings and syndicated *Shari'a*-compliant financings and *sukuk* issues are offered through the Islamic banking team.

The Group's *Shari'a* supervisory board (the "***Shari'a* Supervisory Board**") is an independent board comprising the prominent Islamic scholars Sheikh Dr. Mohd Daud Bakar, Sheikh Dr. Mohamed Ali Elgari and Sheikh Dr. Abdul Aziz Al Qassar. The *Shari'a* Supervisory Board is supported in its work by a Group-wide *Shari'a* governance framework and by experienced FGB *Shari'a* counsels (internal FGB *Shari'a* advisors) to ensure that the Group's Islamic banking products and transactions are carried out in compliance with its *Shari'a* pronouncements.

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

Real Estate Activities

As at 31 December 2015, the activities of the real estate division accounted for 3.9 per cent. of the Group's total assets (compared to 4.9 per cent. as at 31 December 2014) and, for the year ended 31 December 2015, 8.9 per cent. of its total operating income excluding associates (compared to 5.1 per cent. for the year ended 31 December 2014) and 13.0 per cent. of its net profit (compared to 7.2 per cent. for the year ended 31 December 2014). Prior to 1 January 2007, the Group's real estate activities were centred in its corporate banking division and had principally developed from its expertise in contractors' financing (see "*Business Activities – Wholesale Banking*" above).

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

- ***Mismak Properties Co. LLC***

Mismak Properties Co. LLC ("**Mismak**"), which is wholly owned by FGB, acts as a holding company for the Group's real estate investment and development activities. As at 31 December 2015, Mismak had AED 7.2 billion of investment properties on its balance sheet and was involved in eight ongoing developments. Mismak has an authorised and paid up share capital of

AED 1.0 billion. For the year ended 31 December 2015, Mismak recorded a net profit of AED 579.4 million.

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

Green Emirates Properties P.J.S.C. ("**GEP**") is 40.0 per cent. owned by FGB. The remaining 60.0 per cent. is owned by two major property developers in Abu Dhabi, being ALDAR Properties P.J.S.C. and Reem Investments P.J.S.C. GEP manages properties under development for certain of its clients as well as properties being developed by its founding developer shareholders for which it charges a fee. GEP also acts as a real estate broker buying and selling properties for its customers on a commission basis. GEP has an authorised share capital of AED 10 million and a paid up share capital of AED 10.0 million. For the year ended 31 December 2015, GEP recorded a net loss of AED 525 thousand.

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

First Gulf Properties L.L.C. ("**FGP**"), which is a wholly owned subsidiary of FGB, is a property management, facility management and hospitality company. FGP commenced operations in 2011 and, as at 31 December 2015, manages a mixed and varied property portfolio in excess of 12,200 units located across the U.A.E., with a total annual rent roll of more than AED 1.5 billion. FGP has paid up share capital of AED 150,000. For the year ended 31 December 2015, FGP recorded a net profit of AED 36.6 million.

BRANCH NETWORK AND PRODUCT DISTRIBUTION

As at 31 December 2015, FGB's U.A.E.-based operations included its head office and a network of 21 branches in the Emirates of Abu Dhabi, Dubai, Ajman, Sharjah, Fujairah and Ras Al Khaimah. In December 2012, FGB opened its first mall branch in Dubai Mall and, in February 2013, opened a further two new branches in Dubai in Jumeirah and Mirdiff. A typical FGB branch in the U.A.E. is headed by a branch manager, staffed by between eight and ten employees and aims to service the needs of the Group's customer base. As at 31 December 2014, FGB had a network of 123 automated teller machines/cash deposit machines ("**ATMs**") and its customers had access to a total shared network of approximately 5,000 ATMs in the U.A.E.

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

SUBSIDIARIES AND ASSOCIATES

FGB is the parent company within the Group. As at 31 December 2015, FGB's subsidiaries and associates included in its consolidated financial statements were as follows:

	<u>Activity</u>	<u>Country of incorporation</u>	<u>Percentage of holding</u>
Mismak Properties Co. LLC.....	Real estate investments	U.A.E.	100.0%
First Merchant International LLC	Merchant banking services	U.A.E.	100.0%
FGB Sukuk Company Limited.....	Special purpose vehicle	Cayman Islands	100.0%
FGB Sukuk Company II Limited	Special purpose vehicle	Cayman Islands	100.0%
First Gulf Libyan Bank ⁽¹⁾	Banking Services	Libya	50.0%
	Management and brokerage of		
First Gulf Properties LLC.....	real estate properties	U.A.E.	100.0%
Green Emirates Properties P.J.S.C.	Property management	U.A.E.	40.0%
Aseel Finance P.J.S.C.....	Islamic finance services	U.A.E.	100.0%
Dubai First PJSC	Credit card finance	U.A.E.	100.0%
First Gulf Information Technology LLC	Information Technology services	U.A.E.	100.0%
Midmak Properties LLC	Real estate properties	U.A.E.	16.0%

Note:

⁽¹⁾ Although FGB owns 50.0 per cent. of the shares in First Gulf Libyan Bank, First Gulf Libyan Bank is deemed to be a subsidiary as FGB exercises control over it by holding the majority of votes on its board of directors.

On 25 March 2015 FGB completed the sale of its 45 per cent. stake in the brokerage firm First Gulf Financial Services LLC ("FGFS").

First Merchant International LLC

First Merchant International LLC ("FMI") was created in late 2006 and has an authorised and paid up share capital of AED 300.0 million. FMI commenced business in January 2007 and for the year ended 31 December 2015 recorded a net profit of AED 164.4 million. FMI was created to undertake private equity investments as principal although its first two investments undertaken were in the real estate sector. FMI anticipates that, in due course, its real estate investments may be transferred to Mismak.

Aseel Finance

On 9 January 2007, FGB, together with ALDAR Properties P.J.S.C., Sorouh Real Estate P.J.S.C. and Reem Investments P.J.S.C., established Aseel Finance, a *Shari'a*-compliant company which offers mortgages and real estate development finance, principally to customers of its founding developer shareholders. Aseel Finance, managed by FGB, also services the Islamic finance needs of the Group's corporate banking customers. In 2013, FGB acquired the 60 per cent. share from its partners in Aseel Finance to increase its shareholding from 40 per cent. to 100 per cent. FGB has since increased the authorised and paid up share capital of Aseel Finance from AED 500.0 million to AED 800.0 million.

Aseel Finance previously had a portfolio constituting construction and real estate assets. In 2014, Aseel Finance's focus has been to shift its portfolio from its construction and real estate based model to a consumer and SME financing model. For the year ended 31 December 2015, Aseel Finance recorded a net profit of AED 30.1 million.

Dubai First

In November 2013, FGB acquired a 100 per cent. shareholding in Dubai First from Dubai Financial Group in 2013 for AED 601.0 million in order to increase its customer base and generate efficiencies across its business portfolio. Dubai First is a company based in the U.A.E. specialising in credit card finance and the acquisition of the Dubai First brand has complemented and further grown FGB's base of consumer banking customers. For the year ended 31 December 2015, Dubai First recorded a net profit of AED 206.5 million. As at 31 December 2015, Dubai First had issued 79,097 credit cards.

For a description of GEP and Mismak, see "*Business Activities – Real Estate Activities*" above and for a description of First Gulf Information Technologies LLC ("FGIT") see "*Information Technology*" below.

RISK AND COMPLIANCE GOVERNANCE STRUCTURE

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

Composition of the Board of Directors

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

Board Level Committees within FGB

Remuneration and Nomination Committee

The Remuneration and Nomination Committee (the "REMCO") comprises three members of the Board of Directors including the managing director of FGB (the "MD"). REMCO has overall responsibility for setting the criteria and processes for identification of candidates for the Board of Directors, board level

committees and senior management. The committee recommends the appointment and termination of all directors. The committee approves and oversees incentives and ensures that these are appropriate and consistent with FGB's culture, business and risk strategy as well as with any legal or regulatory requirements. REMCO also oversees FGB's human resources policies and rewards policy framework.

Executive Committee

The Executive Committee (the "**EC**") comprises three members of the Board of Directors including the MD. EC, on behalf of the Board of Directors, is responsible for overseeing the regular business of the Group. The EC oversees FGB's overall management and ensures that FGB's business policies and practices are in line with the Bank's business interests and are in alignment with sound corporate governance and compliance standards including provisions of the U.A.E. Central Bank.

Risk and Compliance Management Committee

The Risk and Compliance Management Committee (the "**RCMC**") comprises three members of the Board of Directors including the MD. Under authority delegated by the Board of Directors, RCMC plays a key role in the fulfillment of corporate governance standards and overall risk management by assisting Board of Directors in formulation of strategy for enterprise-wide risk management, evaluation of overall risks faced by the Group, alignment of risk policies with business strategies, determination of the level of risks which will be in the best interests of FGB through risk based capital planning. RCMC, by virtue of powers delegated to it by the Board of Directors, also approves changes in risk management policies as and when required.

Audit Committee

The Audit Committee (the "**AC**") comprises three members of the Board of Directors including the MD. This committee is principally responsible for reviewing the internal audit programme, considering the major findings of each internal audit review, making appropriate investigations and responses ensuring co-ordination between the internal and external auditors keeping under review the effectiveness of internal control systems, and in particular reviewing the external auditor's management letter and management's response thereto.

Management Committees within FGB

Executive Management Committee

The Executive Management Committee (the "**EMCO**") is FGB's most senior management level committee and it operates under a delegated authority from the Board of Directors. EMCO supports the CEO to determine and implement FGB's strategy as approved by the Board of Directors. The key responsibilities of EMCO include decisions on FGB's strategy, annual budgets, capital management and risk management and FGB's more material policies and procedures.

Wholesale Banking Credit Committee

The Wholesale Banking Credit Committee (the "**WBCC**") assists the Board of Directors in putting into operation the wholesale credit risk strategy, policies and procedures pertaining to the wholesale banking business. The primary objective of WBCC is to assist in the development and implementation of wholesale banking business' credit strategy and policies and procedures.

FGB Group Consumer Credit Committee

The FGB Group Consumer Credit Committee (the "**FGCC**") assists the Board of Directors putting into operation the credit strategy, policies and procedures for consumer banking businesses across the Group including CBG, Aseel Finance and Dubai First. The primary objectives of FGCC include approving the credit criteria and setting portfolio level limits in line with the defined business and the credit risk strategy of FGB for consumer banking businesses across the Group.

Asset Liability Committee

The Asset and Liability Committee (the "**ALCO**") assists the Board of Directors in fulfilling their responsibility to oversee FGB's asset and liability management related responsibilities. The objective of

ALCO is to identify, manage and control FGB's balance sheet risks in executing its business strategy while ensuring it has adequate levels of liquidity.

Investment Management Committee

The Investment Management Committee (the "**IMCO**") oversees and provides guidance on FGB's trading and investment activities. IMCO ensures effective management of market risks in accordance with the principles laid down in the FGB market risk management policy. IMCO provides approval of investment limits and individual investment proposals within those limits. Its objective is to ensure that investment decisions conform to the investment policy and are within the overall limits approved by the Board of Directors.

Compliance Committee

The Compliance Committee (the "**CC**") assists the Board of Directors in fulfilling their objective of overseeing FGB's compliance responsibilities. The committee oversees FGB's compliance with respect to legal and regulatory requirements and relevant policies and procedures including code of ethics and matters relating to operating and non-operating financial risk. It also ensures FGB's compliance with Anti Money Laundering ("**AML**") and other relevant legislation issued by the U.A.E. Central Bank and/or Securities and Commodities Authority and/or other regulatory authorities, as applicable.

Operational Risk Committee

The Operational Risk Committee (the "**ORC**") assists the Board of Directors in fulfilling their objective of overseeing FGB's operational risk management, business continuity and information security responsibilities. Responsibility areas for ORC include management and reporting of FGB's operational risk profile, ratifying information security policy and procedures, the integrated business continuity management policy and business recovery strategy of FGB.

Technology Steering Committee

The Technology Steering Committee (the "**TSC**") assists the Board of Directors in fulfilling their responsibilities related to setting of Information Technology ("**IT**") related strategic goals and for the successful implementation of strategic IT objectives. TSC ensures alignment of IT strategy with FGB's business strategy.

Human Resources Steering Committee

The Human Resources Steering Committee (the "**HRSC**") assists the Board of Directors in fulfilling its responsibilities related to the human resources policies applicable to FGB's staff. The objectives of the committee include implementation of recommendations made by the REMCO regarding compensation, benefits, rewards, working environment, employee contracts, terms and conditions and other issues that form part of the human resources strategy. HRSC also has responsibility for implementation of an appropriate whistle blowing policy to enable employees to raise concerns in a responsible and effective and confidential manner.

Real Estate Committee

The Real Estate Committee (the "**RECO**") assists the Board of Directors in its responsibilities pertaining to overseeing and approving FGB's real estate investment and management activities in line with effective market and liquidity risk management practices and policies. RECO is responsible for providing oversight, guidance and strategic input on the action plans for the Group's real estate investment, review of real estate budgets and provision of oversight and guidance for real estate investment limits and risk appetite.

RISK AND COMPLIANCE MANAGEMENT FRAMEWORK

Risk Management and Compliance Function

FGB has a centralised risk management function led by the GCRO. The Head of Risk Management and Compliance Group reports to the GCRO. FGB's risk management and compliance function comprises of

the Credit Risk Management Unit, Market Risk Management Unit, ALM Risk Management Unit, Operational Risk Management Unit, Compliance Unit and Basel Unit.

Risk Appetite

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

Enterprise Risk Management Policy Framework

FGB's Enterprise Risk Management Policy ("**ERMP**") framework's aim is to support FGB in being a world class organisation maximising its risk adjusted returns for all stakeholders by establishing a risk management framework across the Group. The core objective of ERMP is to provide a reasonable degree of assurance to the Board of Directors that the risks threatening FGB's achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management system. The ERMP framework consists of specific policy documents covering all material risks across FGB that include enterprise risk management policy, wholesale banking credit risk policy, consumer banking credit risk policy, market risk policy, operational risk policy, asset and liability management risk policy, AML and compliance risk policy, IT and information security risk policy, internal capital adequacy assessment process policy, new products approval policy and model governance policy. Other relevant risks such as reputation risk and strategic risk are covered under the enterprise risk management policy.

Overview of Risk Management and Compliance Function

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

- *Credit Risk Management Unit:* The Credit Risk Management Unit is responsible for active credit risk portfolio management across FGB's wholesale and consumer banking areas. It is also responsible for establishing a robust governance structure, sound processes, advanced analytics and comprehensive Management Information Systems ("**MIS**") across all business segments. Its responsibilities include:
 - review and enhancement of credit risk policies and processes;
 - monitoring of product programmes, budgets, profitability and ensuring these are within established limits;
 - establishing exposure and risk limits with respect to credit risk as well as monitoring mechanisms;
 - active management of the credit portfolio (for example limits, exposures and collateral) on a regular basis across various parameters including customers, products, geography, sectors and tenor;
 - review and support of compliance requirements pertaining to relevant regulatory authorities;
 - preparation and circulation of daily/weekly/monthly reports for senior management;
 - conducting stress testing analysis of wholesale and consumer banking portfolios;
 - delivering strategic and tactical initiatives targeting productivity and efficiency gains; and
 - providing support to the WBCC, FGCC and RCMC on a regular basis.

- *Market Risk Management Unit:* All of the Group's treasury exposures fall under market risk management including fixed income bonds, regional and international equities, private equity, hedge funds, foreign exchange trading, derivatives and money markets. The Market Risk Management Unit's responsibilities include:
 - review and revision of market risk policies and processes;
 - setting up exposure and risk limits with respect to market risk as well as monitoring mechanisms;
 - preparation of daily reports pertaining to market risk;
 - conducting scenario analysis pertaining to the trading portfolio;
 - providing support to the ALCO and IMCO on a regular basis;
 - review and support for compliance requirements pertaining to relevant regulatory authorities; and
 - providing front office and back office treasury support.

- *ALM Risk Management Unit:* The ALM Risk Management Unit primarily assists the ALCO in management of the liquidity risk and interest rate risk in the banking book. Its responsibilities include:
 - review of ALM policy including FGB's contingency funding plan;
 - preparation and monitoring of the liquidity gap and re-pricing gap by taking into consideration all on and off balance sheet exposures;
 - setting up exposure and risk limits with respect to ALM risks as well as monitoring mechanisms;
 - conducting stress testing analysis for liquidity interest rate risk;
 - reviewing and revising models used for behavioural modelling of non-maturity accounts; and
 - reviewing and monitoring of the funds transfer pricing ("**FTP**") mechanism in FGB.

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

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

The Group is compliant with FATCA. In line with the inter-governmental agreement finalised by the U.A.E. Government with the United States Government, the Group has completed its FATCA registration and obtained its Global Institution Identification Number for FGB and all of its subsidiaries and international branches.

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

With respect to liquidity risk related ratios, the U.A.E. Central Bank made it mandatory for all banks to comply with the Eligible Liquid Assets Ratio ("**ELAR**") and Advances to Stable Resources Ratios ("**ASRR**") as of 1 January 2016, while giving an option for banks to apply for compliance with the Basel III liquidity ratios of Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**") in accordance with the timelines set by Bank for International Settlements ("**BIS**"). FGB has formally sought the U.A.E. Central Bank's approval to comply with these Basel III liquidity ratios. All the aforementioned liquidity ratios are monitored and reviewed by FGB's ALCO.

Compliance Systems

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

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

watch lists including those of the Office of Foreign Assets Control of the United States Department of the Treasury, Her Majesty's Treasury and the European Union.

FGB has also implemented the "FATCA Trac" system to automate its remediation and reporting obligations under FATCA.

INVESTMENTS

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

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

The table below shows certain information in relation to the Group's investment securities as at each of 31 December 2013, 2014 and 2015:

	<u>31 Dec 2013</u>	<u>31 Dec 2014</u>	<u>31 Dec 2015</u>
	<i>(AED millions)</i>		
<i>Carried at fair value through income statement</i>			
Investments in managed funds ⁽¹⁾	184.5	211.1	78.3
Investments in equities – quoted	112.4	58.6	40.1
– unquoted	20.2	20.2	19.2
Debt Securities.....	7.1	68.7	435.3
Available for sale investments			
Investments in equities – quoted	26.2	14.1	0.2
– unquoted	79.1	139.6	149.8
Investments in private equity funds ⁽²⁾	1,372.4	1,290.0	1,496.1
Structured debt notes – unquoted	551.0	—	—
Debt Securities – quoted.....	7,296.6	9,890.1	13,596.2
– unquoted	347.2	330.3	271.4
Held to maturity investments ⁽³⁾			
Debt securities ⁽⁴⁾⁽⁵⁾⁽⁶⁾ – quoted.....	6,098.5	3,774.0	5,421.7
– unquoted ⁽⁷⁾⁽⁸⁾	1,018.2	911.1	1,183.8
Total	<u>17,113.4</u>	<u>16,707.8</u>	<u>22,692.1</u>
<i>Analysis of debt securities:</i>			
Fixed rate	13,612.6	13,975.9	19,673.1
Floating rate	1,706.0	998.3	1,235.3

Note:

- (1) Investments in managed funds represent investments made in managed hedge funds which invest in equities, debt securities and derivatives with the objective of generating superior returns on a risk-adjusted basis using a diversified portfolio approach.
- (2) Investments in private equity funds represent investments made in funds and limited partnerships to fund primary investment commitments in target companies with the objective of generating returns outperforming the public equity markets.
- (3) The fair value of held to maturity investments at 31 December 2015 amounted to AED 6,716,113 thousand (2014: AED 4,896,964 thousand).
- (4) Debt securities represent bonds with maturities ranging up to 10 years from the balance sheet date. Of the debt securities at 31 December 2015, 28% (2014: 48%) comprise bonds which are either guaranteed by governments or issued by entities owned by governments.
- (5) At 31 December 2015, FGB's largest holding of debt securities issued by a single issuer accounted for 12 per cent. (2014: 6 per cent.) of total debt securities.
- (6) At 31 December 2015, debt securities with a carrying value of AED 8,250,520 thousand (2014: AED 2,154,566 thousand) were pledged under repurchase agreements with overseas financial institutions and banks with a principal value of AED 8,313,565 thousand (2014: AED 2,124,097 thousand).

- (7) All unquoted available for sale equities are recorded at fair value except for investments amounting to AED 1,448 thousand (2014: AED 2,254 thousand) which are recorded at cost since their fair values cannot be reliably estimated. There is no active market for these investments and FGB intends to hold them for the long term.
- (8) Investments in equities amounting to AED 190 thousand (2014: AED 1,665 thousand) are held in the name of third parties with the beneficial interest assigned to FGB.

INVESTMENT PROPERTIES

The value of the Group's investment properties as at 31 December 2013, 2014 and 2015, stated at fair value, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, is set out below:

	31 Dec 2013	31 Dec 2014	31 Dec 2015
	<i>(AED millions)</i>		
Balance as at 1 January.....	7,771.8	8,044.2	8,469.6
Additions.....	249.9	617.2	677.5
Acquired in Business Combination.....	98.0	—	—
Disposal	(226.2)	(305.1)	(1,297.9)
Properties Disposed of as Part of Property Exchange.....	(71.9)	—	—
Property Acquired as Part of Property Exchange	107.6	—	—
Transferred to Other Assets.....	(10.2)	—	—
Transfer on liquidation of subsidiary	—	—	(144.0)
Transfer to property and equipment, net	—	—	(11.9)
Gain (loss) from fair value adjustment.....	125.2	113.3	548.9
Balance as at 31 December	8,044.2	8,469.6	8,242.2

As at 31 December 2015, 2014 and 2013, the fair values of the properties are based on the valuations performed by third party valuers. The valuers are accredited with recognised and relevant professional qualification and with recent experience in the location and category of investment properties being valued. The fair values have been determined based on varying valuation models depending on the intended use of the investment properties in accordance with the Royal Institution of Chartered Surveyors Valuation Standards. The property rental income earned by the Group from its investment properties that are leased out under operating leases, amounted to AED 99.3 million for the year ended 31 December 2015. This compared to AED 100.7 million in the year ended 31 December 2014 (2013: AED 72.6 million).

INFORMATION TECHNOLOGY

FGIT is a wholly owned subsidiary of FGB, focused on delivering customised technology solutions to the Group. FGIT was spun off from FGB with the aim of creating an entity that specialises in developing IT infrastructure and delivering IT banking services. FGIT is responsible for developing the strategy and delivering all IT services throughout the Group. The IT strategy is focused on providing reliable information systems to the Group's customers and employees in a secure environment.

FGB has provided ongoing investment to FGIT in terms of its systems, applications and people to ensure that its employees have access to the latest banking systems and technology. As part of the development of FGIT's core services, multiple projects across FGIT have been launched with the aim of improving its customer service and service offerings. The projects within FGIT include (i) management oversight and monitoring systems; (ii) the creation and management of "innovation boards"; and (iii) the alignment of FGB's IT systems with the COBIT5 framework with respect to the governance and management thereof.

On the core technology front, FGIT is custodian of the Group's hardware, network and storage infrastructure. Given the need to ensure the security of its banking data, FGIT has implemented a number of initiatives including a strong multi-tiered firewall system, an intrusion prevention system and a data leakage prevention system, in addition to having sophisticated end-point protection. FGIT has also implemented and tested a robust disaster management programme involving investment in a remote business continuity site in Al Ain, where critical systems are replicated to be made available in the event of an unforeseen emergency.

FGIT supports remote banking facilities and distribution channels for the Group, such as interactive voice response technology, internet banking and mobile banking. As part of its strategy to utilise the best technology available to meet the Group's requirements, FGIT has also implemented systems such as "Loan Origination", "Wealth Management", "Oracle enterprise GL", distribution platforms with selected

partners such as exchange houses, remote cheque deposits for corporates, a global limits and collateral management system for corporates and financial institutions, trading systems for equities, risk management systems (as a part of Basel II compliance), business process management systems and document management systems. To meet the information and analytical needs of its business, FGIT has also implemented an Enterprise Data Warehouse which will allow the Group to store and utilise information collected on its client base more easily.

To ensure that it adequately supports the Group's risk management policies, FGIT's systems utilise various automated tools and processes, which are subject to both internal and external audits. FGB is also certified to international standards, including ISO 27001 for information security, ISO 22301 for business continuity management system and ISO 20000 for IT service management.

PROPERTY

FGB's principal fixed assets include its head office building in Abu Dhabi and its other branch buildings and offices. Such properties had a net book value of AED 574.5 million as at 31 December 2015 (31 December 2014: AED 461.6 million; 31 December 2013: AED 372.1 million).

MANAGEMENT AND EMPLOYEES

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

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

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

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

Board of Directors

The members of the Board of Directors are:

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

(Non-Executive)

External Appointments:

- National Security Advisor
- Chairman of Amiri Flight
- Chairman of Royal Group

Vice Chairman *Ahmed Ali Al Sayegh*

(Non-Executive)

External Appointments:

- Chairman of Abu Dhabi Global Market
- Managing Director of Dolphin Energy
- Board member of UAE offsets group
- Board member of ADWEA
- Vice Chairman of Abu Dhabi Ship Building

- Board member of Etihad Airways

He holds a degree in Economics and Finance from Lewis & Clark College, USA.

Managing Director

Abdulhamid Saeed

Board Member

External Appointments:

(Executive)

- Board member of Emirates Investment Authority
- Board member of Mubadala Development Company
- Board member of Sky News Arabia

He has a Bachelor of Science degree in Business Administration from the University of Arizona, USA.

Board Member

Sultan Khalfan Sultan Hudairem AlKtebi

(Non-Executive)

External Appointments:

- Vice Chairman of Al Ain Holdings

He has a Bachelor of Science degree in General Administration from the United Arab Emirates University.

Board Member

Khaldoon Khalifa Al Mubarak

(Non-Executive)

External Appointments:

- Chairman of Abu Dhabi Executive Affairs Authority
- Group CEO and MD of Mubadala Development Company
- Member of Abu Dhabi Executive Council
- Member of Abu Dhabi Council for Economic Development

He holds a degree in Economics and Finance from Tufts University, Boston, USA.

Board Member

Mohammed Saif Al Suwaidi

(Non-Executive)

External Appointments:

- Director General of Abu Dhabi Fund for Development
- Board Vice Chairman of Al Masraf (ARBIFT)
- Chairman of Al Ain Farms for Livestock Production
- Board Member of the Centre of Food Security of Abu Dhabi

He holds a Bachelor of Science degree in Business Administration from California Baptist University, USA.

Board Member

Jassim Al Seddiqi

(Non-Executive)

External Appointments:

- Managing Director and Chief Executive Officer of Abu Dhabi

Financial Group.

- Chairman of: ReemFinance PJSC (UAE Central Bank licensed Finance Company), Integrated Capital PJSC (UAE Central Bank licensed Finance Company) and Integrated Securities (SCA licensed broker).
- Board Member at: Tourism and Development Investment Company, Qannas Investments Limited, Northacre Plc, and Abu Dhabi Capital Group.

He holds a bachelor of Science in Electrical Engineering from the University of Wisconsin-Madison and earned his Master's of Science degree in Electrical Engineering from Cornell University in the United States.

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

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

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

Senior Management

The Senior Management of the Group is as follows:

Chief Executive Officer *André Sayegh*

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

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

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

Head of Consumer Banking Group *Hana Al Rostamani*

Hana Al Rostamani has extensive experience in banking and, in her current role at FGB she is responsible for the growth of FGB's Consumer

Banking group in the U.A.E.

Previously she has worked with FGB in corporate strategy, corporate communications, branding, branch management, product development, consumer credit policy, card operations management and consumer behaviour metrics. She has a Masters degree in Information Management from the George Washington University, USA and has also completed a Certificate in Bank Card Management from the Visa International Association and the U.K. Chartered Institute of Bankers.

Chief Operation Officer *Zulfiqar Ali Sulaiman*

Zulfiqar Sulaiman, the Chief Operation Officer is responsible for support functions that include administration, central operations, service quality, IT and information security as the Business Support Director. Zulfiqar has more than 22 years of banking experience and has held senior positions such as Head of CitiBank in Oman, and Chief Financial Officer, Country Compliance and Control Head at Citibank. He holds a Bachelors Degree in Commerce, majoring in Accounting and Finance from Karachi University, Pakistan as well as a Certificate in the Master of Business Administration Program in Accounting and Finance from the Institute of Business Administration, Karachi, Pakistan.

Chief Risk Officer *Arif Shaikh*

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

Chief Financial Officer *Karim Karoui*

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

Head of Human Resources *Gareth Powell*

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

Head of Treasury and Global Markets Group *Christopher Wilmot*

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

customer servicing and risk management activities.

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

Head of Internal Audit

KS Nurendra Perera

KS Nurenda Perera joined FGB in 2001 as Head of Internal Audit. Nurendra has 24 years of banking experience and has previously worked with the National Bank of Umm Al Quwain in the U.A.E. as well as Sampath Bank in Sri Lanka. His primary responsibility as Head of Internal Audit is carrying out risk-based audits in the wider scope of the overall risk management framework covering credit, market and operational risks and internal control environments, whilst ensuring regulatory compliance. He has varied bank-wide exposure to business such as Corporate Credit, Consumer Credit, Trade Finance, Branch Operations, Financial Control, Treasury, Investments and IT in order to identify, measure, monitor and control evolving associated risks, moving towards the best practices in the Basel III Accord guidelines. He has a Masters degree in business administration with a specialisation in finance. He is also a certified auditor (CIA, CFSA – USA, CISA and CRISC, all from the USA).

Head of Corporate Strategy and Planning

Sara Al Binali

Sara Al Binali is responsible for defining and developing the strategic direction of FGB. Prior to this role, Sara was a member of the International Business Group which oversees the international expansion of FGB and successfully set up branches in Singapore and Qatar as well as representative offices in India, Hong Kong and South Korea and a joint venture in Libya.

She has over 15 years of experience in the financial services field and is a graduate of Northwestern University, USA where she received a bachelor's degree in Economics. After completing her studies, she worked in various roles at the Abu Dhabi Investment Authority for five years before joining FGB in 2004. She is also a Chartered Financial Analyst.

She is a member of the EMCO, ALCO and IMCO and is a board member of FGLB.

Chief Credit Officer

Shireesh Bhide

Shireesh Bhide has around 24 years of experience in the banking industry. Shirish worked with Citibank in India and Africa for over 18 years in various leadership roles and left in 2009 to join the National Commercial Bank in Saudi Arabia as its Head of Risk Management, being based in Jeddah for almost four years. He joined FGB as its Chief Credit Officer in March 2013.

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

Head of Wholesale Banking

Simon Penney

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

institutional clients.

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

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

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

Board Committees

FGB has the following Board committees:

Remuneration & Nomination Committee

The members of this committee include:

- H.H. Sheikh Tahnoon Bin Zayed Al Nahyan (the Chairman of the Board);
- Ahmed Ali Al Sayegh (Vice-Chairman of the Board);
- Abdulhamid Saeed (Managing Director and Chairman of the EC);
- André Sayegh (CEO and Member of EC); and
- Head of Human Resources ("**HOHR**").

Executive Committee

The members of this committee include:

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

In addition:

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

Risk and Compliance Management Committee

The members of this committee include:

- Khaldoon Khalifa Al Mubarak (Chairman of RCMC);
- Abdulhamid Saeed (Managing Director and Member of RCMC);

- Sultan Khalfan Sultan Hudairem AIKtebi (Member of RCMC); and
- Arif Shaikh (GCRO and Member of RCMC).

Audit Committee

The members of this committee include:

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

Employees

As at 31 December 2015, FGB employed 1,436 members of staff as compared to 1,454 as at 31 December 2014 and 1,452 as at 31 December 2013. These staff members do not include the approximately 1,589 members of the outsourced workforce assigned to the Group (who principally work within the consumer areas of sales, collections, call centre operations and credit card processing).

FGB's people strategy is aligned to its vision and ambitious growth plans. One of FGB's key strategic imperatives is 'Invest in Our People and Their Growth' and FGB endeavours to achieve this through the implementation of an effective resourcing model, world class learning solutions, market driven compensation and robust performance management systems. Over 90 per cent. of employees across FGB attend at least one training programme that is aligned to their specific needs every year.

In common with all U.A.E. banks, FGB is required by the U.A.E. Central Bank to achieve certain targets for employing U.A.E. nationals, known as Emiratisation targets. FGB has made progress with these targets year on year. As at 31 December 2015, FGB's Emiratisation percentage stood at 35.7 per cent. of its workforce in the U.A.E., the highest percentage to date, equating to 350 U.A.E. nationals employed in positions at different levels across the bank. FGB designed and launched a number of Emiratisation initiatives during the year including its graduate intake (Nujoom), internship and summer trainee programmes.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, FGB's consolidated financial statements and the notes thereto as at and for the years ended 31 December 2014 and 2015, which have each been incorporated by reference into, and form part of this Base Prospectus (the "Financial Statements").

The following table sets out selected consolidated financial information of FGB for the years ended 31 December 2013, 2014 and 2015, as extracted from the Financial Statements. The ratios have been prepared based on management information and information in the Financial Statements. FGB prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

	As at 31 December		
	2013	2014	2015
	(AED millions)		
Selected balance sheet data:			
Cash and balances with U.A.E. Central Bank	15,944.6	21,541.4	21,075.9
Due from banks and financial institutions	22,864.5	14,907.5	13,597.8
Loans and advances, net	125,594.4	139,708.7	149,766.1
Investments	17,113.4	16,707.8	22,692.1
Total assets	198,210.3	212,168.5	227,496.4
Customers' deposits	137,953.5	141,271.8	142,462.6
Term loans	11,729.1	11,674.3	15,857.5
Sukuk financing instruments	4,224.0	4,224.0	4,224.0
Total liabilities	166,439.8	177,431.5	191,192.3
Share capital	3,000.0	3,900.0	4,500.0
Capital notes	4,000.0	4,000.0	4,000.0
Legal reserve	8,780.1	8,780.1	8,780.1
Retained earnings	9,592.4	10,074.5	11,132.0
Total equity	31,770.5	34,737.0	36,304.1
Total equity and liabilities	198,210.3	212,168.5	227,496.4
	Year ended 31 December		
	2013	2014	2015
	(AED millions, except percentages)		
Selected income statement data:			
Net interest income and income from Islamic financing	5,993.6	6,469.8	6,429.5
Operating income	8,420.6	8,966.2	9,433.7
General and administrative expenses	(1,766.1)	(1,856.2)	(1,947.4)
Impaired assets charge	(1,761.0)	(1,361.4)	(1,407.2)
Non-controlling interests	27.6	49.4	13.1
Profit for the period attributable to the Equity holders of FGB	4,774.4	5,655.6	6,066.1
Basic and diluted earnings per share (AED) ⁽¹⁾	1.2	1.2	1.3
Selected ratios:			
Return on average assets ⁽²⁾	2.6%	2.8%	2.7%
Return on average equity ⁽³⁾	15.8%	17.3%	17.1%
Cost income ratio ⁽⁴⁾	20.9%	20.7%	20.6%
Non-performing loans ratio ⁽⁵⁾	3.3%	2.5%	2.8%
Provisioning charge/net loans ⁽⁶⁾	1.4%	1.0%	0.9%
Net loans/customer deposits	91.0%	98.9%	105.1%
Total capital ratio ⁽⁷⁾	17.4%	17.5%	17.5%

Notes:

⁽¹⁾ See Note 26 to the Financial Statements for the year ended 31 December 2015 and Note 24 to the Financial Statements for the year ended 31 December 2014.

⁽²⁾ Profit for the year attributable to equity holders divided by average assets for the year. Average assets is determined by adding total assets at the beginning and end of the year and dividing by two and amounted to AED 186,622.0 million in 2013, AED 205,189.4 million in 2014 and AED 219,832.4 millions in 2015.

⁽³⁾ Profit for the year attributable to equity holders divided by average shareholders' equity for the year. Average shareholders' equity is determined by adding total shareholders' equity at the beginning and end of the year and dividing by two and amounted to AED 30,289.6 million in 2013, AED 32,690.3 million in 2014 and AED 35,026.7 million in 2015.

⁽⁴⁾ General administrative expenses divided by operating income.

⁽⁵⁾ Non-performing loans (being those on which interest is not being accrued) divided by gross loans.

⁽⁶⁾ Net loans at the balance sheet date.

⁽⁷⁾ Calculated according to U.A.E. Central Bank methodology, see "*Financial Review – Capital Adequacy*".

Funding

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

Credit Commitments and Contingent Items

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

The table below sets out the Group's credit-related commitments as at 31 December 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
		(AED millions)	
Letters of credit.....	29,469.0	26,036.7	14,192.9
Guarantees	50,010.8	46,593.5	49,492.4
Total contingent liabilities	79,479.8	72,630.2	63,685.3
Commitments to extend credit maturing within one year.....	5,875.6	9,423.7	7,502.8
Commitments for future capital expenditure.....	1,538.7	930.3	552.3
Commitments for future private equity investments	775.1	663.2	769.4
Total commitments	8,189.4	11,017.2	8,824.5
Total commitments and contingent liabilities	87,669.2	83,647.4	72,509.8

During the year ended 31 December 2014, FGB changed its policy in respect of accounting for: (i) acceptances issued to clients, from disclosing those as part of commitments and contingencies to recognising them within other assets and other liabilities; and (ii) discounted acceptances, from classifying them under loans and advances to including them under other assets. As a result of the change in accounting policy, the comparative figures as at 31 December 2013 for other assets, other liabilities and loans and advances were adjusted for consistency purposes and, accordingly other assets and other liabilities were increased by AED 4,525,016 thousand and AED 3,177,931 thousand, respectively, and loans and advances were decreased by AED 1,347,085 thousand.

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

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

Related Party Transactions

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

The table below sets out the amounts outstanding as at 31 December and the transactions for the years ended 31 December in each of 2013, 2014 and 2015 in respect of transactions entered into by the Group with related parties (other than shareholders).

	As at 31 December		
	2013	2014	2015
	<i>(AED millions)</i>		
<i>Board members and key management personnel</i>			
Loans and advances to customers	6,074.6	4,199.8	5,094.2
Customers' deposits	5,727.0	6,827.3	9,081.8
Finance lease payable.....	120.6	120.1	119.6
Commitments and contingent liabilities.....	1,728.4	2,367.0	6,041.7
Interest and commission income	138.7	189.9	272.4
Interest expense and Islamic financing expense.....	91.7	116.8	133.4
<i>Associates</i>			
Loans and advances to customers	1.2	-	—
Customers' deposits	161.1	240.7	24.5
Commitments and contingent liabilities.....	555.3	175.2	5.2
Interest and commission income	5.6	0.8	0.003
Interest expense and Islamic financing expense	1.0	2.5	1.2
Compensation of key management personnel:			
Short term employee benefits.....	101.5	106.1	90.8
Post employment benefits	10.8	11.3	9.1

FINANCIAL REVIEW

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

References in this financial review to 2013 and 2014 and 2015 are for the year ended 31 December and references to average balances in relation to a year are (except where otherwise stated) references to monthly averages based on management information prepared by FGB. As a result of rounding, the totals stated in the tables below may not be an exact arithmetical sum of the numbers in respect of which they are expressed to be a total.

Overview

FGB was incorporated in the U.A.E. in 1979 and began operations in that year with a focus on corporate banking and has since developed into a diversified banking group. The Group currently provides a broad range of financial services including corporate banking, through WBG (principally comprising loans and other credit facilities and deposit and current accounts for corporate, institutional and high net worth customers), treasury and investment operations, through TGM (principally comprising money market, portfolio management, brokerage, treasury services, foreign exchange and structured derivative products), consumer banking, through CBG (principally comprising consumer deposits, loans and overdrafts, credit cards and funds transfer facilities) and Real Estate (principally comprising the development, acquisition, leasing, brokerage, management and resale of properties) to its customers who are predominantly based in the U.A.E. FGB operates through its head office and seven other branches in Abu Dhabi and through 14 other branches in Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah.

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

As at 31 December 2015, the Group had total assets of AED 227.5 billion compared with AED 212.2 billion at 31 December 2014, total net loans and advances to customers of AED 149.8 billion at 31 December 2015 compared with AED 139.7 billion at 31 December 2014 and total deposits from customers of AED 142.5 billion at 31 December 2015 compared with AED 141.3 billion at 31 December 2014. For the year ended 31 December 2015, the Group recorded total operating income of AED 9.4 billion and net profit attributable to equity holders of AED 6.0 billion compared with total operating income of AED 9.0 billion and net profit of AED 5.7 billion for the year ended 31 December 2014. The Group's shareholders' equity was AED 36.3 billion at 31 December 2015 compared with AED 34.7 billion at 31 December 2014. The Group's return on average assets for the year ended 31 December 2015 was 2.7 per cent. and its return on average equity was 17.1 per cent. For 2014, the return on average assets was 2.8 per cent. and its return on average equity was 17.3 per cent. For the years ended 31 December 2015, 2014 and 2013, these returns were calculated on period end averages only. The Group's net interest margin for the year ended 31 December 2015 was 3.3 per cent. compared with 3.6 per cent. for the year ended 31 December 2014.

Significant Factors Affecting Results of Operations

The Group's results during the three full years under review have been affected, among other things, by the following:

Real Estate Values

As at 31 December 2015 the Group's investment in real estate was AED 8,242.2 million as compared with AED 8,469.6 million as at 31 December 2014 and AED 8,044.2 million as at 31 December 2013.

In 2015 the Group's gain on real estate revaluations was AED 548.9 million, compared to AED 113.3 million in 2014 and AED 125.2 million in 2013.

Significant Accounting Policies

Certain accounting policies for the Group's business involve management estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingencies. The most important of these accounting policies are discussed below. For more information on the

Group's accounting policies and the use of estimates in the preparation of the Financial Statements, see Note 2 to the 2015 Financial Statements.

Classification of Investments

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

Impairment of Investments

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

Impairment of Loans and Advances

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

Results of Operations for the years ended 2013, 2014 and 2015

Net Interest Income and Income from Islamic Financing

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

	Year ended 31 December			Percentage change	
	2013	2014	2015	2013/2014	2014/2015
	<i>(AED millions)</i>				
Interest income and income from Islamic financing	7,868.6	8,249.1	8,289.8	4.8	0.5
Interest expense and Islamic financing expense.....	(1,875.0)	(1,779.3)	(1,860.3)	5.1	(4.6)
Net interest income and income from Islamic financing	5,993.6	6,469.8	6,429.5	7.9	(0.6)

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

	Year ended 31 December			Percentage change	
	2013	2014	2015	2013/2014	2014/2015
	<i>(AED millions)</i>				
Interest income					
Loans and advances	6,785.7	6,987.7	7,041.7	3.0	0.8
Deposits with banks.....	165.1	199.6	122.7	20.9	(38.6)

Investment Securities.....	539.9	561.4	604.2	4.0	7.6
Notional interest on impaired loans and advances.....	96.7	158.5	94.5	63.9	(40.4)
Total	7,587.4	7,907.2	7,863.1	4.2	(0.6)
Income from Islamic financing					
Islamic financing income	281.2	341.9	426.7	21.6	24.8
Total	281.2	341.9	426.7	21.6	24.8
Interest income and income from Islamic financing	7,868.6	8,249.1	8,289.8	4.8	0.5

The Group principally derives interest income from loans and advances which it makes to its customers, from its investments in fixed income securities and from deposits which it makes with other banks. Together, these sources accounted for 95.2 per cent. of the Group's total interest income and income from Islamic financing in 2013 compared to 93.9 per cent. in 2014 and 93.7 per cent. in 2015. Interest income, excluding income from Islamic financing decreased in 2015 by AED 44.1 million, or 0.6 per cent., as compared to 2014 and increased in 2014 by AED 319.8 million, or 4.2 per cent., as compared to 2013. The decrease in 2015 was primarily due to a lower yield on loans and advances and pressure on margins and the increase in 2014 was primarily due to increases in interest income from loans and advances to customers, principally reflecting an increase in the underlying asset portfolio. The average balance of loans and advances to customers increased in 2015 by AED 12.1 billion, or 9.1 per cent., as compared to 2014 and increased in 2014 by AED 12.5 billion, or 10.4 per cent., as compared to 2013. The average rate of interest earned on the Group's portfolio of loans and advances was 4.8 per cent. in 2015 compared to 5.5 per cent. in 2014 and 5.7 per cent. in 2013 and the average rate on interest earned on its debt securities portfolio was 3.0 per cent. in 2015 compared to 3.7 per cent. in 2014 and 3.6 per cent. in 2013.

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

In 2006, the Group commenced its Islamic finance business, principally offering floating profit rate *ijara* (lease) and *murabaha* (cost plus) financings. Income from this business totalled AED 281.2 million in 2013, AED 341.9 million in 2014 and AED 426.7 million in 2015.

Interest Expense and Islamic Financing Expense

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

	Year ended 31 December			Percentage change	
	2013	2014	2015	2013/2014	2014/2015
	(AED millions)				
Interest expense					
Customers' deposits	1,217.4	1,065.1	1,105.9	(12.5)	3.8
Bank deposits.....	60.1	118.0	156.7	96.3	32.8
Term loans	246.3	282.9	301.4	14.9	6.6
Total	1,523.8	1,466.0	1,564.0	(3.8)	6.7
Islamic financing expense					
Islamic financing expense	351.2	313.4	296.3	(10.8)	(5.5)
Total	351.2	313.4	296.3	(10.8)	(5.5)
Interest expense and Islamic financing expense	1,875.0	1,779.4	1,860.3	(5.1)	4.5

The Group principally pays interest on deposits made by its customers. This expense accounted for 64.9 per cent. of the Group's total interest and Islamic financing expense in 2013 compared to 59.9 per cent. in 2014 and 59.5 per cent. in 2015.

Interest expense increased in 2015 by AED 80.9 million, or 4.5 per cent., compared to 2014 and decreased in 2014 by AED 95.6 million, or 5.1 per cent., compared to 2013. The increase in 2015 was primarily due to increased competition in the market for deposits and the decrease in 2014 was principally

due to decreases in the interest rates paid on customers' deposits. The average balance of customer deposits increased in 2015 by AED 2.3 billion, or 1.6 per cent., compared to 2014 and increased in 2014 by AED 11.0 billion, or 8.5 per cent., compared to 2013. The average rate of interest paid on customer deposits was 0.8 per cent. in 2015 compared to 0.8 per cent. in 2014 and 1.1 per cent. in 2013.

Net Interest Income and Income from Islamic Financing and Margin

The Group's net interest income and income from Islamic financing in 2014 increased by 7.9 per cent. compared to 2013 to AED 6,469.8 million and in 2015, decreased by 0.6 per cent. compared to 2014 to AED 6,429.5 million.

The Group's net interest margin (defined as net interest income and income from Islamic financing divided by the average of total interest earning assets) was 3.3 per cent. in 2015 compared to 3.6 per cent. in 2014 and 3.7 per cent. in 2013. The Group's interest spread (defined as the difference between the rate of interest earned on average interest earning assets and the rate of interest paid on average interest bearing liabilities) was 3.2 per cent. in 2015 compared to 3.5 per cent. in 2014 and 3.6 per cent. in 2013.

Fees and Commission Income, Other Operating Income and Share of Profit of Associates

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

	Year ended 31 December			Percentage change	
	2013	2014	2015	2013/2014	2014/2015
	<i>(AED millions)</i>				
Commission income	527.1	574.8	496.2	9.1	(13.7)
Fee Income.....	612.5	748.5	844.2	22.2	12.8
Fees and commissions on credit cards	409.5	571.5	650.1	39.6	13.8
Brokerage and fund management fee income ..	14.9	13.7	8.3	(8.1)	(39.4)
Total fees and commission income	1,564.0	1,908.5	1,998.8	22.0	4.7
Fees and commission expenses	(199.0)	(274.0)	(298.4)	37.8	8.9
Fees and commission income, net ⁽¹⁾	1,365.0	1,634.5	1,700.4	19.7	4.0

Note:

(1) Fees and commission income, net of related expenses are now presented separately on the face of the consolidated income statement. In prior years they were included in other operating income and general and administrative expenses, respectively. The comparative financial statements were reclassified to conform to the current year presentation.

Fee Income

The Group's fee income amounted to AED 612.5 million in 2013, AED 748.5 million in 2014 and AED 844.2 million in 2015, principally due to an increase in consumer banking and wholesale banking income related to credit cards and syndications. At 31 December 2013, the Group had granted AED 49.2 billion in consumer loans. By 31 December 2014, this had increased to AED 54.1 billion and by 31 December 2015, it was AED 59.0 billion. Fees charged on consumer loans accounted for 33.4 per cent. of the Group's total fee income in 2013 compared to 33.9 per cent. in 2014 and 37.7 per cent. in 2015. As at 31 December 2013, the Group had granted AED 80.3 billion in corporate loans, compared to AED 90.1 billion as at 31 December 2014 and AED 95.2 billion as at 31 December 2015. Fees charged on corporate loans accounted for 66.6 per cent. of the Group's total fee income in 2013, compared to 66.1 per cent. in 2014 and 62.3 per cent. in 2015.

Foreign Exchange and Derivative Income

The Group's foreign exchange and derivative income amounted to AED 142.2 million in 2013, AED 194.6 million in 2014 and AED 267.0 million in 2015, principally reflecting an increase in trading volumes.

Commission Income

The Group's commission income amounted to AED 527.1 million in 2013, AED 574.8 million in 2014 and AED 496.2 million in 2015. The decrease between 2014 and 2015 principally reflected a decrease in the Group's contingent liabilities, being letters of credit and guarantees, which decreased from AED 79.5

billion at 31 December 2013 to AED 72.6 billion at 31 December 2014 and AED 63.7 billion at 31 December 2015.

Fees and Commissions on Credit Cards

The Group's fees and commission on credit cards amounted to AED 409.5 million in 2013, AED 571.5 million in 2014 and AED 650.1 million in 2015. At 31 December 2013 the Group had approximately 524,262 credit cards in issue compared to approximately 505,520 credit cards at 31 December 2014 and approximately 457,334 credit cards at 31 December 2015, representing a decrease of 3.6 per cent. in 2014 and a decrease of 9.5 per cent. in 2015. The increase in credit cards in issue in 2013 was mainly due to the consolidation of Dubai First in the Group.

	Period ended 31 December			Percentage change	
	2013	2014	2015	2013/2014	2014/2015
	<i>(AED millions)</i>				
Investment income (loss).....	190.9	169.4	138.8	(11.3)	(18.0)
Foreign exchange and related derivative income....	131.7	155.3	200.3	17.9	29.0
Other derivative income	10.4	39.3	66.7	277.9	69.7
Gain on sale of investment properties	73.8	167.5	98.1	127.0	(41.4)
Gain (loss) on revaluation of investment properties	125.2	113.3	548.9	(9.5)	384.4
Gain on exchange of investment properties	186.0	—	—	(100)	0.0
Gain on sale of an associate.....	—	—	15.1	0.0	100.0
Loss on sale of property and equipment.....	(3.8)	(13.0)	(0.9)	242.1	(93.1)
Impairment of property and equipment.....	—	(8.6)	—	100.0	(100.0)
Rental income	72.6	111.0	107.6	52.9	(3.1)
Other income	77.2	119.0	127.6	54.1	7.2
Share of profits (losses) of associates.....	(1.0)	8.7	1.6	(970)	(81.6)
Total other operating income and share of profits of associates.....	863.0	861.9	1,303.8	(0.1)	51.3

The Group earns investment income on its investment securities portfolio, fee income principally on loans made by it although it also charges a range of treasury, cash management and other fees, foreign exchange and derivative income on foreign exchange and derivative products traded by it for its customers, commission income principally from guarantees and letters of credit granted by it and fees charged by it on credit cards issued by it. Together, these sources of operating income accounted for 75.5 per cent. of other operating income in 2013, 79.5 per cent. of other operating income in 2014 and 69.8 per cent. of other operating income in 2015. Each of these sources of operating income is described further below.

The Group's share of profits (losses) of associates was AED (1.0) million in 2013. In 2014 and in 2015, the Group's share of profit of associates was AED 8.7 million and AED 1.6 million, respectively. The increase in the share of profits (losses) of associates in 2014 was due to increase in profit of GEP. The decrease in the share of profits (losses) of associates in 2015 was due to a decrease in profit of GEP and the sale of a stake in FGFS. The Group's brokerage and fund management fee income was AED 14.9 million in 2013, AED 13.7 million in 2014 and AED 8.3 million in 2015.

The Group's other sources of operating income have experienced an increase in 2013, 2014 and 2015, mainly due to gains from the revaluation of properties and foreign exchange and derivative income.

Investment Income

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

	Year ended 31 December			Percentage change	
	2013	2014	2015	2013/2014	2014/2015
	<i>(AED millions)</i>				
Gains on disposal of available for sale investments...	128.1	125.5	156.9	(2.0)	25.0
Gains (losses) on disposal of investments carried at fair value through income statement	39.6	15.3	(26.2)	(61.4)	(271.2)
Change in fair value of investments carried at fair value through income statement.....	16.5	12.3	4.0	(25.5)	(67.5)
Other investment income.....	6.7	16.3	4.1	143.3	(74.8)
Total investment income	190.9	169.4	138.8	(11.3)	(18.0)

Net gains on the disposal of investments totalled AED 167.7 million in 2013, AED 140.8 million in 2014 and AED 130.7 million in 2015. The Group's portfolio of investments carried at fair value through the income statement (which it marked to market at the end of 2013, 2014 and 2015) showed a gain of AED 16.5 million in 2013, a gain of AED 12.3 million in 2014 and a gain of AED 4.0 million in 2015.

General and Administrative Expenses

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

	Year ended 31 December			Percentage change	
	2013	2014	2015	2013/2014	2014/2015
	<i>(AED millions)</i>				
Staff costs.....	812.3	875.7	868.8	7.8	(0.8)
Depreciation.....	62.9	80.8	102.1	28.5	26.3
Amortisation of intangible assets	—	25.4	21.9	100.0	(13.8)
Other general and administrative expenses.....	691.8	874.3	954.6	26.4	9.2
Total general and administrative expenses.....	1,567.0	1,856.2	1,947.4	18.4	4.9

Staff costs and depreciation together accounted for 55.8 per cent., 51.5 per cent. and 49.9 per cent. of the Group's total general and administrative expense in 2013, 2014 and 2015, respectively. The Group incurs a range of other operating expenses, including the fees paid to the entity which manages its direct sales force, the fees paid to the entity to which it has outsourced the management of its credit cards, equipment costs, communications costs, advertising and other costs.

Staff Costs

Staff costs increased by AED 63.4 million, or 7.8 per cent., in 2014 compared to 2013 and decreased by AED 6.9 million, or 0.8 per cent., in 2015 compared to 2014. The increase in 2014 reflected an increase in direct staff costs and the decrease in 2015 reflected a decrease in direct staff costs, principally reflecting a decrease in the number of FGB's staff. Based on the number of full time equivalent staff at the start and end of each year, the Group employed an average of 1,282 staff during 2013, an average of 1,453 staff during 2014 and an average of 1,445 staff during 2015, an increase of an increase of 13.3 per cent. in 2014 compared to 2013 and a decrease of 0.6 per cent. in 2015 compared to 2014. The staff cost per employee was AED 634,000 in 2013 compared to AED 603,000 in 2014 and AED 601,000 in 2015, a decrease of 4.9 per cent. in 2014 compared to 2013 and a decrease of 0.2 per cent. in 2015 compared to 2014. As a percentage of total general and administrative expenses, staff cost was 44.6 per cent. in 2015, 47.2 per cent. in 2014 and 51.8 per cent. in 2013.

Depreciation

Depreciation increased by 28.5 per cent. in 2014 compared to 2013 and increased by 26.3 per cent. in 2015 compared to 2014. As a percentage of total general and administrative expenses, depreciation was 4.0 per cent. in 2013, 4.4 per cent. in 2014 and 5.2 per cent. in 2015.

Other general and administrative expenses

The most significant components of other general and administrative expenses are the Group's outsourcing costs which together comprised 51.7 per cent. of other general and administrative expenses in 2013, 39.2 per cent. in 2014 and 41.9 per cent. in 2015, principally reflecting increases in the expenses of the Group's outsourced sales force over the period.

Impaired Assets Charge

The Group's impaired assets charge net of recoveries was AED 1,761.0 million in 2013, AED 1,361.4 million in 2014 and AED 1,407.2 million in 2015. Recoveries were AED 100.1 million in 2013, AED 77.2 million in 2014 and AED 144.5 million in 2015. The full amount of the impaired assets charge was charged against the Group's portfolio of loans and advances. As a percentage of the Group's average net loans and advances (based only on numbers at the start and end of each year), the impairment charge (net of recoveries) was 1.5 per cent. in 2013, 1.0 per cent. in 2014 and 1.0 per cent. in 2015.

Financial Condition as at 31 December 2013, 2014, 2015

Total Assets

As at 31 December 2013, the Group had total assets of AED 198.2 billion as compared to AED 212.2 billion at 31 December 2014 and AED 227.5 billion at 31 December 2015. The increases over the discussed period principally reflect increases in loans and advances to customers and fixed income bonds.

Loans and Advances, Net

As at 31 December 2013, the Group had net loans and advances of AED 125.6 billion as compared to AED 139.7 billion at 31 December 2014 and AED 149.8 billion at 31 December 2015. The increases over the discussed period were mainly the result of strong demand for loans by the Group's customers, particularly in the retail, financial services, other services, government and public sectors. As a percentage of total assets, net loans and advances were 63.4 per cent. at 31 December 2013, 65.8 per cent. at 31 December 2014 and 65.8 per cent. at 31 December 2015.

The Group's loan portfolio comprises loans and advances to corporate and consumer customers across a range of economic sectors made on both a conventional and Islamic basis. The table below sets out the gross loans and advances portfolio by economic sector, and as a percentage of the total portfolio, as at 31 December 2013, 2014 and 2015.

	2013	2014	2015	% of Total Loans & Adv. - 2013	% of Total Loans & Adv. - 2014	% of Total Loans & Adv. - 2015
	(AED millions)					
Agriculture.....	1,130.7	1,280.3	1,330.6	0.9%	0.9%	0.9%
Energy.....	1,808.7	1,641.3	2,398.7	1.4%	1.1%	1.6%
Trading.....	7,694.4	7,922.6	8,876.4	5.9%	5.5%	5.8%
Construction.....	5,665.0	6,185.1	6,267.9	4.4%	4.3%	4.1%
Transport.....	764.3	2,530.9	1,147.3	0.6%	1.8%	0.7%
Personal – retail.....	49,158.4	54,123.2	59,028.2	38.0%	37.5%	38.3%
Personal – others.....	4,064.1	4,148.4	3,153.2	3.1%	2.9%	2.0%
Government.....	157.9	168.6	1,393.3	0.1%	0.1%	0.9%
Share financing.....	1,440.6	1,073.5	633.8	1.1%	0.7%	0.4%
Real estate.....	17,345.3	15,065.8	12,800.0	13.4%	10.4%	8.3%
Services.....	—	—	—	0.0%	0.0%	0.0%
Financial Services.....	6,767.1	8,845.8	10,405.9	5.2%	6.1%	6.7%
Other Services.....	17,955.1	21,807.4	26,048.0	13.9%	15.1%	16.9%
Public sector.....	10,758.0	12,355.1	13,787.4	8.3%	8.6%	8.9%
Manufacturing.....	4,722.0	7,036.1	6,914.9	3.6%	4.9%	4.5%
Others.....	67.9	2.6	—	0.1%	0.0%	0.0%
Total gross loans and advances ...	129,499.5	144,186.7	154,185.6	100.0%	100%	100%
Less provision for impaired loans and advances.....	(3,905.1)	(4,478.0)	(4,419.5)			
Total net loans and advances.....	125,594.4	139,708.7	149,766.1			

The majority of the growth in the Group's loans and advances between 31 December 2013 and 31 December 2015 is concentrated in the retail, public sector, financial services and other services sectors. The growth in the retail portfolio reflects the Group's focus on growing this business. The retail portfolio largely consists of personal loans secured by salary assignments, credit cards to individuals and small business solutions lending to business entities. The Group's loans to the real estate sector are subject to a limit of 20.0 per cent. of its deposit base and, at 31 December 2015, comprised 9.0 per cent. of its deposit base. The decrease in the real estate portfolio from 13.4 per cent. as at 31 December 2013 to 10.4 per cent. as at 31 December 2014 and 8.3 per cent. as at 31 December 2015, was mainly due to the repayment of real estate loans over this period.

Investments

As at 31 December 2013, the Group had an investments portfolio of AED 17.1 billion as compared to AED 16.7 billion at 31 December 2014 and AED 22.7 billion at 31 December 2015. The changes over the period discussed reflected a change in USD-denominated investments within the fixed income portfolio. As a percentage of total assets, investments were 8.6 per cent. at 31 December 2013, 7.9 per cent. at 31 December 2014 and 10.0 per cent. at 31 December 2015. Information on the Group's investments portfolio is set out under "*Description of First Gulf Bank P.J.S.C. – Investments*".

Total Liabilities

As at 31 December 2013, the Group had total liabilities of AED 166.4 billion as compared to AED 177.4 billion at 31 December 2014 and AED 191.2 billion at 31 December 2015. The increase between 2013 and 2014 principally reflected an increase in customer deposits while the increase between 2014 and 2015 principally reflected increases in medium term funding, repurchase agreements and international funding diversification through euro commercial paper issuance.

Customers' Deposits

As at 31 December 2013, the Group had total customers' deposits of AED 138.0 billion compared to AED 141.3 billion at 31 December 2014 and AED 142.5 billion at 31 December 2015. The increases over the discussed period principally reflect the Group's strong relationships with its key corporate and governmental depositors and the need to fund the Group's growth. As a percentage of the Group's total liabilities, customers' deposits were 82.9 per cent. at 31 December 2013, 79.6 per cent. at 31 December 2014 and 74.5 per cent. at 31 December 2015.

Funding

The table below sets out the principal sources of the Group's funding as at 31 December 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
	<i>(AED millions)</i>		
Customer deposits.....	137,953.5	141,271.8	142,462.6
Term loans	11,729.1	11,674.3	15,857.5
Sukuk financing instruments	4,224.0	4,224.0	4,224.0
Due to banks	5,204.6	12,590.5	17,883.1
Shareholders' equity.....	31,770.5	34,737.0	36,304.1
Total	190,881.7	204,497.6	216,731.3

The Group's funding base principally consists of customer deposits, which grew from AED 138.0 billion as at 31 December 2013 to AED 141.3 billion as at 31 December 2014 and to AED 142.5 billion at 31 December 2015. As at 31 December 2015, the Group had a 9.7 per cent. market share of customer deposits in the U.A.E. compared to 9.9 per cent. as at 31 December 2014 and 10.8 per cent. as at 31 December 2013, based on total U.A.E. bank deposits data published by the U.A.E. Central Bank.

Customers' Deposits

The following table sets out the break-down of funding from customers' deposits for the Group as at 31 December 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
	(AED millions)		
Current accounts	25,615.9	27,273.1	26,923.9
Saving accounts	2,118.0	1,901.5	2,544.7
Time deposits	89,985.4	88,066.6	88,019.7
Call and other deposits	20,234.2	24,030.6	24,974.3
Total	137,953.5	141,271.8	142,462.6

A significant proportion of the Group's customer deposits are from its major corporate customers and have maturities of less than three months. Although short-term in theory, in practice these deposits have tended to be stable. As at 31 December 2013, the five largest depositors accounted for 29.6 per cent. at that date as compared to 29.0 per cent. at 31 December 2014 and 28.0 per cent. at 31 December 2015. As at 31 December 2015, the 10 largest and 20 largest depositors accounted for 39.0 per cent. and 49.5 per cent., respectively, of total customer deposits.

As at 31 December 2015, time deposits included AED 31.7million from overseas financial institutions held against the sale of debt securities under an arrangement to repurchase the debt securities at a fixed future date compared to AED 24.7 million at 31 December 2014 and AED 33 million at 31 December 2013.

In December 2006, FGB received an initial amount of AED 5.0 billion from the Government to fund a housing loans scheme for U.A.E. nationals which is recorded in call and other deposits. Since then, this amount has increased to AED 19.6 billion as at 31 December 2015. The scheme is being administered by FGB based on various terms and conditions agreed with the Government including the requirement for FGB to advance the full AED 19.6 billion within 30 years, failing which any outstanding amount is to be transferred back to the Government. As at 31 December 2015, the Government time deposits amounted to AED 19,614.0 million compared with AED 17,688.0 million at 31 December 2014 and AED 15,067 million at 31 December 2013. As at 31 December 2015 housing loans amounting to AED 19,261.0 million, compared with AED 17,196.0 million at 31 December 2014 and AED 14,864.0 million at 31 December 2013, had been disbursed by FGB. Interest is payable on this deposit at market rates based on the amount of the deposit net of housing loans disbursed.

Bank Loans

As at 31 December 2015, FGB had two bank loans outstanding (one bi-lateral and one syndicated), totalling U.S.\$1,050 million. The bi-lateral loan of U.S.\$50 million was repaid in March 2016. FGB obtained the loan of U.S.\$1,000 million from a syndicate comprising several banks. The syndicated loan is repayable in September 2018. Each bank loan bears interest at LIBOR plus a margin.

Sukuk Financing Instruments

In August 2011, FGB raised financing by way of a sukuk issued by FGB Sukuk Company Limited (a special purpose vehicle) amounting to U.S.\$650.0 million (equivalent to AED 2,387.0 million) and maturing in August 2016 (the "**2011 Sukuk**"). The 2011 Sukuk carries a fixed profit rate of 3.797 per cent. per annum payable semi-annually and is listed on the London Stock Exchange. The 2011 Sukuk was the inaugural issuance under the U.S.\$3.5 billion trust certificate issuance programme. Pursuant to the sukuk structure, FGB Sukuk Company Limited (as *Rab-al-Maal* and Trustee) will receive certain payments from FGB (as *mudareb* of certain *mudaraba* assets and *wakeel* of certain *wakala* assets). FGB Sukuk Company Limited will use such amounts received from FGB to discharge its payment obligations under the 2011 Sukuk. Such payment obligations of FGB rank *pari passu* with all other senior unsecured obligations of FGB.

On 18 January 2012, FGB Sukuk Company Limited issued its second series of trust certificates amounting to U.S.\$500.0 million (equivalent to AED 1,836.0 million) due in 2017 under the same trust certificate issuance programme.

Due to banks

The following table sets out the breakdown of due to banks for the Group as at 31 December 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
	<i>(AED millions)</i>		
Current and demand accounts	97.2	1,009.8	992.9
Deposits maturing within one year.....	5,107.4	11,580.7	16,890.2
Total	5,204.6	12,590.5	17,883.1

Total Equity

The Group's total equity amounted to AED 31.8 billion at 31 December 2013 as compared to AED 34.7 billion at 31 December 2014 and AED 36.3 billion at 31 December 2015. The Group's total equity comprises its issued share capital (the latter of which was AED 3.0 billion at 31 December 2013, AED 3.9 billion at 31 December 2014 and AED 4.5 billion at 31 December 2015), its reserves and its retained earnings (the latter of which were AED 9.6 billion at 31 December 2013, AED 10.1 billion at 31 December 2014 and AED 11.1 billion on 31 December 2015). Of the reserves, the most significant is the legal reserve into which, under U.A.E. law and FGB's articles of association, 10.0 per cent. of net profit each year must be contributed until the legal reserve reaches 50.0 per cent. of the nominal value of the Group's paid up share capital. This reserve is not available for distribution and amounted to AED 8.8 billion at 31 December 2015, 31 December 2014 and 31 December 2013.

At 31 December 2015, shareholders' equity includes AED 4.0 billion Tier 1 capital notes issued by FGB in February 2009 to the Government.

Other potential funding sources

Since 2007, FGB has been active in international debt capital markets transactions. It has issued capital markets instruments under its U.S.\$ 5 billion Euro Medium Term Note Programme established in 2007 (the "**EMTN Programme**"), and under its AUD 2 billion Medium Term Note Programme established in 2014 (the "**AUD MTN Programme**"), along with undertaking several CHF denominated stand-alone issuances.

As at 31 December 2015, there was an aggregate amount (converted into U.S. Dollars) of U.S.\$2.7 billion (equivalent AED 10.0 billion) outstanding under the EMTN Programme, with maturities ranging from 2016 to 2045.

As at 31 December 2015, there was an aggregate amount of AUD 250.0 million (equivalent AED 672.0 million) outstanding under the AUD MTN Programme which matures in 2019.

As at 31 December 2015, there were two CHF denominated stand-alone issuances outstanding, as follows: (i) CHF 100 million bonds (equivalent to AED 369 million) which matured in January 2016; and (ii) CHF 200 million bonds (equivalent to AED 737 million) which matured in February 2016.

Capital Adequacy

The U.A.E. Central Bank is FGB's principal regulator. It sets and monitors its capital requirements on both a consolidated and an unconsolidated basis. The U.A.E. Central Bank requires each U.A.E. based bank or banking group to maintain a minimum ratio of total capital to risk-weighted assets of 12.0 per cent., taking into account both on and off balance sheet transactions. This is greater than the 8.0 per cent. minimum ratio recommendation of the Basel Committee under its 1988 Capital Accord.

In accordance with U.A.E. Central Bank timelines, FGB has implemented the Basel II standardised approach in relation to credit risk, market risk and operational risk and steps are underway to move towards more advanced approaches towards risk based capital management.

The Group's capital management is aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always meeting minimum regulatory

capital adequacy ratio requirements. The principal difference between the U.A.E. Central Bank's guidelines and BIS requirements is that, under the U.A.E. Central Bank's guidelines, GCC government exposure is risk weighted at zero per cent. whereas, under the BIS, GCC government exposure is risk weighted according to the relevant country's credit rating. Details of the Group's risk weighted assets and capital base as at each of 31 December 2013, 2014 and 2015, calculated in accordance with U.A.E. Central Bank guidelines are set out in the table below.

	As at 31 December		
	2013	2014	2015
	(AED millions)		
Tier I capital:			
Share capital.....	3,000.0	3,900.0	4,500.0
Capital notes	4,000.0	4,000.0	4,000.0
Legal reserves	8,780.0	8,780.1	8,780.1
Special reserves	1,500.0	1,950.0	2,250.0
General reserves.....	120.0	120.0	120.0
Retained earnings	9,592.5	10,074.5	11,132.1
Proposed bonus shares.....	900.0	600.0	—
Deferred exchange gains / losses.....	(13.1)	—	(69.8)
Total	27,879.4	29,424.6	30,712.4
Non-controlling interests	539.5	587.2	400.4
Goodwill and intangible assets.....	(238.9)	(213.4)	(194.5)
Investments in unconsolidated associates	(22.3)	(23.2)	—
Total Tier I capital (A)	28,157.7	29,775.2	30,918.3
Tier II capital:			
Undisclosed reserves / General provisions.....	1,754.2	2,103.4	2,163.0
Cumulative changes in fair value	118.8	233.6	184.8
Total Tier II capital (B)	1,873.0	2,337.0	2,347.8
Total capital base (A + B)	30,030.7	32,112.2	33,266.1
Risk weighted assets:			
Balance sheet & Off Balance sheet items			
Credit Risk	158,767.8	168,270.0	173,042.4
Market Risk	1,059.4	962.8	1,219.7
Operational Risk	12,613.6	14,388.1	15,768.8
Total risk weighted assets	172,440.8	183,620.9	190,030.9
Tier 1 capital adequacy ratio (%)	16.3%	16.2%	16.3%
Total capital adequacy ratio (%)	17.4%	17.5%	17.5%

In March 2009, FGB's capital adequacy ratio benefited from the injection of AED 4.0 billion by the Government through the subscription of Tier 1 capital notes issued by FGB. FGB intends to maintain a Tier 1 ratio which is above the U.A.E. Central Bank's minimum required ratio of total capital to risk-weighted assets of 12.0 per cent. FGB's ALCO is responsible for monitoring FGB's capital adequacy ratio on a quarterly basis.

Risk Management

Overview

In common with other financial institutions, the Group faces a range of risks in its business and operations including: (i) credit risk; (ii) market risk (including interest rate risk in the trading book, currency risk, equity risk in the trading book); (iii) liquidity risk; (iv) interest rate risk in the banking book; and (v) operational risk (including legal risk). Each of these risks is described in more detail below and is also discussed in Note 32 to the Group's consolidated financial statements as at and for the year ended 31 December 2015, which are incorporated by reference in this document (the "**2015 Financial Statements**") and Note 30 to the Group's consolidated financial statements as at and for the year ended 31 December 2014, which are incorporated by reference in this document (the "**2014 Financial Statements**").

Efficient and timely management of the risks involved in the Group's activities is critical to its financial soundness and profitability. Risk management involves identifying, measuring, monitoring, controlling and reporting these risks on a regular basis. The objective of risk management is to protect the Group's capital and achieve a return on capital that is commensurate with the risks assumed.

Risk management structure

The overall responsibility for risk management lies with the Board of Directors. The principal role of the Board of Directors is to oversee implementation of FGB's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures. Several Board level committees and management level committees form part of the overall risk management structure within the Group. The Board level committees include: (i) the EC, which is responsible for overseeing of FGB's overall business strategy and ensuring that the business policies and practices are in line with the overall strategy and in alignment with sound corporate governance and related regulatory requirements and guidelines; (ii) the RCMC, which is responsible for establishment, monitoring and review of the compliance and risk management framework within the Group; (iii) the AC, which has overall responsibility for assessing the internal audit findings, directing the implementation of audit recommendations and overseeing the internal audit activities being undertaken; and (iv) the REMCO, which is responsible for overseeing the appointment of the Board of Directors and senior management and ensuring that they discharge their responsibilities in the interests of the shareholders and FGB as well as overseeing the overall compensation and reward mechanism of the Group. The management level committees include: (i) EMCO, which has the overall management responsibility for the Group, (ii) ALCO, which has principal responsibility for the Group's ALM process; (iii) the WBCC, which is responsible for approval and decisions on the wholesale banking funded and non-funded credit limits / exposures; (iv) the FGCC, which is responsible for approval and decisions on the consumer banking funded and non funded credit limits / exposures; (v) the IMCO, which has the responsibility of approving investment decisions within the limits set by the EC.; (vi) the Compliance Committee, which is responsible for overseeing Group's compliance; (vii) the ORC, which is responsible for overseeing operational risk responsibilities; (viii) the HRSC, which is responsible for implementation of human resource policies applicable to the bank staff; (ix) the TSC, which is responsible for implementation of IT related goals of the Group; and (x) and RECO, which is responsible for overseeing Group's strategy for its real estate business. The Group's Chief Risk Officer ("**GCRO**") is responsible for risk management for the Group.

The Group has also established an independent risk management unit, responsible for continuous monitoring identification, measurement, control, mitigation and reporting of risks arising out of the Group's activities. The risk management unit also monitors compliance with regulatory policies and procedures (including the Group's anti-money laundering procedures). The HORMCG reports to the GCRO and is responsible for day-to-day risk management for the Group. The risk management unit has separate sub-units responsible for management of credit risk, market risk, ALM risk, operational risk, compliance and Basel II and IFRS 9. Each of these sub-units reports to the HORMCG.

The Group's treasury, under the strategic direction of ALCO, is responsible for managing the Group's assets and liabilities and its overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Group. Risk management processes throughout the Group are audited on an annual basis by internal auditors who examine both the adequacy of the processes and compliance with regulatory requirements. The results of each internal audit are reported directly to the AC.

Risk monitoring, measurement, control and reporting

FGB has established the ERMP framework to support FGB's risk management objectives. See "*Description of First Gulf Bank P.J.S.C. – Risk and Compliance Management Framework – Enterprise Risk Management Policy Framework*".

As a part of the ERMP framework, the Group has established a formal risk appetite structure in the form of a top-down approach that incorporates requirements of various stakeholders, including shareholders, holders of its debt securities and regulators through a dialogue process between risk taking functions after a careful consideration of the risk-return trade-off.

Risk monitoring and control is primarily based on limits established by the Group's senior management. These limits reflect the Group's business strategy and the market environment in which it operates as well

as the risk appetite of the Group. Information from all parts of the Group is collected, examined and processed in order to identify, analyse and control risks. This information is presented to RCMC on a quarterly basis and the head of each business division on a monthly basis. The information covers credit, market, liquidity and operational risks and is designed to enable the Board of Directors and senior management to receive all necessary information so as to independently assess the possible impact of these risks on the Group's businesses. The Group uses a range of measures to mitigate and control risks including use of credit risk mitigation techniques (collaterals, guarantees, netting, etc.) to reduce exposure to credit risk and use of derivative instruments to hedge exposure to certain interest and currency exchange rate risks. The Group is working on diversifying its lending activities in order to minimise risk concentrations across specific customer groups, industries or businesses and is considering securitisation and other structured solutions as a way of mitigating credit risk. The risk profile of all major transactions is assessed and authorised by appropriate management representatives before the transactions are concluded and the effectiveness of all risk mitigation measures is closely monitored by the risk management unit.

Credit Risk

Credit risk is the risk of a customer failing to meet its obligations in accordance with the agreed terms and, as a result, causing the Group to incur a financial loss. The Group is exposed to credit risk through its lending, trading, hedging and investing activities as well as through activities in which it acts as an intermediary on behalf of customers/other third parties or issues guarantees. The Group is also exposed to credit concentration risk. Various forms of credit risk concentrations can be distinguished in this context including large exposures to individual clients or groups of connected clients, large exposures to clients of poor credit quality, large exposures to clients in certain countries and large exposures to clients belonging to specific industries, amongst others. Indirect credit risk concentrations can also arise as a result of certain credit risk mitigation techniques.

The Group's primary exposure to credit risk arises through its loans and advances to customers, as well as through its interbank lending operations. The amount of credit exposure in this regard is a function of assets being carried on the consolidated balance sheet. In addition, the Group is exposed to off balance sheet credit risk through the contingent liabilities it assumes. The Group is also exposed to credit risk on various other financial assets, including derivative instruments and debt investments.

The Group has established an independent credit risk team within the risk management unit to track the magnitude of credit risk. The middle office reports this risk to senior management on a regular basis.

The table below sets out the Group's maximum exposure to credit risk for the different components of the balance sheet, including derivatives as at 31 December 2013, 2014 and 2015. This exposure does not take into account netting and collateral agreements that serve as credit risk mitigants. Where financial instruments are recorded at fair value, the amounts shown in the table represent the then current credit risk exposure but not the maximum credit risk exposure that could arise in the future as a result of changes in values.

	As at 31 December		
	2013	2014	2015
		<i>(AED millions)</i>	
Balances with Central Banks.....	15,574.2	21,113.7	20,707.5
Due from banks and financial institutions.....	22,864.5	14,907.5	13,597.8
Loans and advances.....	125,594.4	139,708.7	149,766.1
Investments – debt securities.....	15,318.6	14,974.2	20,908.4
Other assets.....	7,382.7	9,224.8	10,327.4
Total	186,734.4	199,928.9	215,307.2
Contingent liabilities.....	79,479.8	72,630.2	63,685.3
Commitments.....	5,875.6	9,423.7	7,502.8
Total	85,355.4	82,053.9	71,188.1
Derivatives.....	628.2	1,526.2	1,920.2
Total.....	628.2	1,526.2	1,920.2
Total credit risk exposure	272,718.0	283,509.1	288,415.6

In terms of concentration, the Group's funded and non-funded credit exposure to its top five borrowers as at 31 December 2015 was AED 16,338.2 million compared to AED 21,992.3 million at 31 December 2014 and AED 24,050.1 million at 31 December 2013, in each case before taking account of any collateral or other credit enhancements. Net of this protection, the credit exposures were AED 15,598.9 million at 31 December 2015, AED 15,050.8 million at 31 December 2014 and AED 19,383.6 million at 31 December 2013.

The table below sets out the Group's financial assets by geographic region and by industry sector at 31 December 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
	<i>(AED millions)</i>		
Geographic region			
U.A.E.....	142,704.7	153,437.0	165,579.6
Other Arab countries	10,462.8	10,394.7	11,967.3
Asia	18,080.9	16,137.2	19,188.9
Europe.....	10,379.1	16,823.6	11,702.9
USA	3,593.4	586.9	4,809.4
Rest of the world.....	1,513.5	2,549.5	2,059.1
Total financial assets subject to credit risk.....	186,734.4	199,928.9	215,307.2
Non-financial assets.....	11,475.9	12,239.6	12,189.2
Total assets	198,210.3	212,168.5	227,496.4
Industry sector			
Commercial and business	79,948.7	87,815.8	89,868.2
Personal.....	47,958.9	53,286.1	58,209.0
Government	17,711.3	24,631.3	27,833.5
Banks and financial institutions	38,584.7	33,423.0	35,768.0
Other	2,530.8	772.7	3,628.5
Total financial assets subject to credit risk.....	186,734.4	199,928.9	215,307.2
Non-financial assets.....	11,475.9	12,239.6	12,189.2
Total assets	198,210.3	212,168.5	227,496.4

The Group controls credit risk by monitoring credit limits / exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties, diversification of lending activities, compliance with internal limits to avoid undue concentrations of risks and by obtaining security as appropriate. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group's credit policy is reviewed and approved by the Board of Directors on an ongoing basis. The Group's credit policy allows for a certain degree of flexibility if circumstances warrant deviations from standard practice. All such exceptions are clearly documented and ratified by the Board of Directors.

The Group's credit risk limits are set in line with its credit criteria and reviewed on an annual basis. Credit exposure to individual customers or groups of customers is controlled through a tiered hierarchy of delegated approval authorities and is based on several factors including, but not limited to, country risk rating, industry risk rating, counterparty risk rating and assessment of facility risk.

Significant counterparty credit exposures, industry exposures and sector exposures are reviewed by senior management on a regular basis.

The Group operates a system of approval limits for its corporate lending, which is reviewed on a regular basis. The approval powers within these approval limits have been vested in the WBCC by the Board of Directors. Exposures beyond these limits are approved by the EC. All funded exposures exceeding seven per cent. of the Group's capital are referred to the U.A.E. Central Bank for approval in accordance with the U.A.E. Central Bank's regulations.

The Group's consumer lending mainly consists of loans to U.A.E. nationals and resident expatriates fulfilling certain specified criteria. Loans are generally secured by salary assignment, with a maximum loan amount of AED 4,500,000 for UAE Nationals and AED 1,000,000 for expatriates. New credit

scoring models based on the Basel II dual rating framework have been developed for application and behavioural scoring of customers. These have also been implemented in the loan origination systems.

As per the Group's credit policy, various types of credit risk mitigants – such as collaterals, guarantees, netting agreements and credit derivatives – are being used to mitigate risks. The mitigants are usually in the form of cash collateral or securities, legal charges over customer's assets, third party guarantees or assignments over receivables. As per the Group's internal policies all of the mitigants are valued and monitored at regular intervals. Responsibility for day-to-day management of existing credit exposure is delegated to credit officers who comply with the regular credit review requirements set out in the Group's credit manual. Credits are assessed using an internal credit risk evaluation system based on detailed qualitative and quantitative criteria. The Group is in the process of implementing a new credit risk management system that will consist of a revised dual rating mechanism based on Basel II principles.

In assessing its credit exposure, the Group's corporate customers are classified into 10 rating categories ranging from 1 (highest rating) to 10 (default rating). For regulatory reporting purposes, the Group reports its loans to the U.A.E. Central Bank as per five grade scale where 1 is performing, 2 is watch list, 3 is sub-standard, 4 is doubtful and 5 is loss. In accordance with Circular 28/2010 issued by the U.A.E. Central Bank on 11 November 2010, Grades 1 and 2 are considered as performing whereas Grades 3, 4 and 5 are considered as non-performing.

The tables below set out the Group's categorisation by credit quality of the following asset classes at 31 December 2013, 2014 and 2015.

As at 31 December 2013				
	Pass grade	Watch grade	Past due or individually impaired	Total
	<i>(AED millions)</i>			
Cash and balances with Central Banks	15,574.2	—	—	15,574.2
Due from banks and financial institutions.....	22,864.5	—	—	22,864.5
Loans and advances	116,192.0	5,978.0	7,329.5	129,499.5
Other assets	7,382.7	—	—	7,382.7
Non-trading investments.....	15,318.6	—	176.1	15,494.7
Total	177,332.0	5,978.0	7,505.6	190,815.6
	As at 31 December 2014			
	Pass grade	Watch grade	Past due or individually impaired	Total
	<i>(AED millions)</i>			
Cash and balances with Central Banks	21,113.7	—	—	21,113.7
Due from banks and financial institutions.....	14,907.5	—	—	14,907.5
Loans and advances	131,814.3	5,217.7	7,154.7	144,186.7
Other assets	9,224.9	—	—	9,224.9
Non-trading investments.....	14,974.2	—	187.1	15,161.3
Total	192,034.6	5,217.7	7,341.8	204,594.1
	As at 31 December 2015			
	Pass grade	Watch grade	Past due or individually impaired	Total
	<i>(AED millions)</i>			
Cash and balances with Central Banks	20,707.5	—	—	20,707.5
Due from banks and financial institutions.....	13,597.8	—	—	13,597.8
Loans and advances	142,321.0	3,542.4	8,322.2	154,185.6
Other assets	10,327.4	—	—	10,327.4
Non-trading investments.....	20,908.5	—	140.0	21,048.5
Total	207,862.2	3,542.4	8,462.2	219,866.8

Loans and advances categorised under the "watch" grade are those which exhibit some weakness in the borrower's financial condition and credit worthiness, requiring more than normal attention but no allocation of provisions. "Substandard" loans are those where payment of principal is in arrears beyond 90 days or some loss is possible due to adverse factors. These are the assets which exhibit credit weaknesses, where the paying capacity of the obligor is not assured and timely repayment of the obligations is in jeopardy. They are characterised by the distinct possibility that the bank will sustain some loss unless the deficiencies are corrected. Such assets are considered as Non Performing Assets ("NPAs"). "Doubtful" loans are those wherein full recovery seems doubtful on the basis of information available, leading generally to a loss of part of these loans. Such assets are also considered as NPAs. Loans falling under the "Loss" grade are loans in respect of which FGB has exhausted all courses of action available but has failed to recover anything or where there is possibility that nothing will be recovered. The tables below set out an analysis of past due loans by age at 31 December 2013, 2014 and 2015.

As at 31 December 2013					
<u><30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>>91 days</u>	<u>Total</u>	
<i>(AED millions)</i>					
Past due but not impaired loans and advances	1,598.6	588.7	318.9	535.9	3,042.1
Past due and impaired loans and advances.....					7,329.5
Less:					
Past due but not impaired loans and advances					(3,042.1)
Impaired loans and advances:					
Loans and advances under restructuring					456.5
Other loans and advances					3,830.9
					4,287.4
Impaired loans, excluding loans and advances under restructuring					3,830.9

As at 31 December 2014					
<u><30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>>91 days</u>	<u>Total</u>	
<i>(AED millions)</i>					
Past due but not impaired loans and advances	1,709.8	612.9	628.9	670.1	3,621.6
Past due and impaired loans and advances.....					7,154.7
Less:					
Past due but not impaired loans and advances					(3,621.6)
Impaired loans and advances:					
Loans and advances under restructuring					—
Other loans and advances					3,533.1
					3,533.1
Impaired loans, excluding loans and advances under restructuring					3,533.1

As at 31 December 2015					
<u><30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>>91 days</u>	<u>Total</u>	
<i>(AED millions)</i>					
Past due but not impaired loans and advances	1,868.9	812.0	790.0	557.2	4,028.1
Past due and impaired loans and advances.....					8,322.2
Less:					
Past due but not impaired loans and advances					(4,028.1)
Impaired loans and advances:					
Loans and advances under restructuring					—
Other loans and advances					4,294.1
					4,294.1
Impaired loans, excluding loans and advances under restructuring					4,294.1

The table below shows the movements in the Group's provision for impairment of loans and advances.

	2013	2014	2015
	<i>(AED millions)</i>		
At 1 January	3,751.8	3,905.1	4,478.0
Amounts written off.....	(1,588.0)	(630.0)	(1,371.2)
Recoveries.....	(100.1)	(77.2)	(144.5)
Charge for the year	1,861.0	1,438.6	1,551.7
Acquired in business combination	77.1	-	-
Notional interest on impaired loans and advances.....	(96.7)	(158.5)	(94.4)
At 31 December.....	3,905.1	4,478.0	4,419.6

The total carrying amount of loans and advances which have been renegotiated at 31 December 2015 was AED 1,596.5 million compared to AED 3,251.0 million at 31 December 2014 and AED 3,164.7 million at 31 December 2013.

Corporate loans are deemed non-performing when an instalment of principal or interest is unpaid for 90 days. The Group reviews its problem loans and advances on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated income statement. Specific provisions are taken in accordance with the regulations of the U.A.E. Central Bank. In addition, specific provisions are made in accordance with IAS 39 and reflect the short-fall in net present value of future cash flows. The Group also makes portfolio provisions against the corporate loan book on the recommendation of the WBCC for wholesale business and the FGCC for consumer business.

Consumer loans are monitored in buckets once overdue by more than 30 days. Interest on overdue consumer loans is suspended after 90 days and provisions are taken in accordance with the regulations of the U.A.E. Central Bank. In addition, collective provisions are made against consumer loan average net receivables and credit card balances.

Prior to an account becoming non-performing, loans may be placed on the watch list and such loans are monitored by the Group's dedicated team responsible for monitoring impaired corporate and consumer loans.

The Group ceases to accrue income on any loan wherein a reasonable doubt, with respect to collection of unpaid interest or fees, exists or where a loan is more than 180 days overdue. At 31 December 2015, loans and advances on which interest is not being accrued or is suspended amounted to AED 4,294.1 million (equal to 2.8 per cent. of total gross loans at 31 December 2015).

At 31 December 2013 the provision for impaired loans and advances amounted to AED 3,905.1 million representing 91.1 per cent. of all non-accruing loans (which totalled AED 4,287.4 million at the same date). In comparison, the provision for impaired loans and advances at 31 December 2014 amounted to AED 4,478.0 million representing 126.7 per cent. of all non-accruing loans (which totalled AED 3,533.1 million at the same date) and the provision for impaired loans and advances at 31 December 2015 amounted to AED 4,419.6 million representing 102.9 per cent. of all non-accruing loans (which totalled AED 4,294.1 million at the same date). The ratio of non-accruing loans to total gross loans was 3.3 per cent. at 31 December 2013, 2.5 per cent. at 31 December 2014 and 2.8 per cent. at 31 December 2015.

As per a revised circular, the U.A.E. Central Bank changed the past due criteria for classification of non-performing loans to 90 days from 180 days, which resulted in additional provisions and non-performing loans for the Group.

It is the Group's policy to write off impaired assets only after all reasonable restructuring and collection efforts have been undertaken and where the possibility of any further recovery is considered remote. For the year ended 31 December 2013, the Group wrote off AED 1,588.0 million compared to AED 630.0 million in 2014 and AED 1,371.2 million in 2015. The decrease in write-offs in 2014 was mainly due to the write-off of corporate loans in 2013 as per the Group's policy. The increase in write offs during 2015 was mainly due to the write off of both consumer and corporate loans as per the Group's policy.

In 2013, provisions net of recoveries (which were AED 100.1 million) were AED 1,760.9 million compared to AED 1,361.4 million net of recoveries (which were AED 77.2 million) in 2014 and AED 1,407.2 million net of recoveries (which were AED 144.5 million) in 2015.

At 31 December 2015, other balances in accounts classified as impaired amounted to AED 4,294.1 million (as compared to AED 3,533.1 million at 31 December 2014).

Market Risk

Market risk is defined as the risk of losses in the Group's on or off balance sheet positions arising from movements in interest rates, credit spreads, foreign exchange rates and the prices of its debt, equity and commodity investments.

FGB has established an independent middle office to track the magnitude of market risk on a daily basis. The Group has established policies and guidelines for undertaking investments in the trading book that are subject to market risk. These policies and guidelines are reviewed and approved by IMCO and further ratified by Board level committee on a yearly basis. These guidelines stipulate inter-alia the risk appetite for market risk through a comprehensive limit structure covering exposure, sensitivities, concentration, Value-at-Risk and stop loss and lay down the investment criteria for each asset class.

Positions in the FGB's trading book portfolio and funds are created subject to compliance with the investment policies and guidelines. The Group has established an independent market risk team within the risk management unit to track the magnitude of market risk on a daily basis. The middle office reports this risk to senior management on a daily basis.

FGB's market risk unit also carries out regular scenario analysis and stress testing exercises to ascertain the level of risk in the event of unforeseen movements in FGB's key risk factors.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Group manages this risk through hedging and by reviewing the re-pricing of assets and liabilities through risk management strategies. The ALM risk team monitors the gaps and reports both interest rate risk and liquidity risk to the ALCO on a monthly basis.

Note 32.3 to the 2015 Financial Statements includes a table which shows the sensitivity to a reasonable possible change in interest rates of the Group's consolidated income statement as at 31 December 2015 and 31 December 2014. The sensitivity of the income statement is the effect of an assumed increase or decrease of 0.5 per cent. in interest rates on net interest income for one year based on floating rate financial assets and financial liabilities held at 31 December 2015, assuming all other variables remain constant. An increase of 0.5 per cent. in AED rates would have had a theoretical positive impact on the Group's net interest income in 2015 of AED 30.9 million (as compared with a positive impact of AED 38.7 million in 2014). An equivalent decrease in interest rates would have had exactly the opposite theoretical effect. The Group's sensitivity to interest rate changes is reduced by the fact that a very significant part of its loans and advances can be re-priced on either a monthly or quarterly basis.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's functional currency is the U.A.E. dirham. As the U.A.E. dirham has been pegged to the U.S. dollar since 1980, positions in U.S. dollars have not generally been considered as a significant currency risk, although this assessment changed in the second half of 2007 as market speculation grew concerning the possible abolition of the currency peg in a number of GCC countries. The Group's foreign exchange positions are monitored on a daily basis to ensure that they are maintained within established limits set by the IMCO. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

Note 32.3.4 to the 2015 Financial Statements includes a table which shows the currencies to which the Group had significant exposure at 31 December 2015 and 31 December 2014. The analysis estimates the effect of an increase or decrease of 1.0 per cent. in certain currency exchange rates on the Group's operating income for one year based on its monetary assets and liabilities held at 31 December 2015 and 31 December 2014, respectively, and its forecast cash flows, assuming all other variables remain constant. An increase of 1.0 per cent. in the U.S. dollar exchange rates would have had a theoretical negative impact on the Group's operating income in 2015 of AED 82.0 million (as compared with a

negative impact of AED 53.9 million in 2014). An equivalent decrease in interest rates would have had exactly the opposite theoretical effect.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group invests in international equities and hedge funds and also acts as a broker for trading in local and international equities. The Group manages its equity price risk through limits for each product and limits by country, currency, sector and dealer where appropriate in order to ensure diversification of its equity investments in terms of both geographical distribution and industry concentration. All outstanding own-account open positions are monitored daily and appropriate stop loss limits are in place.

Note 32.3.4 to the 2015 Financial Statements includes a table which shows the sensitivity to a possible change in equity markets of the Group's income statement. The sensitivity of the income statement is the effect of an assumed change of 5.0 per cent. in one or more appropriate benchmarks on the fair value of investments carried at fair value through the income statement based on the Group's portfolio of those securities held at 31 December 2015 and 31 December 2014, respectively, assuming all other variables remain constant. A change of 5.0 per cent. in the Abu Dhabi Exchange Market Index and the Dubai Financial Market Index would have had a theoretical effect of AED 0.3 million and AED 0.3 million respectively on the Group's net income in 2015 and AED 0.5 million and AED 0.1 million respectively on the Group's net income in 2014. An equivalent change in the net asset value of the managed funds in which the Group was invested would have had a theoretical effect of AED 3.9 million on the Group's net income in 2015 and AED 10.5 million on the Group's net income in 2014.

Note 32.3.4 to the 2015 Financial Statements also includes a table which shows the effect on the Group's equity (as a result of a change in the fair value of equity investments held as available for sale at 31 December 2015 and 31 December 2014, respectively) due to a reasonably possible change in one or more appropriate benchmarks based on the Group's portfolio of those securities held at 31 December 2015 and 31 December 2014, respectively, assuming all other variables remain constant. A change of 5.0 per cent. in the net asset value of the private equity funds in which the Group has invested would have had a theoretical effect of AED 74.8 million on the Group's equity as at 31 December 2015 and AED 64.5 million on the Group's equity as at 31 December 2014.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or deterioration in the Group's credit quality which may adversely impact certain sources of funding. Liquidity risk management seeks to ensure that, even under adverse conditions, the Group has access to the funds necessary to cover customer needs, maturing liabilities and the capital requirements of its operations. Liquidity risk arises in the general funding of the Group's financing, trading and investment activities and in the management of liquidity positions. This risk involves the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner on reasonable terms and the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain.

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

The liquid assets of the Group (cash and due from the U.A.E. Central Bank and financial institutions) amounted to AED 38.8 billion at 31 December 2013, AED 36.4 billion at 31 December 2014 and AED 34.7 billion at 31 December 2015.

The following table sets out the percentage of liquid assets (cash and due from the U.A.E. Central Bank and financial institutions) compared to total assets for each of the three years ended 31 December 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
	<i>(per cent.)</i>		
Liquid assets	19.6	17.2	15.2
Loans and advances	63.4	65.8	65.8
Investments	8.6	7.9	10.0
Other assets	8.4	9.1	9.0
Total assets	100.0	100.0	100.0

The day-to-day management of liquidity within the framework of the Group's liquidity risk policy is the responsibility of the treasury money market desk which is overseen in this regard by the ALCO. The Group uses a maturity ladder (time bucket) approach for managing its liquidity.

The tables below summarise the maturity profile of the Group's financial assets and liabilities as at 31 December in each of 2013, 2014 and 2015 based on contractual repayment arrangements (which do not take into account the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds).

	As at 31 December 2015				
	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>(AED millions)</i>				
ASSETS					
Cash and balances with Central Banks	12,125.9	6,450.0	2,500.0	-	21,075.9
Due from banks and financial institutions.....	13,597.8	-	-	-	13,597.8
Loans and advances, net	28,396.6	20,816.4	57,563.9	42,989.2	149,766.1
Investments	1,122.4	4,060.6	13,974.9	3,534.2	22,692.1
Other assets	10,327.4	-	-	-	10,327.4
Financial assets	65,570.1	31,327.0	74,038.8	46,523.4	217,459.3
Non-financial assets					10,037.1
Total assets					227,496.4
LIABILITIES					
Due to banks	11,115.1	6,768.0	-	-	17,883.1
Customers' deposits	84,450.2	29,195.0	9,556.9	19,260.5	142,462.6
Term loans	1,367.4	235.2	12,570.7	1,684.1	15,857.4
Sukuk financing instruments	-	2,387.5	1,836.5	-	4,224.0
Euro Commercial Paper	2,325.8	509.0	-	-	2,834.8
Other liabilities	7,930.4	-	-	-	7,930.4
Total liabilities.....	107,188.9	39,094.7	23,964.1	20,944.6	191,192.3

	As at 31 December 2014				
	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>(AED millions)</i>				
ASSETS					
Cash and balances with Central Banks	14,291.4	6,250.0	1,000.0	—	21,541.4
Due from banks and financial institutions.....	13,680.0	1,227.5	—	—	14,907.5
Loans and advances, net	30,767.8	16,175.2	49,916.6	42,849.1	139,708.7
Non-trading investments.....	1,148.8	832.4	9,950.9	4,775.7	16,707.8
Other assets	9,224.8	—	—	—	9,224.8
Financial assets	69,112.8	24,485.1	60,867.5	47,624.8	202,090.2
Non-financial assets					10,078.3
Total assets					212,168.5
LIABILITIES					
Due to banks	12,204.8	385.7	—	—	12,590.5
Customers' deposits	94,801.2	28,032.2	1,217.7	17,220.6	141,271.8
Term loans	—	3,676.3	7,173.6	824.4	11,674.3

Sukuk financing instruments	—	—	4,224.0	—	4,224.0
Other liabilities	7,671.0	—	—	—	7,671.0
Total liabilities	114,676.9	32,094.2.3	12,615.2	18,045.1	177,431.5

As at 31 December 2013

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>(AED millions)</i>				
ASSETS					
Cash and balances with Central Banks	8,944.6	7,000.0	—	—	15,944.6
Due from banks and financial institutions.....	20,446.6	2,417.9	—	—	22,864.5
Loans and advances, net.....	31,043.9	17,572.7	42,842.1	34,135.7	125,594.4
Investments	1,626.7	3,367.0	6,900.7	5,219.0	17,113.4
Other assets	7,692.1	—	—	—	7,692.1
Financial assets	69,753.9	30,357.5	49,742.9	39,354.7	189,209.0
Non-financial assets.....					9,001.3
Total assets					198,210.3
LIABILITIES					
Due to banks	4,805.6	399.0	—	—	5,204.6
Customers' deposits	92,240.3	28,313.4	2,510.9	14,889.0	137,953.5
Term loans	—	1,536.8	7,956.8	2,235.5	11,729.1
Sukuk financing instruments	—	—	4,224.0	—	4,224.0
Other liabilities	7,328.6	—	—	—	7,328.6
Total liabilities	104,374.5	30,249.2	14,691.6	17,124.5	166,439.8

The above tables illustrate the fact that the Group's liabilities, in particular its customer deposits, are principally short-term in nature whereas its assets, in particular its loans and advances, are generally of a longer term. The Group believes that this apparent maturity gap is mitigated by the fact that a large part of its customer deposits, although contractually of a short-term nature, as is customary practice in the U.A.E., historically have been maintained for longer periods. The Group believes that this reflects the strength of its relationship with its principal depositors. Other mitigants include the Group's liquid asset balances, including a part of its investment portfolio and the fact that a number of its loans repay on an instalment basis whereas the above tables reflect payments due only on their final maturity. Notwithstanding these facts, there remains a risk that the Group could be exposed to liquidity risks should there be a significant downturn in market conditions allied with a significant removal of deposits from the Group. This potential risk may be exacerbated by the Group's deposit concentrations, evidenced by the fact that at 31 December 2015 its five largest depositors accounted for 28.0 per cent. of its total customer deposits and its 10 largest depositors accounted for 39.0 per cent. of its total customer deposits.

The table below shows the contractual expiry by maturity date of the Group's contingent liabilities and commitments at 31 December 2013, 2014 and 2015.

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>(AED millions)</i>				
31 December 2015					
Contingent liabilities.....	46,448.5	8,652.9	8,583.9	—	63,685.3
Commitments.....	219.3	7,756.4	848.8	—	8,824.5
Total	46,667.8	16,409.3	9,432.7	—	72,509.8
31 December 2014					
Contingent liabilities.....	50,785.2	10,801.3	11,043.8	—	72,630.3
Commitments.....	266.2	9,992.6	758.4	—	11,017.2
Total	51,051.3	20,793.9	11,802.2	—	83,647.5
31 December 2013					
Contingent liabilities.....	55,363.7	11,189.5	12,926.6	—	79,479.8
Commitments.....	257.3	6,640.5	1,291.7	—	8,189.5
Total	55,621.0	17,830.0	14,218.3	—	87,669.3

During the year ended 31 December 2014, the Bank changed its policy in respect of accounting for: (i) acceptances issued to clients from disclosing those as part of commitments and contingencies to recognising them within other assets and other liabilities; and (ii) discounted acceptances from classifying them under loans and advances to including them under other assets. As a result of the change in accounting policy, the comparative figures as at 31 December 2013 for other assets, other liabilities and loans and advances were adjusted for consistency purposes and, accordingly other assets and other liabilities were increased by AED 4,525,016 thousand and AED 3,177,931 thousand, respectively, and loans and advances were decreased by AED 1,347,085 thousand.

Prepayment Risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay, or request repayment, earlier or later than expected. The effect on profit for one year, assuming 10.0 per cent. of repayable financial instruments were to repay at the beginning of the year, with all other variables held constant, is AED 429.6 million for the year ended 31 December 2015, AED 502.0 million for the year ended 31 December 2014 and AED 417.3 million for the year ended 31 December 2013.

Derivatives

In the ordinary course of its business, the Group enters into a range of transactions that involve derivative instruments. In these transactions the Group assists its customers and counterparties (typically other financial institutions) in altering their risk profile in a particular area by structuring transactions to meet the particular needs of the customer or counterparty. The positions accumulated from such activity are typically passed on to others in the market but may also be managed as open positions with a view to a limited profit. The Group manages the risks involved in this activity through appropriate limits and stop loss parameters established and monitored by the risk management division.

The Group also enters into derivative transactions to hedge its currency, interest rate and cash flow risks as part of its ALM activities. This hedging may be in respect of specific financial instruments, forecasted transactions or strategic hedging against overall balance sheet exposures.

The total derivatives book by notional value at 31 December 2015 was AED 148.9 billion compared to AED 98.5 billion at 31 December 2014 and AED 71.4 billion at 31 December 2013. The increase in the total derivatives book by notional value during this period is mainly due to the growth in activity of TGM. Further information on the Group's transactions involving derivatives is set out in Note 30 to the 2015 Financial Statements and Note 28 to the 2014 Financial Statements.

Operational Risk and Legal Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes / people / systems or from external events. The Group has set up an independent operational risk team within the risk management unit for development and automation of an operational risk framework, for monitoring of operational losses on a regular basis and for necessary reporting to senior management.

Detailed operational manuals, internal control mechanisms (including segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes), periodic reviews and internal and external audits are tools employed for sound assessment, monitoring and management of operational risk in the Group's business. The Group is in the process of automating the process related to operational risk management through system implementation.

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

OVERVIEW OF THE UNITED ARAB EMIRATES

The U.A.E. is a federation of seven Emirates. Formerly known as the Trucial States, the Emirates were a British protectorate until they achieved independence in December 1971 and merged to form the federation of the United Arab Emirates. Each Emirate – being Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Fujairah and Ras Al Khaimah – has a local government headed by the Ruler of the Emirate. There is a federal government, the Federal Government of the U.A.E., which is headed by the President.

The federation is governed by the Supreme Council of the Rulers of the seven Emirates (the "**Supreme Council**"). The Supreme Council elects from its own membership the President and the Vice President (for renewable five year terms). HH Sheikh Zayed Bin Sultan Al-Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. Following his death, his son HH Sheikh Khalifa Bin Zayed Al-Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the U.A.E.

According to data published by the International Monetary Fund ("**IMF**") in October 2015, the U.A.E. is the second largest economy in the GCC region after the Kingdom of Saudi Arabia, based on nominal GDP. According to OPEC data, at 31 December 2014, the U.A.E. had approximately 6.6 per cent. of proven global crude oil reserves (giving it the sixth largest oil reserves in the world) and export of petroleum products generated U.S.\$111.6 billion for the year ended 31 December 2014 (being 30.1 per cent. of the total value of exports and 27.9 per cent. of the U.A.E.'s GDP at market prices). According to the U.A.E. National Bureau of Statistics' (the "**NBS**") preliminary calculation, the U.A.E.'s nominal GDP for 2014 was AED 1,467 billion, an increase of 3.1 per cent. on the U.A.E.'s GDP for 2013 of AED 1,422 billion. This is reflected in increased spending in both public infrastructure and private investment projects. The increasingly diversified economy of the U.A.E., particularly with a focus on tourism, is expected to decrease the country's reliance on its dominant oil sector. Fluctuations in energy prices do have a bearing on economic growth, but the U.A.E. is viewed as being in a less vulnerable position than some of its GCC neighbours, due to the robust growth in its non-oil sector and the sizeable wealth of the Government of Abu Dhabi. The governments of Abu Dhabi and Dubai are spending substantial amounts on expanding infrastructure.

Based on IMF data (extracted from the World Economic Outlook (October 2015)) real GDP growth in the U.A.E. increased by 4.6 per cent. in 2014, 4.3 per cent. in 2013 and 7.2 per cent. in 2012. On 11 March 2015, Moody's Singapore reaffirmed the U.A.E. 's long-term credit rating of Aa2 with a stable outlook. The principal reason stated for this high investment grade rating is the assumption that the obligations of the Federal Government will be fully supported by the government of Abu Dhabi. On 4 March 2016, Moody's placed the credit ratings of Abu Dhabi (rated Aa2) and the United Arab Emirates (rated Aa2) on review for downgrade as they assess the impact of the sharp fall in oil prices, since September 2014, on 18 sovereigns. The U.A.E. is not rated by any other rating agency.

In 2014, the MSCI Emerging Markets Index upgraded the U.A.E. to an "emerging market" economy (compared to the previous classification of "frontier market") with nine U.A.E. companies being added to the benchmark index.

The U.A.E. population was estimated to have reached almost 8.3 million people in mid-2010 according to data released on 31 March 2011 by the NBS. The completion of results of the census for 2011 is underway but, as at the date of this Base Prospectus, census records have not been published. The World Bank estimated the population of the U.A.E. to be approximately 9.1 million at the end of 2014.

The U.A.E. enjoys good relations with the other states in the GCC and its regional neighbours. The U.A.E. does have, however, a long-standing territorial dispute with the Islamic Republic of Iran over three islands in the Gulf and, as such, is not immune to the political risks and volatility that have overshadowed the region, particularly in the last couple of years. The economy remains heavily protected and nearly all utilities and most major industries are controlled by the state. However, tight restrictions placed on foreign investment are gradually being relaxed. For example, foreigners are not permitted to have a controlling interest in U.A.E. businesses and corporates. Reflecting this rule, many of the Emirates have established trade and industry free zones as a means of attracting overseas investment and diversifying the economy. Despite the U.A.E.'s membership of the WTO, progress towards economic liberalisation has been slow, though trade agreements with Europe and the United States are being negotiated.

THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

Summary

According to data published by the U.A.E. Central Bank, as at 31 December 2015 there were a total of 49 banks (23 locally incorporated banks and 26 foreign banks) licensed to operate in the U.A.E., to serve a national population of approximately 9.1 million people at the end of 2014 (source: the World Bank). As a result, the U.A.E. could be viewed as an over-banked market. Even by regional standards, there has traditionally been little impetus for consolidation. The U.A.E.'s membership in the WTO will require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the U.A.E. and across the region generally.

As a banking regulator, the U.A.E. Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the U.A.E. The U.A.E. Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the U.A.E. Central Bank.

Historically, the U.A.E. Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirs of each Emirate, see "*Supervision of Banks*" below. However, the introduction by the U.A.E. Central Bank in 2014 of the Interim Marginal Lending Facility (the "**IMLF**") is expected to enable non-Islamic U.A.E. banks to use certain rated or U.A.E. federal government entity issued assets as collateral to access U.A.E. Central Bank liquidity overnight in order to help their liquidity management, see "*Recent Trends in Banking – Liquidity*" below.

Characteristics of the Banking System

Limited Progress towards Consolidation

Traditionally there has been little impetus for consolidation in the U.A.E. banking market. In the past, mergers have tended to occur as a result of banks facing financial difficulties and some commentators suggest that the 2008 global financial crisis created more favourable conditions for consolidation. The federal structure of the U.A.E. has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation. However, in October 2007, the U.A.E.'s second and fourth largest banks at the time, Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C., merged to become Emirates NBD P.J.S.C. and, in October 2011, Dubai Bank was acquired by Emirates NBD P.J.S.C. pursuant to a decree of the Ruler of Dubai.

The relatively small size of most U.A.E. banks has sometimes hindered them from competing for large financing transactions in the region. It also means that they have comparatively small franchises with which to absorb capital costs, such as IT system development. The advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, possibly even creating banks with pan-Gulf franchises.

Domestic Focus

The U.A.E. incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross border business.

With a large number of banks competing for a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems. Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a

consequence, IT, employment and premises costs have been a prominent feature of many banks' expenses.

Limited Foreign Ownership

In 1987, the U.A.E. Federal Government placed a freeze on new foreign banks opening operations in the U.A.E. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the U.A.E. Central Bank following an agreement to allow market access to banks of GCC state origin in line with continuing efforts in regional integration.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

Exposure to the Oil Sector

With much of the economy directly or indirectly dependent on the oil sector, U.A.E. banks are potentially vulnerable to business erosion during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the U.A.E. economy is becoming less susceptible to oil price movements.

Islamic Banking

Shari'a (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The U.A.E. is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates Islamic Bank, Noor Bank, Al Hilal Bank, Sharjah Islamic Bank, Ajman Bank, Dubai Islamic Insurance & Reinsurance Company (AMAN), Islamic Arab Insurance Co. (P.S.C.) (Salama), Tamweel and Amlak Finance. The number of Islamic banks continues to rise, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer *Shari'a* compliant products.

Legal Environment

There are three primary sources of law in the U.A.E.: (i) federal laws and decrees; (ii) local laws and; (iii) *Shari'a* (Islamic) law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler of a given Emirate or local government will apply his or its own rules, regulations and practices.

Supervision of Banks

Banking and financial institutions established or operating in the U.A.E. are subject to supervision and regulation by the competent federal authorities, principally the U.A.E. Central Bank and the Securities and Commodities Authority (the "SCA"), as well as the competent local authority in the Emirate in which they are established or operate. The U.A.E. Central Bank was established under Union Law No. (10) of 1980 Concerning the Central Bank, the Monetary System and Organization of Banking (the "**Union Law**"), and the SCA was established by U.A.E. Federal Law No. 4 of 2000. The U.A.E. has begun to transition towards a "twin peaks" model, where the U.A.E. Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for macro-economic stability, systemic risk management and ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the U.A.E., although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such

as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the Government of Abu Dhabi would ultimately stand as *de facto* defender of the currency and the "lender of last resort".

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the U.A.E. Central Bank to issue government debt. However, the U.A.E. Central Bank does issue certificates of deposit ("**CDs**") to the banks, denominated in both U.S. dollars and U.A.E. dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the U.A.E. Central Bank at any time. In 2007, the U.A.E. Central Bank introduced an auction system which allows U.S. dollar drawings against U.A.E. dirham CD holdings.

The U.A.E. dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in reality, the U.A.E. dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices.

The U.A.E. Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering. It has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The U.A.E. has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

The U.A.E. further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the "**NATC**"). The NATC serves as a U.A.E. inter-agency liaison.

The SCA, whose role has historically been limited to being the U.A.E.'s federal securities regulator, is expected to become increasingly active in more commercial and consumer-oriented areas previously regulated by the U.A.E. Central Bank, including exercising oversight over financial markets and consumer protection in financial services generally, including banking services and the establishment and marketing of investment products in the U.A.E. The SCA also has responsibility for oversight of certain day-to-day corporate law matters affecting public joint stock companies incorporated in the U.A.E., such as the conduct of general assembly meetings and the passing of shareholder resolutions.

Although the U.A.E. Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the U.A.E., the Dubai Financial Services Authority ("**DFSA**") regulates all banking and financial services activities in the DIFC. The U.A.E. Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

Lack of Developed Capital Markets

The absence of mature bond or equity markets in the U.A.E. means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market (the "**DFM**") and the ADX (both of which were established in 2000), have grown over recent years and have benefitted from the inclusion of the U.A.E. in the MSCI Emerging Markets Index in 2014, they continue to experience bouts of volatility.

The NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In May 2011, the DFM acquired two thirds of the shares in NASDAQ Dubai, in accordance with plans announced in December 2009 to consolidate markets. The two markets linked their platforms in July 2010, through the outsourcing by NASDAQ Dubai of its trading, clearing, settlement and custody functions for equities to DFM's systems. Responsibility for maintaining NASDAQ Dubai's Official List was transferred to the DFSA with effect from 1 October 2011. The DFM and the ADX were upgraded to the MSCI Emerging

Markets Index with effect from 1 June 2014 which could lead to an increase in interest and investment from international institutional investors in the U.A.E.

Government Involvement

There is a high degree of state involvement in the U.A.E. banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to happen in practice. The state is also the banking sector's largest customer, in terms of both deposits and project financing.

Expatriate Workforce

An unusual feature of the U.A.E. economy is its reliance on overseas labour, with expatriates making up approximately 80 per cent. of the workforce according to estimates published by the Statistics Centre in mid-2015. The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the U.A.E. has been an increasing concern for the U.A.E. Federal Government and as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase the percentage of U.A.E. nationals on their payroll to 40 per cent. by 2009. Generally, banks have been moving closer to, or have met, this target, providing better training and compensation for U.A.E. nationals.

Accounting Standards

Since 1 January 1999, all U.A.E. banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (IAS)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

Structure of the Banking System

Banking institutions in the U.A.E. fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as "National" banks, of which there were 23 as at 31 December 2015 (source: U.A.E. Central Bank), are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by U.A.E. nationals. Licensed foreign banks, of which there were 26 as at 31 December 2015 (source: U.A.E. Central Bank), need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the U.A.E. The Union Law also licenses "financial institutions" (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

Recent Trends in Banking

Profitability

The performance of the U.A.E. economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the U.A.E. between 2004 and 2008 allowed U.A.E. banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the 2008 global financial crisis, represented a significant risk to the U.A.E. banking system. Equity prices declined generally in the U.A.E. from 2008 to 2011 in response to the global 2008 financial crisis but, rebounded between 2012 and 2015, with the ADX's General Index declining from 2,719.9 at 31 December 2010 to 2,402.3 at 31 December 2011 before increasing to 2,630.9 at 31 December 2012, 4,290.3 at 31 December 2013 and 4,528.9 at 31 December 2014, before declining again to 4,307.4 at 31 December 2015, and the Dubai Financial Market index declining from 1,630.5 at 31 December 2010 to 1,353.4 at 31 December 2011 before increasing to 1,622.5 at 31 December 2012, 3,371.4 at 31 December

2013 and 3,774.0 at 31 December 2014 before declining again to 3,160.9 at 31 December 2015 (source: Bloomberg).

During 2008 to 2010, a number of banks were also affected by the impact of mark to market accounting rules on their international investment portfolios. Additionally, during the same period, the U.A.E. economy was negatively impacted by the global economic downturn and, in particular, by the sharp correction in the price of oil, which affected a number of key economic sectors including trade, tourism, real estate and commerce. This economic slowdown, along with reduced levels of liquidity in the market, constrained lending and resulted in the majority of U.A.E. banks being less profitable in this period than in previous years.

However, according to the IMF country report for the U.A.E. in 2014, profitability of U.A.E. banks, in terms of return on assets, has grown from around 1.3 per cent. in 2010 to around 1.7 per cent. in 2014.

Liquidity

The U.A.E. Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the U.A.E. Central Bank. In this context, loans comprise loans and advances to customers.

U.A.E. banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. According to data made available by the U.A.E. Central Bank, together, these deposits constituted approximately 88.5 per cent. of total deposits of the U.A.E. banking sector as at 31 December 2015. The U.A.E. federal government and the public sector constituted approximately 23.8 per cent. of total deposits within the U.A.E. banking sector as at 31 December 2015. Non-resident and other sources contributed approximately 11.7 per cent. as at the same date (source: U.A.E. Central Bank Statistical Bulletin December 2015).

In response to the 2008 global financial crisis, the U.A.E. Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the U.A.E. In September 2008, the U.A.E. Central Bank established an AED 50.0 billion liquidity facility which banks can draw upon subject to posting eligible debt securities or *Shari'a*-compliant securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The U.A.E. Central Bank also established a CD repo facility which also includes an Islamic-compliant version under which banks can use CDs as collateral for dirham or U.S. dollar funding from the U.A.E. Central Bank. Further, banks can access funds through the Marginal Lending Facility of the U.A.E. Central Bank.

In addition to these measures, the U.A.E. Federal Government also provided AED 50.0 billion in deposits to U.A.E. banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the U.A.E. have converted the U.A.E. Federal Government deposits made with them into Tier 2 capital.

During 2008, Abu Dhabi government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance) subscribed for, in aggregate, a sum of AED 16.0 billion in subordinated Tier I Capital Notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi P.J.S.C., Abu Dhabi Commercial Bank P.J.S.C., First Gulf Bank P.J.S.C., Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank P.J.S.C.

A press statement issued by the Department of Finance of the Government of Dubai on 25 February 2009 announced that it had established a U.S.\$20.0 billion funding programme and that the first tranche, valued at U.S.\$10.0 billion with a five year tenure and paying a coupon rate of four per cent. per annum, had been issued in its entirety to the U.A.E. Central Bank. In November 2009, the Department of Finance of the Government of Dubai announced that a second U.S.\$5.0 billion tranche was fully subscribed equally by National Bank of Abu Dhabi P.J.S.C. and Al Hilal Bank P.J.S.C.

In line with Basel III requirements, the U.A.E. Central Bank has issued a notice which entered into force in the U.A.E. on 1 July 2015 and includes a set of qualitative and quantitative liquidity requirements for U.A.E. banks (the "**Liquidity Notice**"). The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a U.A.E. bank's board of directors and senior management as well as the overall liquidity risk framework. The regulations are intended to ensure that liquidity risks are well managed at banks operating in the U.A.E. and are in line with the Basel Committee for Banking Supervision recommendations and international best practices. These requirements include the following:

- Responsibilities of the Board of Directors:
 - to bear ultimate responsibility for liquidity risk management within the relevant U.A.E. bank;
 - to be familiar with liquidity risk management with at least one Board member having detailed understanding of liquidity risk management; and
 - to ensure the clear articulation of liquidity risk tolerance in line with the relevant U.A.E. bank's objectives, strategy and risk appetite.
- Responsibilities of Senior Management:
 - to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the Board of Directors;
 - to review the U.A.E. bank's strategy and to report to the Board of Directors on regulatory compliance on a regular basis; and
 - to manage liquidity risk in a prudent manner using all available liquidity risk management tools.
- Liquidity risk framework:

The Liquidity Notice requires each U.A.E. bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the U.A.E. Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular internal stress testing of the portfolio for a variety of scenarios (both institution specific and market-wide); results to be communicated to the Board of Directors and the U.A.E. Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the U.A.E. Central Bank upon request);
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and

- a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each U.A.E. bank holds a minimum level of liquid assets which allow it to sustain a short term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which are intended to apply until the Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio come into effect. These include the following:

	Ratio	Applicability Period
Interim ratios	Liquid Asset Ratio (" LAR ") (LAR > = 10%)	1 January 2013 – 30 June 2015
	Eligible Liquid Assets Ratio (ELAR > = 10%)	1 July 2015 – December 2017
	Uses to Stable Resources Ratio (USRR < 100%)	1 June 2013 – December 2017
Basel III ratios	Liquidity Coverage Ratio (LCR > 100%)	January 2018 onwards
	Net Stable Funding Ratio (NSFR > 100%)	January 2018 onwards

The LAR was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the ELAR. Under the ELAR, U.A.E. banks are required to hold an amount equivalent to 10 per cent. of their liabilities in high quality liquid assets (including cash held with the U.A.E. Central Bank, U.A.E. Central Bank CDs and certain U.A.E. local government and public sector entity publicly traded instruments).

The Liquidity Notice also includes the option for U.A.E. banks to apply to the U.A.E. Central Bank to move to assessment of bank liquidity as against the LCR (and away from assessment against the interim ELAR), with effect from 1 January 2016. Any U.A.E. banks taking up this option were required to comply with the ELAR until 1 January 2016, after which date they are required to move to compliance with the LCR (subject to receipt of U.A.E. Central Bank approval).

The LCR represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario. The LCR requires that U.A.E. banks should always be able to cover the net cash outflow with eligible liquid assets at the minimum LCR determined by the U.A.E. Central Bank. The Basel III Accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible liquid assets for this purpose.

The Uses (of funds) to Stable Resources Ratio (the "**USRR**") is an interim ratio designed to prepare U.A.E. banks for the implementation of NSFR (as described below). The USRR identifies key uses of funds as well as different types of funding sources used by banks. It assigns stability factors to sources of funds and required stable funding (usage) factors to asset classes.

The Net Stable Funding Ratio ("**NSFR**") is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant U.A.E. banks contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses of funds and the different types of funding sources used by the U.A.E. banks. It assigns available stable funding ("**ASF**") factors to the sources of funds and required stable funding ("**RSF**") (usage) factors to asset classes and off balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III NSFR standard.

On 15 April 2014, the U.A.E. Central Bank introduced the IMLF which is expected to enable non-Islamic U.A.E. banks to use certain rated or U.A.E. federal government entity-issued assets to access U.A.E. Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

Position of Depositors

There is no formal deposit protection scheme in the U.A.E. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities.

In October 2008, in response to the global financial crisis, the U.A.E. Federal Government announced that it intended to guarantee the deposits of all U.A.E. banks and foreign banks with core operations in the U.A.E. Following therefrom, in May 2009 the U.A.E.'s National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

Prudential Regulations

The U.A.E. Central Bank has supervisory responsibility for banking institutions in the U.A.E. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the U.A.E. Central Bank with more up to date information on credit, market and operational risks within the banking sector.

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of U.A.E. Central Bank Circular Number 27/2009. Since 1993, the U.A.E. Central Bank had imposed a 10 per cent. minimum total capital ratio on all U.A.E. banks. In a circular dated 30 August 2009, the U.A.E. Central Bank announced amendments to their capital adequacy requirements stating that U.A.E. banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the U.A.E. Central Bank required banks operating in the U.A.E. to increase their Tier I capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter through its circular dated 17 November 2009, the U.A.E. Central Bank stated that it was expected that the main banks in the U.A.E. would move to the Foundation Internal Ratings Based approach of Basel II in due course. Through this circular, the U.A.E. Central Bank reiterated that all banks operating in the U.A.E. were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital.

Whilst the calculation of capital adequacy ratios in the U.A.E. follows the BIS guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent and GCC government non-commercial public sector entities are risk-weighted at 50 per cent.

Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by U.A.E. banks have to be authorised in advance by the U.A.E. Central Bank.

Reserve Requirements

Reserve requirements are used by the U.A.E. Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

Credit Controls

Banks are required by the U.A.E. Central Bank to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and

adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

By a circular dated 23 February 2011 on retail banking, the U.A.E. Central Bank introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months.

Mortgage Cap

U.A.E. Central Bank notice no. 31/2013 was published in the U.A.E. official gazette on 28 November 2013 and entered into force on 28 December 2013. Notice no. 31/2013 (which supersedes U.A.E. Central Bank notice no. 3871/2012) specifies that the amount of mortgage loans for non-U.A.E. nationals should not exceed 75 per cent. of the property value for a purchase of a first home with a value of less than or equal to AED 5 million and, for a purchase of a first home with a value greater than AED 5 million, the amount of mortgage loans should not exceed 65 per cent. of the property value. For purchases of second and subsequent homes, the limit for non-U.A.E. nationals is set at 60 per cent. of the property value (irrespective of the value of the property in question). The corresponding limits for U.A.E. nationals are set at 80 per cent. in respect of a purchase of a first 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 home purchase (irrespective of the value of the property).

Large Exposures

The U.A.E. 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. (U.A.E. 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 17 November 2013, the U.A.E. Central Bank published a notice amending certain of the large exposure limits set out above (the "**Large Exposure Notice**"). 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 U.A.E. 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 U.A.E. 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
U.A.E. federal government and their non-commercial entities.....	Exempt	Exempt	Exempt	Exempt
U.A.E. local government and their non-commercial entities.....	No cap for U.A.E. local government; 25% for each non-commercial entity	100%	Exempt	Exempt
Commercial entities of U.A.E. federal	25%	100%	25%	None

	New Limit		Old Limit	
	Individual	Aggregate	Individual	Aggregate
government and U.A.E. local government				
Commercial or other (non-commercial)				
private sector entities and individuals	25% max	None	7%	None
Shareholders who own 5 per cent. or more of the bank's capital and related entities	20%	50%	7%	None
Exposure to bank's subsidiaries and affiliates ...	10%	25%	20%	60%
Board members	5%	25%	5%	25%

Provisions for Loan Losses

The U.A.E. Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

Banks in the U.A.E. generally do not write-off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and/or financings carried on the balance sheets of U.A.E. banks when compared to banks operating in other economies.

Establishing a Credit Bureau in the U.A.E.

Al Etihad Credit Bureau ("**AECB**") is a federal government company specialised in providing U.A.E.-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval of the bureau's regulations and credit report charges from the U.A.E. Cabinet. AECB has approached all U.A.E.-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations.

The implementation of regulations for the sharing of credit report data and the commercial operation of the U.A.E.'s first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Trustee and the Principal Paying Agent (as defined in the Conditions). Defined terms used below have the meaning given to them in the Conditions.

Wakala Agreement

The Wakala Agreement will be entered into on 21 April 2016 between the Trustee and FGB (in its capacity as Wakeel) and will be governed by English law.

Pursuant to the Wakala Agreement, the Trustee will appoint the Wakeel to manage the Wakala Investment relating to each Series. In particular, the Wakeel, in relation to each Series:

- (a) shall complete the Wakala Investment Plan on the Issue Date for the Series;
- (b) shall use the "**Initial Wakala Investment Amount**" (being the amount, in relation to each Series, specified as such in the relevant Wakala Investment Plan) to make the Wakala Investment in accordance with the terms of the Wakala Agreement and the applicable Wakala Investment Plan;
- (c) shall manage the relevant Wakala Investment in accordance with the Wakala Investment Plan and the terms of the Wakala Agreement;
- (d) shall:
 - (i) ensure that on the Issue Date of the relevant Series, and prior to the relevant Commodity Murabaha Investment being entered into, the Wakala Investment Value shall be equal to no less than 51 per cent. of the face amount of the Certificates for that Series;
 - (ii) use reasonable endeavours to ensure that at all times after the Commodity Murabaha Investment relating to the relevant Series has been entered into, the Wakala Investment Value shall be equal to no less than 30 per cent. of the Sukuk Asset Value for that Series at the relevant time (the "**Tangible Ratio Requirement**"); and
 - (iii) use reasonable endeavours to ensure that at all times the Sukuk Asset Value is at least equal to the face amount of the Certificates then outstanding.
- (e) it shall discharge or procure the discharge of all obligations to be discharged by the Trustee in respect of the Wakala Investment, it being acknowledged that the Wakeel may appoint one or more agents to discharge these obligations on its behalf;
- (f) it shall pay on behalf of the Trustee any actual costs, expenses, losses and Taxes which would otherwise be payable by the Trustee as a result of the Wakala Investment; and
- (g) it shall maintain the Collection Account in accordance with clause 5 (*Accounts*) of the Wakala Agreement.

The Wakeel shall ensure that the Wakala Investment is invested in accordance with the Wakala Investment Plan in *Shari'a* compliant income (whether by appreciation, monetary return or otherwise) generating or yielding assets in FGB's Islamic finance business. For the avoidance of doubt, the Trustee acknowledges that there is no guarantee of any return from the Wakala Investment. The Wakeel shall exercise such rights, powers and discretions as arise under the Wakala Agreement (together with any other incidental rights, powers, authorities and discretions), and shall take such action as it deems appropriate, in each case:

- (a) in accordance with material applicable laws and regulations;
- (b) with the degree of skill and care that it would exercise in respect of its own assets;
- (c) in a manner that is not repugnant to *Shari'a*.

The Wakeel shall not be responsible for any losses to the Wakala Investment suffered by the Trustee unless such losses are caused by: (i) the Wakeel's breach of the Wakala Agreement; or (ii) the Wakeel's negligence, wilful misconduct or fraud.

FGB shall be entitled to receive a fee for acting as Wakeel which will comprise a fixed fee of U.S.\$100 (the receipt and adequacy of which is acknowledged by the Wakeel under the Wakala Agreement) and may also receive incentive payments as described below.

The Wakeel will maintain, in relation to each Series, a book-entry ledger account (referred to as the "**Collection Account**"), which shall be denominated in the Specified Currency.

All Wakala Investment Profits relating to a Series will be recorded in the Collection Account as and when received by the Wakeel. Additionally, any remaining balance of the relevant outstanding Deferred Payment Price which is expressed to be payable to the Collection Account in accordance with the Master Murabaha Agreement, will be recorded in the Collection Account.

The Wakeel will be entitled to deduct amounts standing to the credit of the Collection Account of each Series at any time during the relevant Wakala Investment Period and to use such amounts for its own account, provided that any such amounts so deducted are re-credited to the Collection Account on or prior to each relevant Wakala Distribution Determination Date and on or prior to the Business Day prior to any Dissolution Date for the purposes of application by the Wakeel pursuant to the paragraph below.

In relation to each Series, amounts standing to the credit of the Collection Account will be applied by the Wakeel on each Wakala Distribution Determination Date in the following order of priority:

- (a) *first*, in payment to the Wakeel on behalf of the Trustee of any Wakeel Liabilities Amounts for the Wakala Distribution Period ending on the immediately following Wakala Distribution Date and (if applicable) any Wakeel Liabilities Amounts for any previous period that remains unpaid;
- (b) *secondly*, in the event that, on the relevant Wakala Distribution Determination Date, there is a shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the relevant Required Amount payable on the Wakala Distribution Date falling one (1) business day after such Wakala Distribution Determination Date, by paying into the Transaction Account on that Wakala Distribution Determination Date from the amounts standing to the credit of the Collection Account an amount equal to such shortfall (or such lesser amount as is then standing to the credit of the Collection Account); and
- (c) any remaining balance in the Collection Account shall be debited from the Collection Account and shall be further invested by the Wakeel in FGB's Islamic finance business to grow the Wakala Investment.

The Wakeel undertakes in the Wakala Agreement, in relation to each Series, that:

- (a) it shall keep, in accordance with its usual practices, all documents, books, records and other information necessary or advisable for monitoring the performance of, and amounts received in respect of, the applicable Wakala Investment; and
- (b) except to the extent it is under any duty or obligation imposed by applicable law, regulation or contract to keep such information confidential, it shall provide the Trustee (or such other person as the Trustee may specify) with copies of any such documents, books, records and other information relating to the performance of the applicable Wakala Investment and copies of the Collection Account ledger of any Series as the Trustee may request (and relating to such period of time as the Trustee may request) within ninety (90) days of such request by the Trustee.

The Wakeel will agree in the Wakala Agreement (and except as provided herein) that all payments by it under the Wakala Agreement will be made without any deduction or withholding for or on account of any present or future Taxes imposed by the Relevant Jurisdictions unless required by law and without set-off or counterclaim of any kind and, if there is any deduction or withholding, the Wakeel shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 11 (*Taxation*), the Wakeel will agree in the Wakala Agreement to pay to the Trustee an amount equal to such additional

amounts by payment to the Transaction Account by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Certificates is received by the Trustee. The Wakeel has undertaken in the Wakala Agreement that any payment obligations of the Wakeel under the Wakala Agreement will be direct, unsubordinated and unsecured obligations of the Wakeel and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Wakeel, present and future.

On the business day prior to: (i) the relevant Scheduled Dissolution Date in relation to each Series; (ii) redemption of the Certificates following a Dissolution Event; or (iii) an early redemption of the Certificates for taxation reasons, the Wakeel shall liquidate the Wakala Investment at its market value (as determined by the Wakeel (acting reasonably)) and the proceeds of such liquidation shall be credited to the Collection Account and any amounts standing to the credit of the Collection Account (the "**Wakala Proceeds**") shall be applied in accordance with the terms of the Wakala Agreement. On the business day prior to the relevant Dissolution Date, to the extent there remains a shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the relevant Dissolution Amount payable on the relevant Dissolution Date, the Wakala Proceeds standing to the credit of the Collection Account shall be credited to the Transaction Account towards payment of the relevant Dissolution Amount on the relevant Dissolution Date.

On the business day prior to a redemption of the relevant Certificates in whole or in part: (i) at the option of the Certificateholders of the relevant Series; (ii) on the occurrence of a Change of Control Event, at the option of the Certificateholders of the relevant Series; or (iii) at the option of FGB (in each case, if so specified in the applicable Final Terms), the Wakeel shall liquidate the Wakala Investment (in whole or, as applicable, in proportion to the aggregate face amount of Certificates being so redeemed) at its market value (as determined by the Wakeel (acting reasonably)) and the proceeds of such liquidation shall be credited to the Collection Account and shall be applied in accordance with the terms of the Wakala Agreement.

On a Cancellation Date, following the redemption and cancellation of the relevant Cancellation Certificates in accordance with the Conditions, the Master Declaration of Trust and the relevant Supplemental Declaration of Trust, the Wakala Investment shall be reduced by an amount equal to the relevant Cancellation Proportion specified in the relevant Cancellation Notice.

Following payment in full of all amounts due and payable under the relevant Certificates, the Wakeel shall be entitled to retain any amounts that remain standing to the credit of the relevant Collection Account of that Series for its own account as an incentive payment for acting as Wakeel (in relation to each Series, an "**Incentive Payment**").

Master Murabaha Agreement

The Master Murabaha Agreement will be entered into on 21 April 2016 between the Trustee and FGB (in its capacity as buyer, the "**Buyer**") and will be governed by English law.

Pursuant to the Master Murabaha Agreement, and in connection with each Series of Certificates, the Trustee shall enter into a Commodity Murabaha Investment with FGB as Buyer using a portion of the issue proceeds (being no more than 49 per cent. of the issue proceeds) of the relevant Series, as specified in the applicable Final Terms. In accordance with the Master Murabaha Agreement, the Trustee undertakes that, on receipt of a Notice of Request to Purchase from the Buyer, the Trustee (acting through the Commodity Agent) shall purchase the relevant Commodities no later than 9.30 a.m. London time (or such other time as may be agreed between the Buyer and the Trustee) on the relevant Issue Date from a Commodity Supplier on a spot basis at the Commodity Purchase Price.

Following the purchase of the Commodities by the Trustee (acting through the Commodity Agent) provided that the Trustee has acquired title to, and (actual or constructive) possession of, the Commodities, the Trustee shall deliver no later than 10.00 a.m. London time (or such other time as may be agreed between the Buyer and the Trustee) on the relevant Issue Date, an Offer Notice to the Buyer (with a copy to the Commodity Agent) indicating the Trustee's acceptance of the terms of the Notice of Request to Purchase made by the Buyer and detailing the terms of the offer for the sale of the Commodities to the Buyer from the Trustee.

Pursuant to the Master Murabaha Agreement, the Buyer irrevocably and unconditionally undertakes to accept the terms of, countersign and deliver to the Trustee (with a copy to the Commodity Agent) any Offer Notice delivered to it in accordance with the Master Murabaha Agreement and (as a result of the Trustee having acted on the request of the Buyer set out in the Notice of Request to Purchase) purchase the Commodities acquired by the Trustee (acting through the Commodity Agent), in each case no later than 10.30 a.m. London time (or such other time as may be agreed between the Buyer and the Trustee) on the relevant Issue Date.

As soon as the Buyer has countersigned the Offer Notice, a Murabaha Contract shall be created between the Trustee and the Buyer upon the terms of the Offer Notice and incorporating the terms and conditions set out in the Master Murabaha Agreement, the Trustee shall sell and the Buyer shall buy the Commodities and ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.

The Buyer may following the purchase of the Commodities by the Buyer from the Trustee, and provided that the Buyer has acquired title to, and possession of, the Commodities, sell those Commodities to a third party.

In connection with each Murabaha Contract, the Buyer irrevocably and unconditionally undertakes in the Master Murabaha Agreement to pay to the Trustee:

- (1) on the Business Day prior to each Periodic Distribution Date, an amount of the outstanding Deferred Payment Price equal to the Murabaha Profit Instalment by crediting such amount to the Transaction Account on such date;
- (2) on the:
 - (i) Business Day prior to the Scheduled Dissolution Date;
 - (ii) occurrence of a Dissolution Event in accordance with the Conditions; or
 - (iii) occurrence of a Tax Event in accordance with the Conditions,

an amount of the outstanding Deferred Payment Price in full by crediting an amount equal to the relevant Dissolution Amount to the Transaction Account no later than such date and any remaining balance of the outstanding Deferred Payment Price to the Collection Account; and

- (3) on the:
 - (i) exercise of the Certificateholders Put Option (in whole or in part);
 - (ii) occurrence of a Change of Control Event and the exercise of the Change of Control Put Option by the Certificateholders (in whole or in part); or
 - (iii) exercise by FGB of the Optional Dissolution Right (in whole or in part),

in each case, if so specified in the applicable Final Terms, as applicable, the Certificateholders Put Option Proportion, the Change of Control Put Option Proportion or the Optional Dissolution Proportion of the outstanding Deferred Payment Price, on the Business Day prior to any relevant Certificateholders Put Option Date, Change of Control Put Option Date or Optional Dissolution Date (as applicable) by crediting: (A) an amount equal to the relevant Dissolution Amount to the Transaction Account no later than such date; and (B) any remaining balance to the Collection Account.

On each Cancellation Date, an amount of the outstanding Deferred Payment Price equal to the relevant Cancellation Proportion specified in the relevant Cancellation Notice shall be deemed to be cancelled with effect from the Cancellation Date.

The Buyer will agree in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement will be made without any deduction or withholding for or on account of any present or future Taxes imposed by the Relevant Jurisdictions unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, the Buyer shall

pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made.

In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 11 (*Taxation*), the Buyer will agree in the Master Murabaha Agreement to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Certificates is received by the Trustee. The Buyer has undertaken in the Master Murabaha Agreement that any payment obligations of the Buyer under the Master Murabaha Agreement and each Murabaha Contract will be direct, unsubordinated and unsecured obligations of the Buyer and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Buyer, present and future.

For the avoidance of doubt, it is intended that the Deferred Payment Price in respect of a Series will be sufficient to pay all Periodic Distribution Amounts payable under the Certificates of that Series.

The Master Declaration of Trust, as supplemented by each Supplemental Declaration of Trust

The Master Declaration of Trust will be entered into on 21 April 2016 between the Trustee, FGB and the Delegate and will be governed by English law. A Supplemental Declaration of Trust between the same parties will be entered into on the Issue Date of each Series of Certificates and will also be governed by English law.

Upon issue of the Global Certificate initially representing the Certificates of any Series, the Master Declaration of Trust and the relevant Supplemental Declaration of Trust shall together constitute the trust over the relevant Trust Assets declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series of Certificates comprise (unless otherwise specified in the relevant Supplemental Declaration of Trust), amongst other things, the cash proceeds of the issue of the Certificates, the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Sukuk Assets from time to time (other than in relation to any representations given by FGB to the Trustee and/or the Delegate under any documents constituting the Sukuk Assets from time to time) and any amounts standing to the credit of the relevant Transaction Account, as more particularly described in Condition 6(b) (*Trust – Operation of Transaction Account*).

Pursuant to the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the Trustee will, in relation to each Series of Certificates, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficiaries in respect of that Series only; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust.

The Trustee irrevocably and unconditionally appoints the Delegate to be its attorney and to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities and discretions vested in the Trustee by the Master Declaration of Trust that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or prefunded to its satisfaction, to: (i) exercise all of the rights of the Trustee under the Wakala Agreement, the Master Murabaha Agreement and any of the other Transaction Documents; and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust. The appointment of such delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

The Master Declaration of Trust will specify that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available and comprising the relevant Trust Assets of that Series. The Certificateholders have no claim or recourse against the Trustee to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

A non-interest bearing Transaction Account will be established in respect of each Series of Certificates. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise amounts of Deferred Payment Price paid by FGB pursuant to a Commodity Murabaha Investment and the proceeds of the liquidation of the Wakala Investment (in full or in part as the case may be) to the extent such proceeds are required to be credited to the Transaction Account to fund a shortfall in amounts due and payable on a relevant Periodic Distribution Date or on a relevant Dissolution Date under the relevant Series (see "*Wakala Agreement*" and "*Master Murabaha Agreement*"). The Master Declaration of Trust provides that all monies credited to the Transaction Account in respect of each Series will be applied in the order of priority set out in Condition 6(c) (*Trust – Application of Proceeds from Trust Assets*).

Representations of no Immunity

In each of the Transaction Documents, FGB has represented and warranted that it has entered into such Transaction Document in connection with the exercise of its powers to raise money. Accordingly, FGB has, in each Transaction Documents, acknowledged and agreed that it is not entitled to claim for itself or any of its assets immunity from legal process in actions taken in relation to any Transaction Document and brought against FGB in a court of competent jurisdiction irrespective of the identity of the holders of beneficial interests in the Certificates.

TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those countries or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments of profit, principal and/or other amounts under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

United Arab Emirates

The following summary of the anticipated tax treatment in the U.A.E. in relation to payments on the Certificates is based on the taxation law and practice in force at the date of this Base Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Certificates and the receipt of any payments with respect to such Certificates under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the oil industry, some related service industries and branches of foreign banks operating in the U.A.E. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of U.A.E. or Abu Dhabi taxation in respect of payments of profit and principal to any holder of the Certificates. In the event of such imposition of any such withholding, the Trustee has undertaken to gross-up any payments subject to certain limited exceptions.

The Constitution of the U.A.E. specifically reserves to the U.A.E. government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The U.A.E. has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

Cayman Islands

The following is a discussion of certain Cayman Islands tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

There are no income, corporation, capital gains tax or estate duty, inheritance tax or gift tax in effect in the Cayman Islands on the basis of present legislation. The Trustee has obtained an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to 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 Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment (as defined in the Tax Concessions Law (1999 Revision)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. An instrument of transfer in respect of a Certificate may be stampable if executed in or brought to the Cayman Islands. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$854. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

The proposed financial transactions tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. The issuance and subscription of Certificates should, however, be exempt.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Trustee may be classified as a foreign financial institution for these purposes. A number of jurisdictions (including the U.A.E. and the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements ("**IGAs**") with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of the IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, such withholding would not apply prior to 1 January 2019 and Certificates issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Certificateholders should consult their own tax advisers regarding how these rules may apply to their investment in Certificates.

SUBSCRIPTION AND SALE

Certificates may be sold from time to time by the Trustee to any one or more of Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank (together the "**Dealers**"). The arrangements under which Certificates may from time to time be agreed to be sold by the Trustee to, and purchased by, the Dealers are set out in an amended and restated programme agreement dated 21 April 2016 (the "**Programme Agreement**") and made between, amongst others, the Trustee, FGB and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Certificates, the price at which such Certificates will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Trustee in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series of Certificates.

General

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has (to the best of its knowledge and belief) complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Certificates or possesses or distributes this Base Prospectus or any Drawdown Prospectus or any Final Terms or Pricing Supplement (as applicable) or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus, any Final Terms or any Pricing Supplement comes are required by the Trustee, FGB and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Certificates or possess, distribute or publish this Base Prospectus, any Final Terms or any Pricing Supplement or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

With regard to each Series, the relevant Dealer will be required to comply with such other restrictions as the Trustee, FGB and the relevant Dealer shall agree and as shall be set out in the applicable subscription agreement, Dealer accession letter or a Dealer confirmation, as the case may be, or, in the case of Exempt Certificates or Certificates which are the subject of a Pricing Supplement or Drawdown Prospectus, the applicable Pricing Supplement or Drawdown Prospectus.

Selling restrictions may be supplemented or modified with the agreement of the Trustee and FGB. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

United States of America

The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Certificates: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Certificates comprising the relevant Series, as certified to the Principal Paying Agent or the Trustee by such Dealer (or, in the case of a sale of a Series of Certificates to or through more than one Dealer, by each of such Dealers as to the Certificates of such Series purchased by or through it, in which case the Principal Paying Agent, the Trustee or FGB shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Certificates during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Certificates comprising any Series, any offer or sale of Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Terms used in these paragraphs have the meanings given to them by Regulation S under the Securities Act.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and FGB for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that, no such offer of Certificates referred to above shall require the Trustee, FGB or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer of Certificates to the public**" in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" for the purposes of this paragraph means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) in relation to any Certificates which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or FGB; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates, except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than: (i) to "**professional investors**" within the meaning of the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CO**") or which do not constitute an offer to the public within the meaning of the CO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (whether in Hong Kong or elsewhere) any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan including any corporation or other entity organised under the laws of Japan), 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 relevant laws and regulations of Japan.

Malaysia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**"); and
- (b) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge that this Base Prospectus has not been and will not be registered as a prospectus with the

Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Certificates or caused the Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 10 or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), made through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations places restrictions on secondary market activity with respect to the Certificates, including as follows:

- (a) a Saudi Investor (referred to as a "**transferor**") who has acquired Certificates pursuant to a private placement may not offer or sell Certificates to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:
 - (i) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;
 - (ii) the Certificates are offered or sold to a sophisticated investor; or
 - (iii) the Certificates are being offered or sold in such other circumstances as the CMA may prescribe for these purposes.
- (b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Certificates to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals one million or an equivalent amount;
- (c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Certificates if he/she sells his entire holding of the Certificates to one transferee; and
- (d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of Certificates.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in 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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar. This Base Prospectus has not been reviewed or approved by the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offer or invitation, whether directly or indirectly, to subscribe for the Certificates has been or will be made to the public in the Cayman Islands.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Trustee dated 6 July 2011. The update of the Programme and the issuance of Certificates thereunder was duly authorised by a resolution of the Board of Directors of the Trustee dated 19 April 2016. The Trustee has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates. The entry into the Transaction Documents to which it is a party was authorised by a resolution of the shareholders of FGB dated 6 March 2016 and a resolution of the board of directors of FGB dated 6 March 2016.

Listing of Certificates

The admission of Certificates to the Official List will be expressed as a percentage of their nominal amount (excluding any due but unpaid Periodic Distribution Amounts). It is expected that each Series of Certificates which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Certificate initially representing the Certificates of such Series.

Application has been made: (i) to the United Kingdom Listing Authority for Certificates issued under the Programme to be admitted to the Official List; and (ii) to the London Stock Exchange for such Certificates to be admitted to trading on the Regulated Market. The listing of the Programme in respect of Certificates is expected to be granted on or around 25 April 2016. Prior to the official listing and admission to trading however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Regulated Market will normally be effected for delivery on the third working day after the day of the transaction. However, Exempt Certificates may be issued pursuant to the Programme.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Trustee or FGB is aware) which may have, or have had during the twelve months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Trustee, FGB and any of FGB's Subsidiaries.

Significant/Material Change

Since 31 December 2015 there has been no material adverse change in the prospects of FGB or FGB and its Subsidiaries and there has not been any significant change in the financial or trading position of FGB or FGB and its Subsidiaries.

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

Auditors

The consolidated financial statements of FGB have been audited without qualification in accordance with International Standards on Auditing for each of the two years ended 31 December 2014 and 31 December 2015 by Ernst & Young Middle East (Abu Dhabi branch) of 27th Floor, Nation Tower 2, Abu Dhabi Corniche, United Arab Emirates as stated in their reports incorporated by reference herein. Ernst & Young Middle East (Abu Dhabi branch) are public accountants registered to practise as auditors with the Ministry of Economy in Abu Dhabi.

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

Documents on Display

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Trustee and from the specified office of the Principal Paying Agent for the time being in London:

- (a) the Memorandum and Articles of Association of the Trustee and FGB (together with, in the case of FGB only, direct and accurate English translations thereof);
- (b) the audited consolidated financial statements of FGB for the years ended 31 December 2014 and 31 December 2015 in each case, together with the audit reports prepared in connection therewith;
- (c) the Wakala Agreement, the Master Murabaha Agreement, the Agency Agreement, the Master Declaration of Trust, the Corporate Services Agreement and the forms of the Global Certificate and the Certificates in definitive form;
- (d) any Supplemental Declaration of Trust in relation to Certificates which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system;
- (e) a copy of this Base Prospectus; and
- (f) any future supplements to the Base Prospectus including Final Terms (save that a Final Terms relating to a Certificate which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of Certificates and identity) and any other documents incorporated herein or therein by reference (free of charge).

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

The appropriate common code and the International Securities Identification Number in relation to the Certificates of each Series will be specified in the applicable Final Terms (or, as applicable, the applicable Pricing Supplement).

Passporting

The Trustee may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in the United Kingdom to be issued by the FCA to the competent authority in any Member State.

Dealers transacting with FGB and its Subsidiaries

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to FGB and its Subsidiaries in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of FGB or FGB's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with FGB routinely hedge their credit exposure to FGB consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRUSTEE

FGB Sukuk Company Limited

c/o MaplesFS Limited
P.O. Box 1093, Queensgate House
Grand Cayman
KY1-1102
Cayman Islands

FGB

First Gulf Bank P.J.S.C.

P.O. Box 6316
Abu Dhabi
United Arab Emirates

DELEGATE

Citicorp Trustee Company Limited

Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

PRINCIPAL PAYING AGENT, CALCULATION AGENT AND TRANSFER AGENT

Citibank N.A., London Branch

Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Deutschland AG

Reuterweg 16
D-60323 Frankfurt am Main
Germany

ARRANGERS

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

National Bank of Abu Dhabi P.J.S.C.

P.O. Box 4
Abu Dhabi
United Arab Emirates

Standard Chartered Bank

P.O. Box 999
Dubai
United Arab Emirates

DEALERS

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

Crédit Agricole Corporate and Investment Bank

Broadwalk House
5 Appold Street
London EC2A 2DA
United Kingdom

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

National Bank of Abu Dhabi P.J.S.C.

P.O. Box 4
Abu Dhabi
United Arab Emirates

Standard Chartered Bank

P.O. Box 999
Dubai
United Arab Emirates

LEGAL ADVISERS

To the Arrangers and Dealers as to English and U.A.E. law

Clifford Chance LLP

9th Floor, Al Sila Tower
Abu Dhabi Global Market Square
P.O. Box 26492
Abu Dhabi
United Arab Emirates

To FGB as to English and U.A.E. law

Allen & Overy LLP

11th Floor
Burj Daman
Al Sa'ada Street
Dubai International Financial Centre
P.O. Box 506678
Dubai
United Arab Emirates

To the Trustee as to Cayman Islands law

Maples and Calder (Dubai) LLP

5th Floor, Exchange Building
Dubai International Financial Centre
P.O. Box 119980
Dubai
United Arab Emirates

To the Delegate as to English law

Clifford Chance LLP

10 Upper Bank Street
London E14 5JJ
United Kingdom

AUDITORS TO FIRST GULF BANK P.J.S.C.

Ernst & Young
27th Floor
Nation Tower 2
Abu Dhabi Corniche
United Arab Emirates