BASE PROSPECTUS

مصرف الهلال
al hilal bank

AHB SUKUK COMPANY LTD.

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

U.S.$2,500,000,000
Trust Certificate Issuance Programme

Under the U.S.$2,500,000,000 trust certificate issuance programme (the "**Programme**") described in this Base Prospectus (the "**Base Prospectus**"), AHB Sukuk Company Ltd. (in its capacity as issuer and trustee, the "**Trustee**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the "**Certificates**") denominated in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below). Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.$2,500,000,000 (or its equivalent in other currencies, calculated as provided for in the Dealer Agreement described herein), subject to increase as described herein.

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

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

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

Each Series (as defined herein) of Certificates will be constituted by: (i) a master declaration of trust (the "**Master Declaration of Trust**") dated 23 September 2013 entered into by the Trustee, the Bank and Deutsche Trustee Company Limited as delegate of the Trustee (in such capacity, the "**Delegate**"); and (ii) a supplemental declaration of trust (each a "**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 payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the "**Trust**").

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive (as defined below). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Regulated Market**"). Such approval relates only to the Certificates which are to be admitted to trading on the regulated market of the Irish Stock Exchange for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (such regulated market being a "**MiFID Regulated Market**") and/or which are to be offered to the public in any Member State of the European Economic Area.

References in this Base Prospectus to Certificates being listed (and all related references) shall mean that such Certificates have been admitted to listing on the Official List and admitted to trading on the Regulated Market or, as the case may be, another MiFID Regulated Market as may be specified in the applicable final terms relating to the relevant Series (the "**applicable Final Terms**"). The Programme provides that Certificates may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Trustee, the Bank and the relevant Dealer(s). The Trustee may also issue unlisted Certificates and/or Certificates not admitted to trading on any market.

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

The Bank has been assigned long term ratings of "A1" with a "stable outlook" by Moody's Investors Service Ltd ("**Moody's**") and "A+" with a "stable outlook" by Fitch Ratings Limited ("**Fitch**"). The Emirate of Abu Dhabi has been assigned a rating of "AA" by Fitch, "Aa2" by Moody's and "AA" by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), each with a "stable outlook". The United Arab Emirates has been assigned a credit rating of "Aa2" with a "stable outlook" by Moody's Investors Service Singapore Pte. Ltd.

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

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

Arrangers

Al Hilal Bank | **HSBC**
National Bank of Abu Dhabi P.J.S.C. | **Standard Chartered Bank**

Dealers

Al Hilal Bank | **Citi** | **HSBC**
National Bank of Abu Dhabi P.J.S.C. | **Standard Chartered Bank**

The date of this Base Prospectus is 23 September 2013

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive (as defined below) and for the purpose of giving information with regard to the Trustee, the Bank, the Bank and its subsidiaries and affiliates taken as a whole (the "**Group**") and the Certificates which, according to the particular nature of the Trustee, the Bank, the Group and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and the Bank.

The Trustee and the Bank accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Trustee and the Bank (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Base Prospectus should be read and construed together with any amendments or supplements hereto and, in relation to any Series of Certificates, should be read and construed together with the applicable Final Terms.

This Base Prospectus has been prepared on the basis that any offer of Certificates in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Certificates. Accordingly any person making or intending to make an offer in that Relevant Member State of Certificates which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Certificates may only do so in circumstances in which no obligation arises for the Trustee, the Bank, any Arranger (as defined in "*Overview of the Programme*") or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Trustee, the Bank, the Arrangers or Dealers have authorised, nor do they authorise, the making of any offer of Certificates in circumstances in which an obligation arises for the Trustee, the Bank or any Arranger or Dealer to publish or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

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

In the case of any Certificates which are to be 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, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Certificates).

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

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

To the fullest extent permitted by law, none of the Arrangers or the Dealers accepts any responsibility for the contents of this Base Prospectus or for any other statement made, or purported to be made, by an Arranger or a Dealer or on its behalf in connection with the Trustee, the Bank or the issue and offering of the Certificates. Each Arranger and Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other such statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Trustee, the Bank, the Arrangers or the Dealers that any recipient of this Base Prospectus or any other such statements should purchase the Certificates. Each potential purchaser of Certificates should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Certificates should be based upon such investigation as it deems necessary. None of the Arrangers or the Dealers undertakes to review the financial condition or affairs of the Trustee or the Bank during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Arrangers or the Dealers.

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Certificates, the merits and risks of investing in the relevant Certificates and the information contained in this Base Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Certificates and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Certificates, including where any Dissolution Distribution Amount or Periodic Distribution Amount (each as defined herein) payments are payable in one or more currencies, or where the currency for Dissolution Distribution Amount or Periodic Distribution Amount payments are different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

(v) 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.

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

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

In connection with the issue of any Series, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms 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. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the issue date of the relevant Series and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series and 60 days after the date of the allotment of the relevant Series. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Base Prospectus contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address the Bank's and the Group's expected future business and financial performance, and often contain words such as "expect", "anticipate", "intend", "may", "plan", "believe", "seek" or "will". Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For the Group, particular uncertainties that could adversely affect its future results include: the behaviour of financial markets and macro-economic conditions, including fluctuations in interest, profit and exchange rates, commodity and equity prices and the value of financial assets; continued volatility and further deterioration of the capital markets; the commercial and consumer credit environment including credit risks and, in particular, the impact of a higher level of credit defaults arising from adverse economic conditions, the impact of provisions and impairments and concentration of the Bank's portfolio of financing and investment assets; liquidity risks, including the ability of the Bank to meet its contractual and contingent cash flow obligations or the inability to fund its operations; the impact of laws and regulation (including any change thereto) and regulatory, investigative and legal actions; strategic actions, including acquisitions and future integration of acquired businesses and government policy affecting the Bank's business activities; future financial performance of the banking, financial services and Islamic finance industries; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause the Bank's actual future results to be materially different than those expressed in its forward-looking statements. Although the Bank believes that the expectations, estimates and projections reflected in the Bank's forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise including those which the Bank has identified in this Base Prospectus, or if any of the Bank's underlying assumptions prove to be incomplete or inaccurate, the Bank's actual future results may be materially different than those expressed in its forward-looking statements.

The forward-looking statements in this Base Prospectus speak only as at the date of this Base Prospectus. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Without prejudice to any requirements under applicable laws and regulations, the Bank expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.

CERTAIN PUBLICLY AVAILABLE INFORMATION

Certain information under the headings "*Risk Factors*", "*Description of the Group*", "*Overview of the UAE and Abu Dhabi*" and "*The UAE Banking Sector and Regulations*" has been extracted from information provided by: (i) the UAE Central Bank, the UAE National Statistics Bureau, the Organisation of Oil Exporting Countries ("**OPEC**") and the government of Abu Dhabi, in the case of "*Risk Factors*"; (ii) the UAE Central Bank, in the case of "*Description of the Group*"; (iii) the UAE National Statistics Bureau, the International Monetary Fund, OPEC and the UAE Central Bank, in the case of "*Overview of the UAE and Abu Dhabi*"; and (iv) the UAE National Statistics Bureau, the Abu Dhabi Securities Exchange, the Dubai Financial Market, the UAE Central Bank and the governments of Abu Dhabi and Dubai, in the case of "*The UAE Banking Sector and Regulations*" and, in each case, the relevant source of such information is specified where it appears under those headings. None of the Arrangers, the Dealers, the Trustee nor the Bank accepts responsibility for the factual correctness of any such statistics or information but the Bank and the Trustee accept responsibility for accurately extracting and transcribing such statistics and information and believe, after due inquiry, that such statistics and information represent the most current publicly available statistics and information from such sources at the dates and for the periods with respect to which they have been presented. Without prejudice to the foregoing, the Bank and the Trustee confirm that all such third party information has been accurately reproduced and, so far as each of them is aware and has been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Trustee is a special purpose company established in the Cayman Islands. No financial statements for any period have been prepared in respect of the Trustee.

Unless otherwise indicated, the financial information herein has been derived from the unaudited reviewed interim condensed consolidated financial statements of the Bank as at, and for the six months ended, 30 June 2013 (together with the notes thereto and the review report in respect thereof, the "**Interim Financial Statements**") and from the audited consolidated financial statements of the Bank as at and for the financial year ended 31 December 2012 (together with the notes thereto and the audit report in respect thereof, the "**2012 Financial Statements**") and 31 December 2011 (together with the notes thereto and the audit report in respect thereof, the "**2011 Financial Statements**" and together with the 2012 Financial Statements and the Interim Financial Statements, the "**Financial Statements**"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board, and relevant federal laws of the UAE, consistently applied.

Certain comparative information appearing in the Financial Statements has been re-classified by the Bank to conform to the presentation for the current period shown therein in order to more appropriately disclose the financial information contained therein. None of these re-classifications represented a change in accounting policies applied by the Bank. In the case of the Interim Financial Statements, in its consolidated statement of financial position the Bank re-classified "Investment property" of AED 39.7 million under "Other assets" as at 31 December 2012. In the case of the 2012 Financial Statements, in its consolidated statement of cash flows the Bank re-classified: (i) the "Unrealised transaction gain" in its cash flows from operating activities of AED 3.0 million under "Change in: Receivables from Islamic financing activities", (ii) the "Unrealised valuation loss on investments" in its cash flows from operating activities of AED 16.9 million under "Cash flows from investing activities" and (iii) the "Change in Wakala deposits from banks" of AED 390.4 million under "Cash flows from financing activities", in each case as at 31 December 2011. In the case of the 2011 Financial Statements, in its consolidated statement of cash flows the Bank re-classified: "Murabaha and Wakala deposits with banks other financial institutions" in its cash flows from operating activities of AED 11.1 million under "Change in: Receivables from Islamic financing activities" as at 31 December 2010.

Presentation of Other Information

In this Base Prospectus, references to:

- "**Abu Dhabi**" are to the Emirate of Abu Dhabi;
- "**Dubai**" are to the Emirates and Dubai;
- "**Government**" are to the government of Abu Dhabi;
- "**UAE**" are to the United Arab Emirates;
- "**GCC**" are to the Gulf Cooperation Council, which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE;
- "**U.S.$**" or "**U.S. dollars**" refer to the lawful currency of the United States;
- "**EUR**", "**euro**" or "**€**" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended;

- "**£**", "**Pounds Sterling**" and "**Sterling**" are to the legal currency for the time being of the United Kingdom; and
- "**AED**", "**dirham**" or "**fils**" refer to the lawful currency of the UAE. One dirham equals 100 fils.

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

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.

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

Information contained in any website referred to herein does not form part of this Base Prospectus.

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 Financial Services and Markets Act 2000 (the "FSMA")) which has not been authorised, recognised or otherwise approved by the Financial Conduct Authority. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

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

Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any Final Terms or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom in any Certificates which are not AFIBs are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. Any individual intending to invest in any investment described in this Base Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO RESIDENTS IN 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 offer 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.

KINGDOM OF SAUDI ARABIA NOTICE

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "Capital Market Authority"). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Certificates 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.

NOTICE TO STATE OF QATAR RESIDENTS

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 Central Bank or the Qatar Financial Centre Regulatory Authority. The Certificates are not and will not be traded on the Qatar Exchange.

CAYMAN ISLANDS NOTICE

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

NOTICE TO RESIDENTS OF MALAYSIA

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

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

SUPPLEMENTARY PROSPECTUS

If at any time the Trustee and the Bank shall be required to prepare a supplementary prospectus pursuant to Regulation 51 of Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (S.I. No. 324 of 2005) (the "**Irish Prospectus Regulations**"), the Trustee and the Bank will prepare and make available an appropriate amendment or supplement to this Base Prospectus which, in respect of any subsequent issue of Certificates to be listed on the Official List and admitted to trading on the Regulated Market, shall constitute a supplementary prospectus as required by Regulation 51 of the Irish Prospectus Regulations.

Each of the Trustee and the Bank has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Certificates and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Trustee and the Bank, and the rights attaching to the Certificates, the Trustee and the Bank shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Certificates and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

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RISK FACTORS

Each of the Trustee and the Bank believes that the following factors may affect both the Trustee's ability to pay amounts owing under a Series of Certificates and the Bank's ability to satisfy its obligations under the relevant Transaction Documents relating to any such Series of Certificates. All of these factors are contingencies which may or may not occur and neither the Trustee nor the Bank is in a position to express a view on the likelihood of any such contingency occurring.

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

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

Risks relating to the Trustee

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

The Trustee was incorporated under the laws of the Cayman Islands on 14 July 2011 as an exempted company with limited liability and has no operating history. The Trustee has not and will not engage in any business activity other than the issuance of Certificates under the Programme, the acquisition of the 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. Because the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

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

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

Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents

General

Investors should note that the Bank is a UAE company and is incorporated, and the significant majority of its operations and assets are located, in the UAE. Accordingly, the Bank is likely to have insufficient assets located outside the UAE to satisfy in whole or part any judgment obtained from an English court relating to amounts owing in connection with the Certificates. If investors were to seek enforcement of an English judgment in the UAE or to bring proceedings in relation to the Certificates in the UAE, then certain limitations would apply (see "*—Risks relating to enforcement—Investors may experience difficulty in enforcing arbitration awards and foreign judgments in Abu Dhabi*" below).

Majority of business in the UAE

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

These markets are subject to greater risks than more developed markets, including in some cases greater levels of legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, an investment in the Certificates is only suitable for sophisticated investors who fully appreciate the significance of the risk involved. See "*—Risks relating to the UAE and Abu Dhabi*" below.

Short Operating History

The Bank commenced operations on 19 June 2008. Accordingly, the Bank's business and prospects must be considered in light of the risks, uncertainties, expenses and difficulties encountered by a business with a short operating history. There can be no assurance the Bank will be successful in implementing its strategy and a failure to do so could have an adverse effect on the Bank's business, results of operations, financial condition and prospects and its ability to perform its obligations under the Transaction Documents to which it is a party.

The Bank's financial performance is affected by general economic conditions

Risks arising from changes in credit quality and the recoverability of amounts due from obligors and counterparties are inherent in banking businesses. Adverse changes in global economic conditions, or arising from systemic risks in the financial systems, could affect the recovery and value of the Bank's assets and require an increase in the Bank's provisions. The Bank uses different strategies to minimise risk, including the taking of collateral to reduce the credit risk level and hedging financial assets in order to mitigate any profit rate risk, so that it is within the Bank's strategy and level of risk tolerance. However, there can be no guarantee that such measures will eliminate or reduce such risks.

Credit, market, liquidity, operational and legal risk

In the course of its business activities, the Bank is exposed to a variety of risks, some of the most significant of which are credit, market, liquidity, operational and legal risks. While the Bank believes it has implemented the appropriate policies, systems and procedures to control and mitigate these risks, its risk management techniques may not be fully effective in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Bank's methods of managing risk are based upon its use of historical market behaviour, setting appropriate risk appetite and maximum tolerance levels to determine and monitor risk exposures. In addition, stress testing techniques using forward looking scenarios assist the Bank in analysing the impact of risk on the Bank's capital, profitability, liquidity and funding position, which in turn helps to shape the Bank's strategy. These methods assist in predicting possible impacts on the Bank's risk exposures, but actual outcomes may vary and could be significantly greater than historical measures indicate. The Bank has implemented an internal based rating model and increased levels of delegated approvals (through several management level committees such as the Bank's Management Credit Risk Committee, Assets and Liabilities Committee, Management Risk Committee, Management Operational Risk Committee and Remedial Management Committee) to effectively manage, measure and monitor risk exposures and the risk profile of the Bank. Investors should note that any failure to adequately control these risks, including as a result of any failure of the Bank to successfully implement such new systems, could be greater than anticipated and could have a material adverse effect on the Bank's reputation, business, results of operations, financial condition or prospects, and its ability to make payments due under the Transaction Documents to which it is a party.

Credit risk

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

Market Risk

Market risk is the current or potential risk that changes in financial market prices and rates will cause fluctuations in the fair value or future cash flows of financial instruments. The risk arises from imbalances in the Bank's balance sheet as well as from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements (such as profit rates, credit spreads, foreign exchange rates and equity prices) and changes in the level of volatility of market rates or prices. Any significant market movements contrary to any open profit rate, currency or equity positions of the Bank could have a material adverse effect on the Bank's business, results of operations, financial condition or prospects, and its ability to make payments due under the Transaction Documents to which it is a party. See "*Description of the Group—Risk Management—Market Risk*" for a description of the Bank's exposure to, and the policies, systems and procedures it has in place to manage, market risk.

Foreign Exchange Risk

The Bank maintains its accounts, and reports its results, in UAE Dirham. The UAE Dirham, along with the currencies of most of the other GCC countries (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), is pegged at a fixed exchange rate to the U.S. dollar. In the case of the UAE, this currency peg has existed since 22 November 1980. However, there can be no assurance that the UAE Government will not de-peg the UAE Dirham in the future or that the existing peg will not be adjusted in a manner that materially adversely affects the Bank's results of operations and financial condition, notwithstanding the Bank's pro-active and conservative management of its currency positions (open positions for which are maintained on a day-end basis). Any such de-pegging or adjustment, particularly if the UAE Dirham weakens against the U.S. dollar could have a material adverse effect on the Bank's business, results of operation, financial condition or prospects, and its ability to make payments due under the Transaction Documents to which it is a party.

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to honour its obligations when they fall due or will only be able to secure funding at excessive cost. Liquidity risk arises from the inability to manage unplanned decreases or changes in funding sources. As is the normal practice in the UAE banking industry, the Bank accepts deposits from its customers which are short-term in nature. However, it is also normal in the UAE banking industry for these short-term deposits to be rolled over on maturity such that, in practice, a significant portion have actual maturities of a longer duration. By contrast, the Bank's advances have more diversified maturities. Accordingly, there is a risk that, if a significant number of the Bank's customers did not choose to roll over their deposits at any time or, because the Bank receives a significant portion of its funding from deposits, if customers withdraw their deposits at a rate faster than the rate at which obligors pay financing provided by the Bank, the Bank could experience difficulties in paying those deposits. In addition, the Bank only has limited *Shari'a*-compliant products that could be used for short-term liquidity management.

The Bank's customers' accounts (comprising both deposit and savings accounts) constituted 23.8 per cent. of its total liabilities, or AED 7.3 billion, as at 30 June 2013, of which 99.9 per cent. are located in the UAE. As at 30 June 2013, deposits made by customers of the Bank's Wholesale Banking Group accounted for 78.0 per cent., or AED 20.9 billion, of its total customers' accounts and of the deposits made by such customers, Government sector deposits accounted for 54.6 per cent., or AED 14.6 billion, of its total customers' accounts.

Although the Bank considers that it has adequate access to sources of funding, the withdrawal of a significant portion of these large deposits may have an adverse effect on the financial condition and results of operations of the Bank as well as its ability to meet the UAE Central Bank target ratio for financings to stable resources of 100 per cent.

A downturn in the fortunes of any of the Bank's depositors, or in the sectors in which they operate or as a result of the concentration of the Bank's financing portfolio and its deposit bases in the UAE, a general downturn or sustained deterioration in the economy of the UAE or any failure of the Bank to effectively manage its risk concentrations could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects and its ability to perform its obligations under the Transaction Documents to which it is a party.

There is, accordingly, no assurance that the Bank will not experience significant liquidity constraints in the future and any such constraints could have a material adverse effect on the Bank's business, results of operations, financial condition or prospects, and its ability to make payments due under the

Transaction Documents to which it is a party. See "*Description of the Group—Risk Management—Liquidity Risk*" for a description of the Bank's exposure to, and the policies, systems and procedures it has in place to manage, liquidity risk.

Operational risk

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

Legal risk

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

Rapid financing portfolio growth

The Bank's total financing portfolio has grown rapidly since its establishment to AED 24.1 billion as at 30 June 2013. This significant increase in credit exposure will require continued emphasis by the Bank on credit quality, the adequacy of its provisioning levels and the continued development of financial and management controls. In addition, the offering of a wider range of products by the Bank as part of its strategy of continuing to grow its core banking activities organically within the UAE may also increase the credit risk exposure in the Bank's financing portfolio. Failure to successfully manage growth and development and to maintain the quality of its financing assets could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects, and its ability to make payments due under the Transaction Documents to which it is a party.

Financing portfolio and geographic concentration risks

The Bank's financing portfolio is concentrated geographically in the UAE (and the Bank's strategy is to retain such concentration over the short to medium term). In the UAE, certain sectors (including the real estate sector) and certain regions (including Dubai) have been more significantly affected than others by the global financial crisis that commenced in early 2008. See "*—Risks relating to the UAE and Abu Dhabi—The Bank is subject to political and economic conditions in Abu Dhabi, the UAE and the Middle East*" below. Similarly, concentrations in the financing and deposit portfolios of the Bank subject it to risks from default by its larger obligors, from exposure to particular sectors of the UAE economy and from withdrawal of large deposits. The financing and receivables portfolio of the Bank shows country, industry and obligor concentrations.

The Bank's total financings constituted 70.4 per cent. of its total assets, or AED 24.1 billion, as at 30 June 2013. Of such total financings, approximately 99 per cent. are located in the UAE. The Bank's financing portfolio is also concentrated in particular industry sectors. In terms of the industry concentration of the Bank's total financing portfolio, as at 30 June 2013, the retail/consumer banking sector accounted for approximately 40 per cent. whilst the Government sector accounted for approximately 21 per cent.

The Bank's 10 largest financings represented 28.6 per cent. of its total financings as at 30 June 2013 and were entered into in respect of the following sectors: Government (65.1 per cent.), financial services (8.0 per cent.), real estate (6.1 per cent.), with other sectors accounting for the remainder (20.8 per cent.). The Bank's largest funded exposure to a private sector obligor (such obligor being in the wholesale trade sector) was AED 645.4 million as at 30 June 2013, which constituted 2.7 per cent. of the Bank's total financings as at 30 June 2013 and approximately 16.2 per cent. of its total regulatory capital of AED 3.982 billion.

Sole shareholder

The Bank is 100 per cent. owned by the Abu Dhabi Investment Council (the "**Council**"), the investment arm of the Government of Abu Dhabi (the "**Government**"). The Government's objectives in establishing the Bank were for it to contribute to the UAE's national growth and prosperity while raising the positive profile of Islamic banking globally. By virtue of its shareholding, the Council has the ability to influence the Bank's business significantly through its ability to control actions that require shareholder approval and also has the ability to approve the election of all members of the Bank's board of directors (the "**Board**") and thus influence Board decisions. The Bank also has significant exposure to the Government through its deposit and financing portfolios.

The interests of the Government and the Council may be different from those of Certificateholders. For example, decisions made by the Council and the Board may be influenced by the need to consider the Government's objectives in establishing the Bank. Such considerations may result in decisions that are less commercially beneficial to the Bank than those that might otherwise have been made. In addition, although the Bank has not paid any dividends to the Council to date, and does not currently have any plans to pay any dividends to the Council for the foreseeable future, there can be no assurance that dividends will not be paid in future years.

The Bank may not receive future support from the Government and the Council, or it may not receive future support that is commensurate with the support that it has received in the past

Since its establishment, the Bank has received capital contributions from the Council totalling AED 3.09 billion and significantly less direct support through deposits by the Government and Government-related entities and other financing opportunities. While the Government and the Council have historically provided adequate cash and other contributions (by way of deposits) to the Bank, neither the Government nor the Council is legally obligated to fund any of the Bank's capital requirements or investments and accordingly there can be no assurance that the Bank will continue to receive such contributions or support from the Government or the Council.

Further, the Government and the Council may, whether directly or indirectly, at any time and for any reason, dispose of its investments in, withdraw its deposits from, cease to do business with or otherwise cease to support the Bank. The reduction or elimination of governmental support could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects and its ability to perform its obligations under the Transaction Documents to which it is a party.

Neither the Government nor the Council explicitly or implicitly guarantee the financial obligations of the Bank (including in respect of the Certificates to be issued) nor do they, like any other shareholder, have any legal obligation to provide any support or additional funding for the Bank's future operations.

In addition, although the Government has supported the Abu Dhabi banking industry during the recent global economic crisis, there can be no assurance that the Government will continue to support the domestic banking industry in response to the recent crisis or initiate support if another major economic disruption were to occur in the future.

If the Bank does not receive adequate financial support from the Council and alternative sources of financing are not available, this could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects and its ability to perform its obligations under the Transaction Documents to which it is a party.

Dependence on Key Personnel

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

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/or (iii) an inability to identify and execute potential strategic initiatives. These adverse results could, among other things, reduce potential revenue, which could materially adversely affect the Bank's business, results of operations, financial condition and prospects and ability to make payments due under the Transaction Documents to which it is a party.

Competition

The Bank faces competition in all of its business areas from domestic and foreign banks operating in the UAE. The Bank faces competition from both Islamic banks and conventional banks. There were 51 banks (23 domestic and 28 foreign) licensed to operate inside the UAE (excluding the Dubai International Financial Centre) as at 31 December 2012 (source: the UAE Central Bank). There are also an increasing number of Islamic banks and other institutions offering Islamic financial products and services within the UAE. As at 31 December 2012, there were eight Islamic banks and a number of other financial institutions offering Islamic products and solutions. Additional financial institutions may consider offering *Shari'a*-compliant products in the future. A number of the other banks operating in the UAE have significantly larger operations than the Bank, which may make it difficult for the Bank to compete with those banks on certain financing opportunities.

The banking market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation, the GCC or any other similar entities, it is likely to lead to a more competitive environment for the Bank and other domestic financial institutions. Increased competition could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects, and its ability to make payments due under the Transaction Documents to which it is a party.

Non-performing financings may increase

The Bank's non-performing financings ("**NPFs**") as at 30 June 2013 represented 1.6 per cent. of the Bank's total gross financings, although if certain financings currently undergoing a restructuring process (in relation to which the Bank has made a general provision in respect of its anticipated losses) were included as NPFs this percentage would have been 4.2 per cent. (see "*Description of the Group—Finance Portfolio*"). The Bank continues to actively manage and monitor its financing portfolio but there can be no assurance that in the future the Bank will be able to maintain its NPFs at such levels. Factors which may contribute to an increase in the amount of the Bank's NPFs include the expected growth in its financing portfolio and generally any further slowdown in the UAE economy. Should the Bank incur any significant losses in respect of its financings, this could have a material adverse effect on the Bank's business, results of operations, financial condition or prospects, and its ability to make payments due under the Transaction Documents to which it is a party.

Growth management

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

Limited availability of equivalent Shari'a-compliant hedging instruments to those available to conventional banks

The Bank's status as an Islamic bank means that its assets and liabilities are not fully comparable to those of a conventional bank. In particular, unlike conventional banks, the Bank does not have the full range of hedging products available to it in order to manage certain credit, market and liquidity risks. The fact that the return payable on the Bank's Islamic products is profit linked reduces to some extent the risk of losses arising on unhedged liabilities and, in addition, there is a growing range of *Shari'a*-compliant derivative products which could be used for hedging purposes. However, there can be no assurances that the limited availability of hedging products will be sufficient to manage risks, which may have a material adverse effect on the Bank's business, results of operations, financial condition or prospects, and its ability to make payments due under the Transaction Documents to which it is a party.

Impact of Regulatory Changes

The Bank is subject to the laws, regulations, administrative actions and policies of the UAE and each other jurisdiction in which it operates. These regulations may limit the Bank's activities and changes in supervision and regulation, particularly in the UAE, could materially adversely affect the Bank's business, the products or services it is able to offer and the value of its assets, as well as its results of operations, financial condition or prospects. In particular, the Bank has implemented the Basel II standardised approach-related guidelines issued by the UAE Central Bank and will adopt the Basel III guidelines as and when the UAE Central Bank communicates its requirements in this regard. Although the Bank works closely with its regulators, regulatory, fiscal or other policies affecting the Bank's business, the products or services it is able to offer, the value of its assets or its results of operations, financial condition or prospects cannot always be predicted and are beyond the control of the Bank. A description of the legal and regulatory environment applicable to banks generally in the UAE is set out below under "*The UAE Banking Sector and Regulations*".

The Bank is subject to risks relating to its information technology systems and loss of business continuity

The Bank depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Bank's business and operating data. The proper functioning of the Bank's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to the Bank's business and ability to compete effectively. The Bank's business activities would be materially disrupted if there is a partial or complete failure of any of the information technology systems or communications networks. Such failures can be caused by a variety of factors, including natural disasters, extended power outages and computer viruses. The proper functioning of the Bank's information technology systems also depends on accurate and reliable data and other system input, which are subject to human error. Any failure or delay in recording or processing the Bank's transaction data could subject it to claims for losses and regulatory fines and penalties. The Bank has implemented and tested detailed business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective.

No Guarantees

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

Risks related to the Certificates

The Certificates are limited recourse obligations of the Trustee

The Certificates are not debt obligations of the Trustee, instead, each Certificate represents an undivided ownership interest in the Trust Assets relating to that Series. Recourse to the Trustee is limited to the Trust Assets of the relevant Series and the proceeds of the Trust Assets of the relevant Series are the sole source of payments on the Certificates of that Series. Upon the occurrence of a Dissolution Event, the sole rights of the Trustee and/or the Delegate (acting on behalf of the Certificateholders of the relevant Series of Certificates) will be against the Bank to: (i) pay the Exercise Price in accordance with the Purchase Undertaking and the Wakala Portfolio Principal Revenues in accordance with the Management Agreement in respect of such Series, and in addition, in the case of a Wakala/Mudaraba Series only, to liquidate the relevant Mudaraba and distribute the Final Liquidation Proceeds and the applicable Mudaraba Profit (in an amount not exceeding the Mudaraba Percentage of the Required Amount) in accordance with the relevant Restricted Mudaraba Agreement; and (ii) otherwise perform its obligations under the Transaction Documents to which it is a party.

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

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

The Certificates may be subject to early redemption

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

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

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

The *Fatwa* and *Shari'a* Supervisory Board of the Bank, the HSBC Saudi Arabia Shariah Executive Committee and the Shariah Supervisory Committee of Standard Chartered Bank have each confirmed that the Transaction Documents are, in their view, in compliance with *Shari'a* principles. However, there can be no assurance that the Transaction Documents or any issue and trading of Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of the Trustee, the Bank, the Delegate, the Arrangers or the Dealers makes any representation as to the *Shari'a* compliance of any Series and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Potential investors should obtain their own independent *Shari'a* advice as to whether the Transaction Documents and any issue of Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradeability of the Certificates on any secondary market. Questions as to the *Shari'a* permissibility of the Transaction Documents or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

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

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

The structure of each issue of Certificates under the Programme is based on English law, the laws of the Emirate of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE and administrative practices in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English, UAE or Abu Dhabi law or administrative practices in any such jurisdiction after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Bank to make payments under the Transaction Documents to which it is a party and/or the Trustee to make payments under any Series of Certificates or the ability of the Trustee or the Bank to otherwise comply with their respective obligations under the Transaction Documents to which they are a party.

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

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

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

(i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, the Bank and the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates of the relevant Series for the time being outstanding; and

(ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, the Bank and the Delegate (as the case may be) by accountholders in the clearing systems with entitlements to such global certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Trustee, the Bank and the Delegate (as the case may be) have obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/ instruction and prior to effecting such resolution.

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

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

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

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

The Bank has been assigned long term ratings of "A1" with a "stable outlook" by Moody's and "A+" with a "stable outlook" by Fitch. The Certificates of each Series may be unrated or may be rated by one or more independent credit rating agencies who may also assign credit ratings to the Certificates. Any ratings of either the Bank or the Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. Nevertheless, real or anticipated changes in the Bank's credit ratings or the ratings of the Certificates generally may affect the market value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

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

Interest or profit rate risks

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

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

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

Neither the Trustee nor the Bank has any control over factors that generally affect exchange rate risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in future.

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

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

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

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

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

In relation to any issue of Certificates which have a denomination consisting of the minimum Specified Denomination (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Certificates may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than the minimum Specified Denomination, would need to purchase an additional 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.

A Certificateholder who holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a definitive Certificate. If definitive Certificates are issued, holders should be aware that definitive Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may also be illiquid and difficult to trade.

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

Each Series of Certificates issued under the Programme will be represented on issue by a Global Certificate that may be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Certificate held through it. While the Certificates of each Series are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants and the Trustee will discharge its payment obligations under the relevant Series of Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global

Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the relevant Series of Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

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

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

Risks relating to the *Sukuk* Assets

Ownership of Wakala Assets

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

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

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

Transfer of the Wakala Assets

No investigation has been or will be made as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if any Supplemental Purchase Agreement will have the effect of transferring an interest in the relevant Wakala Assets. The Master Purchase Agreement is, and each Supplemental Purchase Agreement will be, governed by the laws of the Emirate of Abu Dhabi and, to the extent applicable, the federal laws of the UAE and, to the extent that such laws are applied in relation to any dispute, there are doubts whether an interest in certain assets (in particular receivable assets such as ijara or murabaha contracts) can be effectively transferred without notice of the transfer being given to the lessee or other obligor. Accordingly, no assurance is given that any ownership interest in any Wakala Assets will be transferred to the Trustee.

The Bank has agreed in the Purchase Undertaking to indemnify the Trustee for the purposes of redemption in full of the outstanding Certificates if any transfer of an ownership interest in any Wakala Assets is found to be ineffective. In addition, the Bank has agreed in the Purchase Undertaking that, to the extent that the sale and purchase or transfer of any ownership interest in any Wakala Assets is not effective in any jurisdiction for any reason, it will make payment of an amount equal to the purchase price by way of restitution to the Trustee immediately upon request.

Investment in Mudaraba Portfolio

Pursuant to the relevant Restricted Mudaraba Agreement, the Mudaraba Capital for each Wakala/Mudaraba Series will be invested in the relevant Mudaraba Portfolio with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates. If any of the risks relating to the business of the Bank mentioned above (see "*—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents*") materialise or otherwise impact the Bank's business, the value of and profit earned from the investment in such Mudaraba Portfolio may drop which may, in turn, have a material adverse effect on the Trustee's ability to fulfil its repayment obligations in respect of the Certificates. No investigation or enquiry will be made and no due diligence will be conducted in respect of any Mudaraba Assets. The Mudaraba Assets will be selected by the Bank in its absolute discretion (subject to the provisions contained in the Transaction Documents) and the Certificateholders will have no ability to influence such selection. Only limited representations will be obtained from the Bank in its capacity as Mudarib in respect of the Mudaraba Assets of a Wakala/Mudaraba Series. In particular, neither the precise terms nor the nature of such Mudaraba Assets will be known. Lessees and obligors may have rights of set off or counterclaim against the Bank in respect of any Mudaraba Assets.

Risks relating to taxation

EU Savings Directive may give rise to withholding tax on certain Certificates

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons resident in that other Member State. However, for a transitional period, Luxembourg and Austria will instead impose a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. A number of non-EU countries and territories have adopted similar measures to the EU Savings Directive.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Trustee, the Bank nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Certificate as a result of the imposition of such withholding tax. However, the Trustee is required, as provided in Condition 9(c) of the Certificates, to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

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

Whilst the Certificates are represented by a Global Certificate held within Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA (as defined below under "*Taxation—Foreign Account Tax Compliance Act*") will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Trustee's obligations under the Certificates and the Bank's obligations under the Transaction Documents are discharged once it has paid the common depositary for the ICSDs (as registered holder of the Certificates) and neither the Trustee nor the Bank has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

Risks relating to enforcement

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

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

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

The parties to the Transaction Documents have agreed to refer any unresolved dispute in relation to such Transaction Documents to arbitration under 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, the courts of England and Wales are stated to have jurisdiction to settle any disputes in respect of the Purchase Undertaking, the Sale Undertaking, the Management Agreement, the Master Restricted Mudaraba Agreement (and any Supplemental Restricted Mudaraba Agreement), the Master Declaration of Trust (and any Supplemental Declaration of Trust) and the Agency Agreement). Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that the Bank has, or would at the relevant time have, assets in the United Kingdom against which such arbitral award or judgment could be enforced, and it is therefore likely that proceedings would need to be commenced for the enforcement of any such award or judgment in the UAE (where the substantial majority of the Bank's assets are located).

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

The UAE is a civil law jurisdiction and judicial precedents in 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.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Abu Dhabi in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. Although there is some precedent for a foreign arbitral award being enforced by the UAE courts, under the New York Convention, there is no system of binding judicial precedent in the UAE and it is unclear if these decisions are subject to any appeal. In practice therefore, how the New York Convention provisions would be interpreted and applied by the UAE courts and whether the UAE courts will enforce a foreign arbitration award in accordance with the terms of the New York Convention, remains largely untested.

Waivers of immunity may not be effective under UAE law

Under the Transaction Documents, the Bank has acknowledged that the transactions contemplated by the Transaction Documents are commercial transactions and, to the extent that the Bank may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to the Bank or any of their respective assets or revenues, the Bank has agreed not to claim and has irrevocably and unconditionally waived such immunity in relation to any legal or arbitral proceedings or Disputes (as defined in the Conditions). In addition, the Bank has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any legal or arbitral proceedings or Disputes.

However, there can be no assurance as to whether such waivers of immunity given by the Bank under the Transaction Documents are valid and binding under the laws of Abu Dhabi and, to the extent applicable therein, the federal laws of the UAE.

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

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

Considerations relating to the non-recognition of trusts under the laws of the UAE

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

A court may not grant an order for specific performance

If the Bank fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include (i) obtaining an order for specific performance of the Bank's obligations, or (ii) a claim for damages.

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

Risks relating to the UAE and Abu Dhabi

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

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

The UAE has seen significant economic growth and relative political stability. However, there can be no assurance that such growth or stability will continue, particularly in light of the 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 UAE, 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 previous high rates of growth, have been materially adversely affected since 2008. Unlike other financial institutions in the UAE, the Bank only commenced operations during the financial crisis and has been able to establish and maintain a high rate of growth within conservative risk parameters which are approved by the Bank's Board Risk Committee, despite the adverse financial and economic conditions prevailing in the UAE over this period. It is the strategy of the Bank to continue to achieve above average market growth levels. However, there can be no assurance that it will be able to continue to maintain its current growth rate.

Investors should also note that the Bank's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of interrelationships within the global financial markets. Moreover, while the UAE federal government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. No assurance can be given that the Government or the UAE federal government will not implement restrictive fiscal or monetary policies or regulations, including changes with respect to interest/profit rates, new legal interpretations of existing regulations or the introduction of taxation or exchange controls which could have a material adverse effect on the Bank's business, financial condition and results of operations and thereby affect its ability to perform its obligations in respect of the Transaction Documents.

The Bank's business may be affected if there are regional, geo-political or economic events that prevent the Bank from delivering its services. While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of countries in the Middle East and North Africa ("**MENA**") region, including Algeria, Bahrain, Egypt, Libya, Oman, the Kingdom of Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and the overthrow of existing leadership and has given rise to increased political uncertainty across the region while at the same time highlighting the relative political and economic stability of the UAE. There can be no assurance that extremists or terrorist groups will not escalate violent activities in the Middle East or that the governments of the Middle East will be successful in maintaining the prevailing levels of domestic order and stability. Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of the Middle East and, in particular, could impact the numbers of tourists that choose to visit the UAE and the number of businesses interested in doing business in the UAE and, consequently, could have an adverse effect on the Bank's business, results of operations, financial condition and prospects, and thereby affect its ability to perform its obligations in respect of the Transaction Documents.

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

The UAE's economy, and the economy of Abu Dhabi in particular, is highly dependent upon oil revenue. While Abu Dhabi is actively promoting tourism and real estate and undertaking several large scale development projects, the oil and gas industry dominates Abu Dhabi's economy and contributed approximately 58.5 per cent. to nominal GDP in 2011. The Bank has historically received significant funding and other support from the Government through its sole shareholder, the Abu Dhabi Investment Council. In the case of the Government, such funding and other support has been largely derived from the Government's significant oil revenues. According to OPEC data, as at 31 December 2011, the UAE had 6.6 per cent. of proven global oil reserves which generated nearly 38.4 per cent. of its nominal GDP in 2011 (source: UAE National Bureau of Statistics). During the second half of 2008 and into 2009, world oil prices fell approximately 70 per cent. from their peak level of U.S.$137 per barrel of Murban crude reached in July 2008 to an average of approximately U.S.$62.7 per barrel for the year ended 31 December 2009, before returning to an average of approximately U.S.$109.5

per barrel for the year ended 31 December 2011. Oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which the Bank has no control. Factors that may affect the price of oil include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming countries;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels; and
- global weather and environmental conditions.

Declines in international prices for hydrocarbon products in the future could therefore adversely affect the UAE's economy which, in turn, could have an adverse effect on the Bank's business, financial condition and results of operations and thereby affect its ability to perform its obligations in respect of the Transaction Documents.

The GCC may enter into a monetary union

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

Emerging markets

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

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

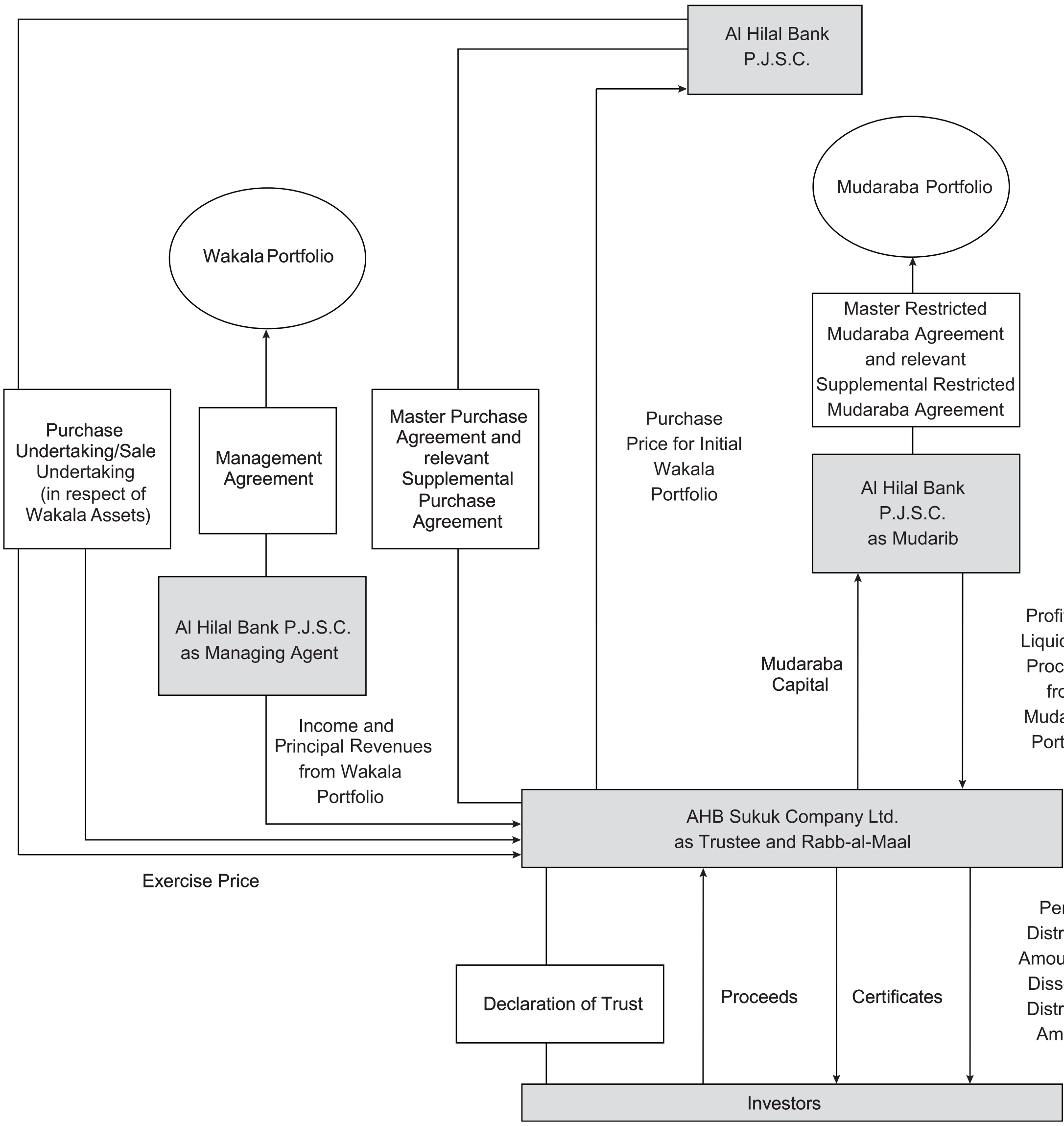
Any of the foregoing could have an adverse effect on the Bank's business, financial condition and results of operations and thereby affect its ability to perform its obligations in respect of the Transaction Documents.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment in the Certificates is appropriate. Generally, investment in emerging markets (such as an investment in the Certificates) is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

STRUCTURE DIAGRAM AND CASHFLOWS

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

Structure Diagram



Principal cash flows

Payments by the Certificateholders and the Trustee

On the Issue Date of each Series, the Certificateholders will pay the issue price in respect of the Certificates (the ''**Issue Proceeds**'') to the Trustee and the Trustee will pay:

(i) in the case of a Wakala Series, the Issue Proceeds in full or, in the case of a Wakala/Mudaraba Series, the percentage specified in the applicable Final Terms of the Issue Proceeds (the ''**Wakala Percentage**''), to or to the order of the Bank (as Seller) as the purchase price payable under the relevant Supplemental Purchase Agreement for the purchase of an initial portfolio (the ''**Initial Wakala Portfolio**'') consisting of:

(a) non-real estate tangible assets together with the related *ijara* (lease) contracts and the receivables payable thereunder ("**Non-Real Estate Ijara Assets**");

(b) receivables under *murabaha* or other contracts involving the sale of commodities or goods on a deferred payment basis together with the payments of the related profit amounts and the contracts in respect thereof ("**Murabaha Receivables**"); and

(c) other Sharia compliant income generating assets ("**Other Sharia Compliant Assets**"),

which in each case, must be non-real estate related (each such Non-Real Estate Ijara Asset, Murabaha Receivables and Other Sharia Compliant Asset, a "**Wakala Asset**"); and

(ii) in the case of a Wakala/Mudaraba Series, the percentage specified in the applicable Final Terms of the Issue Proceeds (the "**Mudaraba Percentage**"), to or to the order of the Bank (as Mudarib) as the initial capital of the relevant Mudaraba (the "**Mudaraba Capital**"), which the Mudarib will invest in accordance with the relevant Supplemental Restricted Mudaraba Agreement (which includes the relevant Mudaraba Investment Plan), in an initial portfolio (the "**Initial Mudaraba Portfolio**") consisting of:

(a) real estate assets together with the related ijara contracts and the receivables payable thereunder ("**Real Estate Ijara Assets**");

(b) Non-Real Estate Ijara Assets;

(c) Other Sharia Compliant Assets having associated with them tangible underlying assets ("**Other Tangible Sharia Compliant Assets**"); and

(d) Sharia compliant deposits with the Bank ("**Sharia Compliant Investments**" and each such Real Estate Ijara Asset, Non-Real Estate Ijara Asset, Other Tangible Sharia Compliant Asset and Sharia Compliant Investment, a "**Mudaraba Asset**"),

in each case, with a view to earning profit therefrom.

Periodic Distribution Payments

On the Business Day prior to each Periodic Distribution Date (i) the Managing Agent will pay amounts reflecting the returns (excluding any amounts in the nature of principal) generated in respect of the relevant Wakala Portfolio (the "**Wakala Portfolio Income Revenues**") into the relevant Transaction Account and (ii) in the case of a Wakala/Mudaraba Series, the Mudarib will also pay, in accordance with a pre-agreed profit sharing ratio, amounts representing the returns (excluding any amounts in the nature of principal) generated in respect of the relevant Mudaraba Portfolio (the "**Mudaraba Profit**") into the relevant Transaction Account, which, in aggregate, are intended to be sufficient to fund the Periodic Distribution Amounts payable by the Trustee under the Certificates of the relevant Series (the "**Required Amount**") and shall be applied by the Trustee for that purpose.

If the Wakala Portfolio Income Revenues are greater than the Wakala Percentage of any Required Amount or, in the case of a Wakala/Mudaraba Series, the Mudaraba Profit is greater than the Mudaraba Percentage of the Required Amount, such excess returns shall be credited to a separate account by the Managing Agent or the Mudarib, as applicable, (such account, in the case of a Wakala Portfolio being the "**Wakala Reserve Collection Account**" and, in the case of a Mudaraba Portfolio being the "**Mudaraba Reserve Account**").

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

Payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date

In respect of the Scheduled Dissolution Date in relation to each Series:

(i) the Trustee or the Delegate (as applicable) will have the right under the Purchase Undertaking to require the Bank to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprising the Wakala Portfolio for payment of the relevant Exercise Price into the Transaction Account on the Business Day immediately preceding the Scheduled Dissolution Date; and

(ii) the Managing Agent will be required under the terms of the Management Agreement to pay an amount equal to the amount of the principal revenues standing to the credit of the Wakala Principal Collection Account (the "**Wakala Portfolio Principal Revenues**") into the Transaction Account on the Business Day immediately preceding the Scheduled Dissolution Date; and

(iii) in the case of a Wakala/Mudaraba Series, the Mudarib will also be required under the relevant Supplemental Restricted Mudaraba Agreement to liquidate the relevant Mudaraba on the Business Day prior to the Scheduled Dissolution Date and distribute to the Trustee (as Rabb-al-Maal) the proceeds of the liquidation (in an amount not exceeding the Mudaraba Capital) and the Mudaraba Profit (in an amount not exceeding the Required Amount) realised by such liquidation by payment of the same into the Transaction Account,

and such amounts are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates.

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

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

In respect of an early redemption following a Dissolution Event, at the option of Certificateholders or at the option of Certificateholders following the occurrence of a Change of Control Event, on a Dissolution Date:

(i) the Trustee or the Delegate (as applicable) will have the right under the Purchase Undertaking to require the Bank to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under all (in the case of redemption following a Dissolution Event or where all Certificates are to be redeemed on such Dissolution Date) or (where some only of the Certificates are to be redeemed on such Dissolution Date) a portion of the Wakala Assets comprising the Wakala Portfolio for payment of the relevant Exercise Price into the Transaction Account on the Dissolution Event Redemption Date (in the case of redemption following a Dissolution Event) or the Business Day immediately preceding the relevant Dissolution Date (in all other cases); and

(ii) the Managing Agent will be required under the terms of the Management Agreement to pay an amount equal to the amount of the Wakala Portfolio Principal Revenues (or a portion thereof where some only of the Certificates are to be redeemed on the relevant Dissolution Date) standing to the credit of the Wakala Principal Collection Account into the Transaction Account on the Dissolution Event Redemption Date (in the case of redemption following a Dissolution Event) or the Business Day immediately preceding the relevant Dissolution Date (in all other cases); and

(iii) in the case of a Wakala/Mudaraba Series, the Mudarib will also be required under the relevant Supplemental Restricted Mudaraba Agreement to liquidate the relevant Mudaraba (or a portion of the Mudaraba Assets comprising the Mudaraba Portfolio where some only of the Certificates are to be redeemed on the relevant Dissolution Date) on the Dissolution Event Redemption Date (in the case of redemption following a Dissolution Event) or the Business Day immediately preceding the relevant Dissolution Date (in all other cases) and distribute to the Trustee (as Rabb-al-Maal) the proceeds of the liquidation (in an amount not exceeding the Mudaraba Capital) and the Mudaraba Profit (in an amount not exceeding the Mudaraba Percentage of the Required Amount) realised by such liquidation by payment of the same into the Transaction Account, and such amounts are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates on the relevant Dissolution Date.

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

In respect of an early redemption for tax reasons or an early redemption at the option of the Bank:

(i) the Bank will have the right under the Sale Undertaking to require the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under all or (where some only of the Certificates are to be redeemed on such Dissolution Date) a portion of the Wakala Assets comprising the Wakala Portfolio for payment of the relevant Exercise Price into the Transaction Account on the Business Day immediately preceding the relevant Dissolution Date;

(ii) the Managing Agent will be required under the terms of the Management Agreement to pay an amount equal to the amount of the Wakala Portfolio Principal Revenues (or a portion thereof where some only of the Certificates are to be redeemed on the relevant Dissolution Date) standing to the credit of the Wakala Principal Collection Account into the Transaction Account on the Business Day immediately preceding the relevant Dissolution Date; and

(iii) in the case of a Wakala/Mudaraba Series, the Mudarib will also be required under the relevant Supplemental Restricted Mudaraba Agreement to liquidate the relevant Mudaraba (or a portion of the Mudaraba Assets comprising the Mudaraba Portfolio where some only of the Certificates are to be redeemed on the relevant Dissolution Date) on the Business Day immediately preceding the relevant Dissolution Date and distribute to the Trustee (as Rabb-al-Maal) the proceeds of the liquidation (in an amount not exceeding the Mudaraba Capital) and the Mudaraba Profit (in an amount not exceeding the Mudaraba Percentage of the Required Amount) realised by such liquidation by payment of the same into the Transaction Account,

and such amounts are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates on the relevant Dissolution Date.

Purchase and Cancellation of Certificates

Pursuant to Condition 8(g) and 8(h), the Bank and its subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank elects to cancel any Certificates so purchased:

(i) the Bank may exercise its right under the Sale Undertaking to require the Trustee to transfer all of its rights, title, interests, benefits and entitlements in, to and under all or a specified portion (as applicable) of the Wakala Assets comprising the Wakala Portfolio to the Bank against surrender of the relevant Certificates;

(ii) the Managing Agent will be required under the terms of the Management Agreement to surrender all or a specified portion (as applicable) of the Wakala Portfolio Principal Revenues standing to the credit of the Wakala Principal Collection Account to the Bank; and

(iii) in the case of a Wakala/Mudaraba Series, the Mudarib will also be required under the relevant Supplemental Restricted Mudaraba Agreement to release all or a specified portion (as applicable) of the Mudaraba Assets from the Mudaraba Portfolio to the Bank for its own account,

in each case on the relevant date specified by the Bank for cancellation.

OVERVIEW OF THE PROGRAMME

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

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

Seller, Obligor and Managing Agent and, in the case of a Wakala/Mudaraba Series, Mudarib:	Al Hilal Bank P.J.S.C., incorporated in Abu Dhabi on 18 June 2007 as a public joint stock company pursuant to the resolution of the Executive Council of the Emirate of Abu Dhabi No. 2 of 2007 and Emiri Decree No. 21 of 2007 in its capacity as Seller pursuant to the Master Purchase Agreement, Obligor pursuant to the Purchase Undertaking and Managing Agent pursuant to the Management Agreement and, in the case of a Wakala/Mudaraba Series, as Mudarib pursuant to the Master Restricted Mudaraba Agreement.
Trustee:	AHB Sukuk Company Ltd., as issuer of the Certificates and as trustee for and on behalf of the Certificateholders, an exempted company with limited liability incorporated on 14 July 2011 in accordance with the Companies Law of the Cayman Islands and formed and registered in the Cayman Islands with company registration number 259689 with its registered office at 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.
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 shares of U.S.$1.00 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held on trust by MaplesFS Limited under the terms of a trust for charitable purposes.
Administration of the Trustee:	The affairs of the Trustee are managed by MaplesFS Limited, a licensed trust company in the Cayman Islands (the "**Trustee Administrator**"), with registered office at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands, who will provide, amongst other things, corporate administrative services, director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement dated 18 September 2013 made between the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**").
Arrangers:	Al Hilal Bank P.J.S.C., HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank.
Dealers:	Al Hilal Bank P.J.S.C., Citigroup Global Markets Limited, HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates.
Delegate:	Deutsche Trustee Company Limited (the "**Delegate**"). In accordance with the Master Declaration of Trust, the Trustee will, *inter alia*, unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain present and future duties, powers, rights, authorities and discretions vested in the Trustee by certain provisions of the Master Declaration of

	Trust in accordance with the terms of the Master Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction, be obliged to) take enforcement action in the name of the Trustee against the Bank (in any capacity) following a Dissolution Event.
Principal Paying Agent:	Deutsche Bank AG, London Branch.
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.
Initial Programme Size:	Up to U.S.$2,500,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The size of the Programme may be increased in accordance with the terms of the Dealer Agreement.
Method of Issue:	The Certificates may be issued on a syndicated or non-syndicated basis. The Certificates will be issued in series (each series of Certificates being a "**Series**"). The specific terms of each Series will be recorded in a final terms document (the "**applicable Final Terms**").
Currencies:	Subject to any applicable legal or regulatory restrictions, Certificates may be denominated in any currency (each a "**Specified Currency**") agreed between the Trustee, the Bank and the relevant Dealer.
Maturities:	The Certificates will have such maturities as may be agreed between the Trustee, the Bank and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee, the Bank or the Specified Currency.
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, the Bank and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Denomination of Certificates:	The Certificates will be issued in such denominations as may be agreed between the Trustee, the Bank and the relevant Dealer(s), save that (i) the minimum denomination of each Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Specified Currency, (ii) the minimum 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 at least €100,000 (or, if the Certificates are denominated in a currency other than euro, the equivalent amount in such currency, as calculated on the Issue Date of such Series) and (iii) unless otherwise permitted by such current laws and regulations, Certificates (including Certificates denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or, if the Certificates are denominated in a currency other than sterling, the equivalent amount in such currency, as calculated on the Issue Date of such Series).

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

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

Trust Assets: The Trust Assets of the relevant Series will be (i) the cash proceeds of the issue of the relevant Series of Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (ii) the Trustee's rights, title, interest, benefits and entitlements, present and future, in, to and under the Wakala Portfolio and, in the case of a Wakala/Mudaraba Series, the Mudaraba Portfolio; (iii) the Trustee's rights, title, interest, benefits and entitlements, present and future, in, to and under the Transaction Documents (other than in relation to the Excluded Representations (as defined in the Conditions) and the covenant given to the Trustee pursuant to Clause 16.1 of the Master Declaration of Trust); and (iv) all monies standing to the credit of the relevant Transaction Account from time to time; and all proceeds of the foregoing listed (i) to (iv) (the "**Trust Assets**").

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

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

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

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

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

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

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

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

See Condition 7(b).

Negative Pledge: The Certificates will have the benefit of a negative pledge granted by the Bank in respect of itself and its Subsidiaries, as described in Condition 6(b).

Cross Acceleration: In respect of the Bank, the Certificates will have the benefit of a cross-acceleration provision, as described in Condition 12 and sub-paragraph (iii) of the definition of "Obligor Event" corresponding thereto.

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

Dissolution Distribution Amount: In relation to each Certificate of a Series, either:

(i) the sum of:

  (a) the outstanding face amount of such Certificate; and

  (b) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or

(ii) such other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date.

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

(i) occurrence of a Dissolution Event;

(ii) exercise of an Optional Dissolution Right (if applicable to the relevant Series);

(iii) exercise of a Certificateholder Put Right (if applicable to the relevant Series);

(iv) exercise of a Change of Control Put Right (if applicable to the relevant Series); or

(v) occurrence of a Tax Event.

In each case, the Certificates of a Series will be redeemed (i) pursuant to the exercise of the Purchase Undertaking or the Sale Undertaking (as applicable) and the Management Agreement whereupon the Bank will pay the relevant Exercise Price to the Trustee and receive from the Trustee all or the relevant proportion of the Wakala Assets and pay all relevant Wakala Portfolio Principal Revenues to the Trustee in accordance with the Management Agreement and (ii) in the case of a Wakala/ Mudaraba Series, pursuant to the Master Restricted Mudaraba Agreement and the Relevant Supplemental Mudaraba Agreement whereby the Bank will liquidate all or the relevant proportion of the Mudaraba Portfolio and pay the proceeds of such liquidation (in an amount not exceeding the Mudaraba Capital) and the Mudaraba

Profit (in an amount not exceeding the Mudaraba Percentage of the Required Amount) realised by such liquidation to the Trustee. The relevant Exercise Price payable under the Purchase Undertaking or the Sale Undertaking, as the case may be together with the relevant Wakala Portfolio Principal Revenues and, in the case of a Wakala/ Mudaraba Series, the proceeds from the liquidation of the relevant proportion of the Mudaraba Portfolio and the Mudaraba Profit as aforementioned will be used to fund the redemption of the Certificates of the relevant Series at an amount equal to the relevant Dissolution Distribution Amount.

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

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

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

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

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

Change of Control Put Right: If so specified in the applicable Final Terms, upon the occurrence of a Change of Control, Certificateholders may elect to redeem their Certificates on the relevant Change of Control Put Right Date at an amount equal to the relevant Dissolution Distribution Amount in accordance with Condition 8(e).

A ''**Change of Control**'' shall occur if at any time the Government of Abu Dhabi (the ''**Government**''), directly or indirectly, through the Abu Dhabi Investment Council or any other department, agency or authority of, or entity owned by, the Government or otherwise: (i) ceases to own more than 50 per cent. of the issued share capital of the Bank; or (ii) otherwise ceases to control the Bank, and "**control**" for these purposes shall be the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of the Bank or to control or have the power to control the affairs and policies of the Bank (in each case whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise).

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

Limited Recourse: Each Certificate of a particular Series will represent an undivided beneficial ownership interest in the Trust Assets for such Series. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.

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

See further Condition 4(b).

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

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

Withholding Tax: All payments by the Trustee in respect of the Certificates are to be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or the United Arab Emirates or the Emirate of Abu Dhabi or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Trustee has agreed to pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by it had no such withholding or deduction been required, subject to and in accordance with Condition 10. If the

Trustee is required to pay any additional amounts as aforesaid, the Bank has undertaken in the Purchase Undertaking, to pay such additional amounts as may be necessary so that the full amount due and payable by the Trustee in respect of the Certificates is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of Condition 10.

In addition, all payments by the Bank under the Transaction Documents to which it is a party are to be made without any deduction or withholding for, or on account of, any present or future taxes, levies, duties, fees, assessments or other charges of whatever nature unless required by law and without set-off or counterclaim of any kind. If any deduction or withholding is required by law, the Bank has undertaken to pay such additional amounts as shall result in receipt by the Trustee of such amounts as would have been received by it under the relevant Transaction Document had no such deduction or withholding been made.

Listing: Application has been made to the Irish Stock Exchange for each Series of the Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and to be admitted to trading on the Regulated Market. Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, the Bank and the relevant Dealer(s) in relation to the Series and as will be specified in the applicable Final Terms. Certificates may also be issued which are neither listed nor admitted to trading on any market.

Listing Agent: Deutsche Bank Luxembourg S.A.

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

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

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

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

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

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

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

Rating: The Bank has been assigned long term ratings of ''A1'' with a ''stable outlook'' by Moody's and ''A+'' with a ''stable outlook'' by Fitch. The Emirate of Abu Dhabi has been assigned a rating of ''AA'' by Fitch, ''Aa2'' by Moody's and ''AA'' by Standard & Poor's, each with a ''stable outlook''. The United Arab Emirates has been assigned a credit rating of ''Aa2'' with a ''stable'' outlook by Moody's Investors Service Singapore Pte. Ltd.

Moody's Investors Service Singapore Pte. Ltd. is not established in the European Union and has not applied for registration under the CRA Regulation. The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch, Moody's and Standard & Poor's is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch, Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

A Series of Certificates to be issued under the Programme may be rated or unrated. Where a Series of Certificates is to be rated, its rating will be specified in the applicable Final Terms.

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

Selling Restrictions: There are restrictions on the offer, sale and transfer of the Certificates, including in the Cayman Islands, the Dubai International Financial Centre, the European Economic Area, Hong Kong, Japan, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Malaysia, Singapore, the State of Qatar, the United Arab Emirates (excluding the Dubai International Financial Centre), the United Kingdom and the United States of America. See ''*Subscription and Sale*''.

United States Selling Restrictions: Regulation S, Category 2.

Waiver of Sovereign Immunity: The Bank has agreed in each of 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 judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to the Bank or any of its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity in relation to any legal or arbitral proceedings or Disputes (as defined in the Conditions). In addition, the Bank has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgement made or given in connection with any legal or arbitral proceedings or Disputes.

TERMS AND CONDITIONS OF THE CERTIFICATES

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

AHB Sukuk Company Ltd. (in its capacity as issuer and in its capacity as trustee, the "**Trustee**") has established a programme (the "**Programme**") for the issuance of trust certificates (the "**Certificates**") in a maximum aggregate face amount of U.S.$2,500,000,000 (or the equivalent in other currencies calculated as described in the dealer agreement between the Trustee, Al Hilal Bank P.J.S.C. (the "**Obligor**") and the Dealers named therein dated 23 September 2013 (the "**Dealer Agreement**")), or such other maximum aggregate face amount as increased in accordance with the terms of the Dealer Agreement.

The Certificates are constituted by a master declaration of trust dated 23 September 2013 between the Trustee, the Obligor and Deutsche Trustee Company Limited as the Trustee's delegate (the "**Delegate**", which expression shall include all persons for the time being the delegate or delegates under the Declaration of Trust) (the "**Master Declaration of Trust**") as supplemented by a supplemental declaration of trust entered into on or before the date of issue of the relevant Certificates (the "**Issue Date**") in respect of the relevant Series (the "**Supplemental Declaration of Trust**" and, together with the Master Declaration of Trust, the "**Declaration of Trust**").

An Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 23 September 2013 has been entered into in relation to the Certificates between the Trustee, the Obligor, the Delegate, Deutsche Bank AG, London Branch as initial principal paying agent, Deutsche Bank Luxembourg S.A. as initial registrar and transfer agent and the other agents named in it. The principal paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Principal Paying Agent**", the "**Paying Agents**" (which expression shall include the Principal Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**", and together the "**Agents**".

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

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

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the Series (the "**Proceeds**") (i) in the case of a Wakala Series, in full to purchase the Initial Wakala Portfolio from the Obligor, or (ii) in the case of a Wakala/Mudaraba Series, in an amount equal to the Wakala Percentage of the Proceeds to purchase the Initial Wakala Portfolio from the Bank, and in an amount equal to the Mudaraba Percentage of the Proceeds as the contribution of the initial Mudaraba Capital to the relevant Mudaraba to be invested by the Mudarib in the Initial Mudaraba Portfolio in accordance with the relevant Restricted Mudaraba Agreement (including the relevant Mudaraba Investment Plan); (b) to act as Purchaser pursuant to the Master Purchase Agreement and any Supplemental Purchase Agreement and, in the case of a Wakala/Mudaraba Series, as Rabb-al-Maal pursuant to the Master Restricted Mudaraba Agreement and any Supplemental Restricted Mudaraba Agreement, in each case, on its behalf (which authorisation and direction shall also apply to its successors in title) and (c) to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration of Trust and these Conditions.

1 Interpretation

Unless defined herein or the context otherwise requires, capitalised words and expressions used but not defined herein or hereon shall have the meaning given to them in the Declaration of Trust and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

"**Authorised Signatory**" has the meaning given to it in the Declaration of Trust;

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

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

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

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

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

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

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

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

"**Change of Control**" shall occur if at any time the Government of Abu Dhabi (the "**Government**"), directly or indirectly, through the Abu Dhabi Investment Council or any other department, agency or authority of, or entity owned by, the Government or otherwise: (i) ceases to own more than 50 per cent. of the issued share capital of the Obligor; or (ii) otherwise ceases to control the Obligor, and "**control**" for these purposes shall be the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of the Obligor or to control or have the power to control the affairs and policies of the Obligor (in each case whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise);

"**Change of Control Exercise Notice**" has the meaning given to it in Condition 8(e);

"**Change of Control Notice**" has the meaning given to it in Condition 8(e);

"**Change of Control Put Period**" has the meaning give to it in Condition 8(e);

"**Change of Control Put Right**" means the right specified in Condition 8(e);

"**Change of Control Put Right Date**" shall be the tenth Business Day after the expiry of the Change of Control Put Period;

"**Corporate Services Agreement**" means the corporate services agreement entered into between the Trustee and the Trustee Administrator dated 18 September 2013;

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

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

"**Dispute**" has the meaning given to it in Condition 19(b);

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

(a) the Scheduled Dissolution Date;

(b) any Early Tax Dissolution Date;

(c) any Optional Dissolution Date;

(d) any Certificateholder Put Right Date;

(e) any Change of Control Put Right Date;

(f) any Dissolution Event Redemption Date; or

(g) such other date as specified hereon for the redemption of Certificates and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;

"**Dissolution Distribution Amount**" means:

(a) the sum of:

(i) the outstanding face amount of such Certificate; and

(ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or

(b) such other amount specified hereon as being payable upon any Dissolution Date;

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

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

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

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

"**Excluded Representations**" means any representations given by the Obligor to the Trustee and/or the Delegate pursuant to the Transaction Documents, save for the representations given in Clause 5.2(c) of the Master Purchase Agreement, Clause 3.1(e)(iii) of the Management Agreement and, in respect of a Wakala/Mudaraba Series, Clause 10.2(e) of the Master Restricted Mudaraba Agreement;

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

"**Extraordinary Resolution**" has the meaning given to it in the Declaration of Trust;

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

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

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

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

"**Initial Mudaraba Portfolio**" has the meaning given to it in the Master Restricted Mudaraba Agreement;

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

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

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

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

"**Management Agreement**" means the management agreement dated 23 September 2013 between the Trustee and the Obligor (in its capacity as managing agent);

"**Managing Agent**" means the Obligor in its capacity as such pursuant to the Management Agreement;

"**Master Purchase Agreement**" means the master purchase agreement dated 23 September 2013 between the Trustee (in its capacity as purchaser) and the Obligor (in its capacity as seller);

"**Master Restricted Mudaraba Agreement**" means the master restricted mudaraba agreement dated 23 September 2013 between the Trustee (in its capacity as Rabb-al-Maal) and the Obligor (in its capacity as Mudarib);

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

(i) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total income (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated total assets, or, as the case may be, the consolidated total income of the Obligor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated financial statements of the Obligor, provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Obligor relate for the purpose of applying each of the foregoing tests, the reference to the Obligor's latest audited consolidated financial statements shall be deemed to be a reference to such financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the auditors of the Obligor for the time being after consultation with the Obligor; or

(ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (A) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (B) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above;

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

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

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

"**Mudaraba**" has the meaning given to it in the Master Restricted Mudaraba Agreement;

"**Mudaraba Capital**" has the meaning given to it in the Master Restricted Mudaraba Agreement;

"**Mudaraba Percentage**" means the percentage of the Proceeds paid to the Obligor as the initial Mudaraba Capital of the Mudaraba in accordance with the relevant Supplemental Restricted Mudaraba Agreement;

"**Mudaraba Portfolio**" has the meaning given to it in the Master Restricted Mudaraba Agreement;

"**Mudarib**" means the Obligor in its capacity as such pursuant to the Master Restricted Mudaraba Agreement;

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

(i) **Non-payment**: the Obligor (acting in any capacity) fails to pay an amount in the nature of profit payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of fourteen days, or the Obligor (acting in any capacity) fails to pay an amount in the nature of principal payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of seven days; or

(ii) **Breach of Other Obligations**: the Obligor (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations in the Transaction Documents (excluding the Agency Agreement) to which it is a party which default is incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not in the opinion of the Delegate remedied within 30 days after written notice of such default shall have been given to the Obligor by the Trustee or the Delegate; or

(iii) **Cross-Acceleration**: (A) any other present or future indebtedness of the Obligor or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period; or (C) the Obligor or any of its Subsidiaries fails to pay when due or, as the case may be, within any originally applicable grace period any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this sub-paragraph (iii) shall have occurred and be continuing equals or exceeds U.S.$15,000,000 (or its equivalent in any currency or currencies); or

(iv) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Obligor or any of its Material Subsidiaries and is not discharged or stayed within 30 days; or

(v) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Obligor or any of its Material Subsidiaries and securing an amount which equals or exceeds U.S.$15,000,000 (or its equivalent in any currency or currencies) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or

(vi) **Insolvency**: the Obligor or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting any of such debts; or

(vii) **Winding-up**: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Obligor or any of its Material Subsidiaries, or the Obligor or any of its Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation: (A) on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or (B) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Obligor or another of its Material Subsidiaries; or

(viii) **Illegality**: (A) the Obligor or any liquidator of the Obligor repudiates or disclaims responsibility under any Transaction Document to which the Obligor is a party; or (B) at any time it is or it becomes unlawful for the Obligor (acting in any capacity) to perform or comply with any or all of its obligations under or in respect of the Transaction Documents to which it is a party, or (C) any of the obligations of the Obligor (acting in any capacity) under or in respect of the Transaction Documents are not, or cease to be, legal, valid, binding and enforceable; or

(ix) **Authorisations and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (A) to enable the Obligor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Transaction Documents to which it is a party; (B) to ensure that those obligations are legally binding and enforceable; or (C) to make the Transaction Documents to which it is a party admissible in evidence in the courts of the United Arab Emirates and/or the Emirate of Abu Dhabi is not taken, fulfilled or done (in the case of (C) only, within 14 days of the Trustee or the Delegate giving notice in writing to the Obligor); or

(x) **Analogous Effect**: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (vi) and (vii),

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

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

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

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

"**outstanding**" shall have the meaning given to it in the Declaration of Trust;

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

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

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

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

"**Proceedings**" has the meaning given to it in Condition 19(e)(iii);

"**Profit Amount**" means:

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

(ii) in respect of any other period, the amount of profit payable per Calculation Amount for that period;

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

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

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

"**Profit Rate Determination Date**" means, with respect to a Profit Rate and Return Accumulation Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Return Accumulation Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Return Accumulation Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Return Accumulation Period if the Specified Currency is euro;

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

"**Purchase Undertaking**" means the purchase undertaking dated 23 September 2013 and granted by the Obligor for the benefit of the Trustee and the Delegate;

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

"**Rabb-al-Maal**" means the Trustee in its capacity as such pursuant to the Master Restricted Mudaraba Agreement;

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

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

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

(i) LIBOR;

(ii) EURIBOR;

(iii) KIBOR;

(iv) SHIBOR;

(v) HIBOR;

(vi) KLIBOR;

(vii) TRLIBOR or TRYLIBOR;

(viii) SIBOR;

(ix) EIBOR;

(x) TIBOR; and

(xi) SAIBOR;

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

"**Registered Office Agreement**" means the registered office agreement dated 18 September 2013 between the Trustee and the Trustee Administrator;

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

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

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

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

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

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

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

"**Restricted Mudaraba Agreement**" means the Master Restricted Mudaraba Agreement as supplemented by the applicable Supplemental Restricted Mudaraba Agreement;

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

"**Sale Undertaking**" means the sale undertaking dated 23 September 2013 and granted by the Trustee for the benefit of the Obligor;

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

"**Series**" means a series of Certificates which are identical in all respects;

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

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

"**Subsidiary**" means any entity:

(i) which is then directly or indirectly controlled by the Obligor; or

(ii) more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the Obligor; or

(iii) whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Obligor.

For an entity to be "**controlled**" by the Obligor means that the Obligor (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that entity or otherwise controls, or has the power to control, the affairs and policies of that entity;

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

"**Supplemental Restricted Mudaraba Agreement**" means the supplemental restricted mudaraba agreement to be dated the Issue Date of the relevant Series between the Trustee (in its capacity as Rabb-al-Maal) and the Obligor (in its capacity as Mudarib) for purchase of the Initial Mudaraba Portfolio;

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

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

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

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

(i) the relevant Certificates;

(ii) the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust;

(iii) the Agency Agreement;

(iv) the Master Purchase Agreement as supplemented by the relevant Supplemental Purchase Agreement;

(v) the Management Agreement;

(vi) the Sale Undertaking (together with each relevant sale agreement or transfer agreement executed upon exercise of the Sale Undertaking);

(vii) the Purchase Undertaking (together with each relevant sale agreement or transfer agreement executed upon exercise of the Purchase Undertaking); and

(viii) in respect of a Wakala/Mudaraba Series, the Master Restricted Mudaraba as supplemented by the relevant Supplemental Restricted Mudaraba Agreement,

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

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

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

"**Trustee Administrator**" means MaplesFS Limited;

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

(i) **Non-Payment:** default is made for more than seven days in the payment of any Dissolution Distribution Amount on the date fixed for payment thereof or default is made for more than 14 days in the payment of any Periodic Distribution Amount on the due date for payment thereof; or

(ii) **Breach of Other Obligations**: the Trustee does not perform or comply with any one or more of its other obligations in the Certificates or the Transaction Documents; or

(iii) **Enforcement Proceedings**: any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 90 days; or

(iv) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Trustee becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or

(v) **Insolvency**: the Trustee is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or

(vi) **Winding-up**: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or

(vii) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (x) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its obligations under the Certificates and the Transaction Documents; (y) to ensure that those obligations are legally binding and enforceable; or (z) to make the Certificates and the Transaction Documents admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done; or

(viii) **Illegality**: it is or will become unlawful for the Trustee to perform or comply with any one or more of its obligations under any of the Certificates or the Transaction Documents or any obligations of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or

(ix) **Repudiation**: the Trustee repudiates any Transaction Document or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document; or

(x) **Analogous Events**: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (v) and (vi) above.

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

"**Wakala Assets**" has the meaning given to it in the Management Agreement;

"**Wakala Percentage**" means the percentage of the Proceeds used to purchase the Initial Wakala Portfolio pursuant to the relevant Supplemental Purchase Agreement;

"**Wakala Portfolio**" has the meaning given to it in the Management Agreement;

"**Wakala Series**" means a Series of Certificates specified as such hereon; and

"**Wakala/Mudaraba Series**" means a Series of Certificates specified as such hereon.

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

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

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

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

2 Form, Denomination and Title

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

The Certificates may form part of a Wakala Series or a Wakala/Mudaraba Series, as the case may be, as specified hereon.

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

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

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

*Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank 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. The Conditions are modified by certain provisions contained in the Global Certificate.*

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

3 Transfers

(a) **Transfer of Certificates**: Subject to Condition 3(e), one or more Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee) duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Certificates represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new certificate representing the enlarged holding shall only be issued against surrender of the certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.

(b) **Exercise of Options or Partial Dissolution in Respect of Certificates**: In the case of an exercise of the Obligor's or the Certificateholders' option in respect of, or a partial redemption of, a holding of Certificates represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(c) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 3(a) or 3(b) shall be available for delivery within five business days of receipt of the form of transfer, Certificateholder Put Exercise Notice or Change of Control Exercise Notice and surrender of the Certificate for exchange. Delivery of the new Certificate shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Certificateholder Put Exercise Notice, Change of Control Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Certificateholder Put Exercise Notice, Change of Control Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance or takaful as it may specify. In this Condition 3(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfers Free of Charge**: Transfers of Certificates on registration, transfer, exercise of an option or partial dissolution shall be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Trustee, the Registrar or the relevant Transfer Agent may require).

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

4 Status

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

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

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

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

(i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;

(ii) the Trustee may not sell, transfer, assign or otherwise dispose of the Wakala Portfolio or, in the case of a Wakala/Mudaraba Series, the Mudaraba Portfolio to a third party, and may only realise its rights, title, interest, benefits and entitlements, present and future, in, to and under the Wakala Portfolio and, in the case of a Wakala/Mudaraba Series, the Mudaraba Portfolio in the manner expressly provided in the Transaction Documents;

(iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services providers in their capacity as such) (other than the relevant Trust Assets) or the Delegate or the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in respect of any shortfall or otherwise;

(iv) no Certificateholders will be able to petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;

(v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Declaration of Trust and the Certificates by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent, director or corporate services provider of the Trustee in their capacity as such. The obligations of the Trustee and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee (in their capacity as such), save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(vi) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates (without prejudice to the negative pledge provisions described in Condition 6(b)).

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

5 The Trust

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

(i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(ii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio and, in the case of a Wakala/Mudaraba Series, the Mudaraba Portfolio;

(iii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (excluding the Excluded Representations and the covenant given to the Trustee pursuant to Clause 16.1 of the Master Declaration of Trust);

(iv) all moneys standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing.

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

(b) **Application of Proceeds from Trust Assets**: On each Periodic Distribution Date and on any Dissolution Date the Principal Paying Agent shall apply the monies standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) **first**, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Master Declaration of Trust)) 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 Declaration of Trust;

(ii) **second**, only if such payment is due on or before a Periodic Distribution Date (to the extent not previously paid) to pay, *pro rata* and *pari passu* (i) the Trustee in respect of all amounts 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 Transaction Documents, the Corporate Services Agreement and the Registered Office 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 incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;

(iii) **third**, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;

(iv) **fourth**, only if such payment is due on a Dissolution Date, in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and

(v) **fifth**, only on the Scheduled Dissolution Date (or any earlier date on which the Certificates are redeemed in full) and provided that all amounts required to be paid in respect of the Certificates hereunder have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Managing Agent as an incentive payment for its performance as managing agent under the Management Agreement and, in the case of a Wakala/Mudaraba Series, in its capacity as Mudarib as an incentive payment for its performance as mudarib under the Restricted Mudaraba Agreement.

(c) **Transaction Account**: The Trustee will establish a Transaction Account in respect of each Series by no later than the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee for the benefit of Certificateholders and shall be the account into which the Obligor will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents.

6 Covenants

(a) **Trustee Covenants**: The Trustee covenants that for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

(i) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of *Shari'a* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

(ii) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);

(iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;

(iv) except as provided in Condition 14, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;

(v) except as provided in the 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) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:

(A) as contemplated, provided for or permitted in the Transaction Documents;

(B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(C) such other matters which are incidental thereto.

(b) **Obligor Negative Pledge**: The Obligor undertakes that, for so long as any Certificate remains outstanding, it will not, and will ensure that none of its Subsidiaries will, create or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without (i) at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is party (in whatever capacity) or (ii) providing such other security for those obligations as either (A) the Delegate (on behalf of the Trustee) shall in its absolute discretion deem not materially less beneficial to the interests of Certificateholders; or (B) shall be approved by an Extraordinary Resolution of the holders of the Certificates.

7 Periodic Distribution Amounts

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

(b) **Floating Rate Certificates**:

(i) *Periodic Distribution Amounts and Periodic Distribution Dates:* Each Floating Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be determined in accordance with Condition 7(e). Each such amount of profit is referred to in these Conditions as a "**Periodic Distribution Amount**". Such Periodic Distribution Date(s) is/are either shown hereon as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown hereon, Periodic Distribution Date shall mean each date which falls the number of months or other period shown hereon as the Periodic Distribution Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal

Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 9.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Profit Rate for Floating Rate Certificates:* The Profit Rate in respect of Floating Rate Certificates for each Return Accumulation Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Certificates

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

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Return Accumulation Period unless otherwise specified hereon.

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

(B) Screen Rate Determination for Floating Rate Certificates

(x) Where Screen Rate Determination is specified hereon as the manner in which the Profit Rate is to be determined, the Profit Rate for each Return Accumulation Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page at the Relevant Time on the Profit Rate Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the Relevant Time, subject as provided below, the Calculation Agent shall request the principal office in the Relevant Financial Centre of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Profit Rate Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Profit Rate for such Return Accumulation Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

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

(c) **Entitlement to Profit**: Profit shall cease to accumulate in respect of each Certificate on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall, subject to the terms of the Transaction Documents, continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date.

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

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Return Accumulation Periods), an adjustment shall be made to all Profit Rates, in the case of (x), or the Profit Rates for the specified Return Accumulation Periods, in the case of (y), calculated in accordance with Condition 7(b) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Profit Rate or Minimum Profit Rate is specified hereon, then any Profit Rate shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

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

(f) **Determination and Publication of Profit Rates, Profit Amounts and Dissolution Distribution Amounts**: The Calculation Agent shall, as soon as practicable on each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Profit Amounts for the relevant Return Accumulation Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Profit Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount, to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Certificateholders, any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information and, if the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Periodic Distribution Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Profit Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 7(b)(ii), the Profit Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Periodic Distribution Period. If the Certificates become due and payable under Condition 12, the accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to be calculated as previously in accordance with this Condition 7 but no publication of the Profit Rate or the Profit Amount so calculated need be made unless the Delegate otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of wilful default, bad faith or manifest error) be final and binding upon all parties.

(g) **Determination or Calculation by the Delegate**: If the Calculation Agent does not at any time for any reason determine or calculate the Profit Rate for a Return Accumulation Period or any Profit Amount or Dissolution Distribution Amount, the Delegate may do so (or may appoint an agent on behalf of the Trustee to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the

Delegate or, as the case may be, such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(h) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

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

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

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

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;

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

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

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

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

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

(i) **Calculation Agent**: The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Certificate is outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Profit Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

8 Redemption and Dissolution of the Trust

(a) **Dissolution on the Scheduled Dissolution Date**: Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount and the Trust shall be dissolved by the Trustee on the Scheduled Dissolution Date specified hereon following the payment of all such amounts in full.

(b) **Early Dissolution for Taxation Reasons**: If:

(i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(ii) (A) the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates, the Emirate of Abu Dhabi or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it, (the occurrence of an event described in Condition 8(b)(i) or (ii) being a "**Tax Event**"), the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Delegate and the Certificateholders (which notice shall be irrevocable) redeem the Certificates in whole, but not in part, on any Periodic Distribution Date (if this Certificate is a Floating Rate Certificate) or at any time (if this Certificate is a Fixed Rate Certificate) (such dissolution date being an "**Early Tax Dissolution Date**"), at their Dissolution Distribution Amount, provided that no such notice of dissolution may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or to the Trustee pursuant to any Transaction Document (in the case of the Obligor) then due.

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

(aa) a certificate signed by two Directors and/or Authorised Signatories of the Trustee (in the case of Condition 8(b)(i)) or the Obligor (in the case of Condition 8(b)(ii)) stating that the obligation referred to in Condition 8(b)(i) or 8(b)(ii), as the case may be, has arisen and cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it; and

(bb) an opinion of independent legal advisers of recognised standing to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

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

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

(c) **Dissolution at the Option of the Obligor (Optional Dissolution Right)**: If Optional Dissolution Right is specified as applicable hereon, the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days' irrevocable notice to the Delegate and the Certificateholders (or such other notice period as may be specified hereon) redeem all or, if so specified in the relevant Exercise Notice, some of the Certificates on any Optional Dissolution Date. Any such redemption of Certificates shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed specified hereon and no greater than the Maximum Optional Dissolution Amount to be redeemed specified hereon.

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

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

(d) **Dissolution at the Option of Certificateholders (Certificateholder Put Right)**: If Certificateholder Put Right is specified as applicable hereon, the Trustee shall, at the option of the holder of any Certificate, upon the holder of such Certificate giving not less than 15 nor more than 30 days' notice to the Trustee (or such other notice period as may be specified hereon), redeem such Certificate on the Certificateholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Certificates are to be redeemed on any Certificateholder Put Right Date in accordance with this Condition 8(d), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

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

(e) **Dissolution at the Option of the Certificateholders (Change of Control Put Right)**: The Obligor has agreed in the Purchase Undertaking to notify the Trustee and the Delegate forthwith upon the occurrence of a Change of Control and to provide a description of the Change of Control. The Trustee, upon receipt of such notice from the Obligor or otherwise upon becoming aware of the occurrence of a Change of Control, shall promptly give notice (a "**Change of Control Notice**") of the occurrence of a Change of Control to the Delegate and the Certificateholders in accordance with these Conditions. The Change of Control Notice shall provide a description of the Change of Control and shall require, provided Change of Control Put Right is specified as applicable hereon, Certificateholders to elect within 30 days of the date on which the Change of Control Notice is given (the "**Change of Control Put Period**") if they wish all or any of their Certificates to be redeemed.

If Change of Control Put Right is specified as applicable hereon and a Change of Control occurs, and provided that Certificateholders elect to redeem their Certificates in accordance with this Condition 8(e), the Trustee shall redeem such Certificates on the Change of Control Put Right Date at the Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Certificates are to be redeemed on any Change of Control Put Right Date in accordance with this Condition 8(e), upon payment in full of the Dissolution Distribution Amount to all Certificateholders and, the Trustee shall be bound to dissolve the Trust.

To elect to redeem all or any of its Certificates in accordance with this Condition 8(e), a Certificateholder must deposit its Certificate with the Registrar or any Transfer Agent at its specified office, together with a duly completed exercise notice (a "**Change of Control Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Change of Control Put Period. No Certificate so deposited and right exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

(f) **Dissolution following a Dissolution Event**: Upon the occurrence and continuation of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trustee may be required to dissolve the Trust, in each case subject to and as more particularly described in Condition 12, as the case may be.

(g) **Purchases**: Each of the Obligor and the Obligor's Subsidiaries may at any time purchase Certificates in the open market or otherwise at any price.

(h) **Cancellation**: Any Certificates purchased by or on behalf of the Obligor or any of the Obligor's Subsidiaries may, at the option of the Obligor, be surrendered for cancellation by surrendering the certificate representing such Certificates to the Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Sale Undertaking. Any Certificates so surrendered and all Certificates that are redeemed in accordance with this Condition 8 and/or Condition 12 shall be cancelled forthwith and may not be reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 8(h), the Trustee shall be bound to dissolve the Trust.

(i) **No other dissolution**: The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 8 and Condition 12. Upon payment in full of all amounts due in respect of the Certificates of any Series and the subsequent dissolution of the Trust as provided in this Condition 8 and/or Condition 12 (as the case may be), the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

9 Payments

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

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

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

(b) **Payments subject to Laws**: Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 10) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

(c) **Appointment of Agents**: The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Trustee and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Trustee and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the prior written approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in at least one major European city, (vi) such other agents as may be required by any stock exchange on which the Certificates may be listed, in each case as approved by the Delegate and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

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

(d) **Non-Business Days**: If any date for payment in respect of any Certificate is not a business day, the holder shall not be entitled to payment until the next following business day nor to any profit or other sum in respect of such postponed payment. In this Condition 9(d), "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, on which foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

10 Taxation

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

(a) **Other connection**: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Certificate by reason of his having some connection with the Cayman Islands or, in the case of payments by the Obligor, the United Arab Emirates or the Emirate of Abu Dhabi other than the mere holding of the Certificate; or

(b) **Surrender more than 30 days after the Relevant Date**: if the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate for payment on the last day of such period of 30 days irrespective of whether that day is a business day (as defined in Condition 9(d)); or

(c) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

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

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

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

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

11 Prescription

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

12 Dissolution Events

(a) **Dissolution Event**: If a Dissolution Event occurs and is continuing:

(i) the Delegate, upon receiving written notice thereof under the Declaration of Trust or otherwise upon becoming aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, if required by the Delegate in the circumstances) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed and the Trust to be dissolved; and

(ii) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series of Certificates outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a "**Dissolution Notice**") to the Trustee, the Obligor and the Certificateholders that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this Condition 12(a)(ii) whether or not notice has been given to Certificateholders as provided in Condition 12(a)(i).

Upon receipt of such Dissolution Notice, the Trustee (or the Delegate in the name of the Trustee) shall (x) deliver an Exercise Notice to the Obligor under the Purchase Undertaking and thereafter execute the relevant sale agreement for purchase of the Wakala Portfolio and, (y) in the case of a Wakala/Mudaraba Series, give instructions to the Obligor (as Mudarib) to liquidate the Mudaraba. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant "**Dissolution Event Redemption Date**") and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(b) **Enforcement and Exercise of Rights**: Upon the occurrence and continuation of a Dissolution Event, to the extent that any amount payable in respect of the Certificates of the relevant Series has not been paid in full (notwithstanding the provision of Condition 12(a)), the Trustee or the Delegate (in each case subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) may (acting for the benefit of the Certificateholders) take one or more of the following steps:

(i) enforce the provisions of the Transaction Documents against the Obligor; and/or

(ii) take such other actions, steps or proceedings as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

13 Realisation of Trust Assets

(a) Neither the Trustee or the Delegate shall be bound in any circumstances to take any action, step or proceeding to enforce or to realise the relevant Trust Assets or take any action or steps or proceedings against the Obligor or (in the case of the Delegate) against the Trustee under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the Series of Certificates and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

(b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate or the Trustee, as the case may be, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce the Trustee's and the Obligor's respective obligations under the Transaction Documents to which they are a party.

(c) Following the enforcement, realisation and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Certificates of the relevant Series to the Certificateholders in accordance with these Conditions and the 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 the Obligor) to recover any such sum in respect of the Certificates or the relevant Trust Assets.

(d) Conditions 13(a), 13(b) and 13(c) are subject to this Condition 13(d). After enforcing or realising the relevant Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds of the relevant Trust Assets in respect of the Certificates of the relevant Series in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates of the relevant Series and the right to receive from the Trustee any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

14 Meetings of Certificateholders, Modification and Waiver

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

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

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

(b) **Modification of the Declaration of Trust or any Transaction Document**: The Delegate may (but shall not be obliged to), without the consent of the Certificateholders, (i) agree to any modification of any of the provisions of the Declaration of Trust, the Transaction Documents or the Trustee's memorandum and articles of association that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, or (ii) (A) agree to any other modification of any of the provisions of the Declaration of Trust, the Transaction Documents or the Trustee's memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Declaration of Trust or the Transaction Documents or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such provided that such modification, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the outstanding aggregate face amount of that Series and, in the case of modifications under paragraph (ii)(A) only, is other than in respect of a matter which requires a special quorum resolution (as defined in paragraph 2.8 of Schedule 3 of the Master Declaration of Trust). Any such modification, authorisation, determination or waiver shall be binding on the Certificateholders and, unless the Delegate agrees otherwise, such modification shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 as soon as practicable.

(c) **Entitlement of the Delegate**: In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Delegate shall have regard to the interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Obligor or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

15 Delegate

(a) **Delegation of Powers**: The Trustee will in the Declaration of Trust irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), trusts, rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the

Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together the "**Delegation**" of the "**Relevant Powers**"), provided that: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the relevant Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve any of the trusts constituted by the 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 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.

(b) **Indemnification**: The 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 any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Declaration of Trust or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Conditions 12 or 13, and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.

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

(d) **Reliance on Certificates, Reports and/or Information**: The Delegate may rely on any certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or the Obligor or any other expert or other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such certificate, report or information may be relied upon by the Delegate (without liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or the Obligor or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such certificate, report or information may be limited by an engagement or similar letter or by the terms of the certificate, report or information itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

(e) **Proper performance of duties**: Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the 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 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 actual fraud of which either of them may be guilty in relation to their duties under the Declaration of Trust.

(f) **Notice of Events**: The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event, Potential Dissolution Event or Change of Control has occurred or exists or is continuing and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred or is continuing (without any liability to Certificateholders or any other person for so doing).

16 Replacement of Certificates

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

17 Notices

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

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

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

18 Contracts (Rights of Third Parties) Act 1999

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

19 Governing Law and Arbitration

(a) **Governing Law**: The 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 are and shall be governed by, and construed in accordance with, English law.

(b) **Arbitration**: Subject to Condition 19(c), any dispute, claim, difference or controversy arising out of or in connection with the Declaration of Trust (which includes the Certificates, these Conditions and this Condition 19(b)) (including any dispute as to the existence, validity, interpretation, performance, breach or termination of the Declaration of Trust or the consequence of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a "**Dispute**")) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**"), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition. For these purposes:

(i) the seat of arbitration shall be London, England;

(ii) there shall be three arbitrators, each of whom shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

(iii) the language of the arbitration shall be English.

(c) **Option to Litigate**: Notwithstanding the agreement described in Condition 19(b) above, the Delegate may, in the alternative and at its sole discretion, by notice in writing to the Trustee and the Obligor in accordance with the Declaration of Trust:

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

(ii) if no arbitration has commenced,

require that the Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in the manner described in Condition 19(e) and any arbitration commenced as described in Condition 19(b) will be terminated. With the exception of the Delegate (whose costs will be borne by the Trustee, failing whom the Obligor), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

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

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(ii) his entitlement to be paid his proper fees and disbursements; and

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

(e) **Effect of exercise of option to litigate**: If a notice is issued pursuant to Condition 19(c), the following provisions shall apply:

(i) subject to paragraph (iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and the Obligor have in the Master Declaration of Trust submitted to the exclusive jurisdiction of such courts;

(ii) each of the Trustee and the Obligor have agreed that the courts of England are the most appropriate and convenient courts to settle any Dispute and accordingly will not argue to the contrary; and

(iii) as paragraphs (i) and (ii) above are for the benefit of the Delegate for and on behalf of the Certificateholders only, notwithstanding paragraphs (i) and (ii) above, the Delegate shall not be prevented from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction, and to the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

(f) **Service of Process**: In the Declaration of Trust, the Trustee and the Obligor have each irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings or Disputes in England.

(g) **Waiver**: Under the Declaration of Trust, the Obligor has acknowledged that the transactions contemplated by the Declaration of Trust are commercial transactions and, to the extent that the Obligor 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 to the Obligor or any of its assets or revenues, the Obligor has agreed not to claim and has irrevocably and unconditionally waived such immunity in relation to any legal or arbitral proceedings or Disputes. In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgement made or given in connection with any legal or arbitral proceedings or Disputes.

(h) **Waiver of Interest**:

(i) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection therewith and if it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall hold such amount in a suspense account and promptly donate the same to a registered or otherwise officially recognised charitable organisation.

(ii) For the avoidance of doubt, nothing in this Condition 19(h) shall be construed as a waiver of rights in respect of Periodic Distribution Amounts payable under the Certificates, Wakala Portfolio Income Revenues payable under the Management Agreement, the amount of any Exercise Price payable under the Sale Undertaking and/or the Purchase Undertaking or, in the case of a Wakala/Mudaraba Series, Mudaraba Profit payable under the Restricted Mudaraba Agreement or profit of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM

1 Initial Issue of Certificates

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

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

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

2 Relationship of Accountholders with Clearing Systems

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

3 Transfers in part

3.1 Global Certificates

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

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

(ii) upon the occurrence of a Dissolution Event,

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

4 Amendment to Conditions

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

4.1 Payments

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

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

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

4.2 Meetings

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

4.3 Optional Dissolution Right

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

4.4 Certificateholder Put Right and Change of Control Put Right

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

4.5 Cancellation

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

4.6 Notices

Notices required to be given in respect of the Certificates represented by a Global Certificate may be given by their being delivered (so long as this Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system) to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, or otherwise to the holder of the Global Certificate, rather than by publication as required by the Conditions, provided that such notices must also be given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange, quotation system or other relevant authority on which the Certificates are for the time being listed or admitted to trading or quotation. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

5 Electronic Consent and Written Resolution

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

(i) approval of a resolution proposed by the Trustee or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates outstanding (an "**Electronic Consent**" as defined in the Master Declaration of Trust) shall, for all purposes (including matters that would otherwise require a special quorum resolution (as defined in the Master Declaration of Trust), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent; and

(ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Master Declaration of Trust) has been validly passed, the Trustee and the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee and/or the Delegate, as the case may be, by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Trustee and the Delegate have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "**commercially reasonable evidence**" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Certificates. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular face amount of the Certificates is clearly identified together with the amount of such holding. Neither the Trustee nor the Delegate shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

FORM OF FINAL TERMS

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

Final Terms

[*Date*]

AHB SUKUK COMPANY LTD.

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

under the U.S.$2,500,000,000 Trust Certificate Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the Base Prospectus dated 23 September 2013 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Certificates described herein [for the purposes of Article 5.4 of the Prospectus Directive][2] and must be read in conjunction with the Base Prospectus. Full information on the Trustee, the Obligor and the offer of the Certificates is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [and these Final Terms][3] [is/are] available for viewing in accordance with Article 14 of the Prospectus Directive on the website of the Central Bank of Ireland (www.centralbank.ie) and during normal business hours at the registered office of the Trustee at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained during normal business hours from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

1	(a)	Issuer and Trustee:	AHB Sukuk Company Ltd.
	(b)	Obligor, Managing Agent and, in the case of a Wakala/Mudarab Series, Mudarib:	Al Hilal Bank P.J.S.C.
2		Series Number:	[●]
3		Specified Currency:	[●]
4		Aggregate Face Amount of Series:	[●]
5		Issue Price:	[●] per cent. of the Aggregate Face Amount
6	(a)	Specified Denominations:	[●]
	(b)	Calculation Amount:	[●]
7	(a)	Issue Date:	[●]
	(b)	Profit Commencement Date:	[[●]/Issue Date]
8		Scheduled Dissolution Date:	[●]
9		Profit Basis:	[Fixed Rate Certificates/Floating Rate Certificates] (further particulars specified below)
10		Dissolution Basis:	Dissolution at par
11		Change of Profit Basis:	[[●]/Not Applicable]

2 To be included only if the Certificates are to be admitted to trading on the regulated market, and listing on the official list, of the Irish Stock Exchange.

3 To be included only if the Certificates are to be admitted to trading on the regulated market, and listing on the official list, of the Irish Stock Exchange.

12	Put/Call Rights:	[Not Applicable] [Optional Dissolution Right] [Certificateholder Put Right] [Change of Control Put Right]
13	Status	Unsubordinated
14	Date of Trustee's Board approval and date of Obligor's Board approval for issuance of Certificates:	[●] and [●], respectively

Provisions relating to profit payable

15	Fixed Rate Periodic Distribution Provisions:		[Applicable/Not Applicable]
	(a)	Profit Rate(s):	[●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/[●]] in arrear on each Periodic Distribution Date
	(b)	Periodic Distribution Date(s):	[[●] in each year up to and including the Scheduled Dissolution Date, commencing on [●]/[●]]
	(c)	Fixed Amount(s):	[●] per Calculation Amount
	(d)	Broken Amount(s):	[[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]/Not Applicable]
	(e)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]
	(f)	Determination Date(s):	[[●] in each year/Not Applicable]
16	Floating Periodic Distribution Provisions:		[Applicable/Not Applicable]
	(a)	Specified Periodic Distribution Dates:	[[●] in each year, commencing on [●], subject to adjustment in accordance with (b) below/[Not Applicable]]
	(b)	Periodic Distribution Period:	[Not Applicable]/[●]]
	(c)	Profit Period Date	[Not Applicable/[●]]
	(d)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[●]]
	(e)	Business Centre(s):	[●] [Not Applicable]
	(f)	Manner in which the Profit Rate and the Periodic Distribution Amount are to be determined:	[Screen Rate Determination/ISDA Determination]
	(g)	Party responsible for calculating the Profit Rate and the Periodic Distribution Amount (if not the Calculation Agent):	[●]

	(h) Screen Rate Determination:	[Applicable/Not Applicable]
	(i) Reference Rate:	[●]
	(ii) Profit Rate Determination Date(s):	[●]
	(iii) Relevant Screen Page:	[●]
	(iv) Relevant Time:	[●]
	(v) Relevant Financial Centre:	[●]
	(i) ISDA Determination:	[Applicable/Not Applicable]
	(i) Floating Rate Option:	[●]
	(ii) Designated Maturity:	[●]
	(iii) Reset Date:	[●]
	(iv) ISDA Definitions:	[●]
	(j) Margin(s):	[+/-][●] per cent. per annum
	(k) Maximum Profit Rate:	[●] per cent. per annum
	(l) Minimum Profit Rate:	[●] per cent. per annum
	(m) Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA)

Provisions relating to dissolution

17	Optional Dissolution Right:	[Applicable/Not Applicable]
	(a) Dissolution Distribution Amount:	[As per Condition 1/[●]]
	(b) Optional Dissolution Date(s):	[●]
	(c) Notice period:	[[●]/As per Condition 8(c)]
	(d) If dissolution in part:	
	(i) Minimum Optional Dissolution Amount:	[Not Applicable]/[●]]
	(ii) Maximum Optional Dissolution Amount:	[Not Applicable/[●]]
18	Certificateholder Put Right:	[Applicable/Not Applicable]
	(a) Dissolution Distribution Amount:	[As per Condition 1/[●]]
	(b) Certificateholder Put Right Date(s):	[●]
	(c) Notice period:	[[●]/As per Condition 8(d)]
19	Change of Control Put Right:	[Applicable/Not Applicable]
	(a) Dissolution Distribution Amount:	[As per Condition 1/[●]]
20	Dissolution Distribution Amount following redemption on the Scheduled Dissolution Date, on any Early Tax Dissolution Date or following the occurrence of a Dissolution Event:	[As per Condition 1/[●]]

General provisions applicable to the Certificates

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

Provisions in respect of the Trust Assets

23	Series:	[Wakala Series or Wakala/Mudaraba Series]
	(a) Wakala Percentage:	[●] per cent.
	(b) Mudaraba Percentage:	[Not Applicable/[●] per cent.]
24	Trust Assets:	Condition 5(a) applies
25	(a) Details of Transaction Account:	AHB Sukuk Company Ltd. Transaction Account No: [●] with Deutsche Bank AG, London Branch for Series No.: [●]
	(b) Supplemental Declaration of Trust:	Supplemental Declaration of Trust dated [●] between the Trustee, the Obligor, the Trustee Administrator and the Delegate
	(c) Supplemental Purchase Agreement:	Supplemental Purchase Agreement dated [●] between the Trustee and the Obligor
	(d) Supplemental Restricted Mudaraba Agreement:	[Not Applicable/Supplemental Restricted Mudaraba Agreement dated [●] between the Trustee and the Obligor]

Signed on behalf of **AHB Sukuk Company Ltd.**	Signed on behalf of **Al Hilal Bank P.J.S.C.**
By: .... *Duly authorised*	By: .... *Duly authorised*

PART B – OTHER INFORMATION

1	**Listing and Admission to Trading**	
	(a) Listing and Admission to trading:	[Application has been made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on [●], and listing on [●], of the [●], with effect from [●].] [Not Applicable.]
	(b) Estimate of total expenses related to admission to trading:	[●]
2	**Ratings**	
	Ratings:	The Certificates to be issued [have been/are expected to be] rated: [Moody's: [●]] [Fitch: [●]] [Standard & Poor's: [●]] [[●]: [●]] [[●] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.] [[●] is established in the European Union and is registered under Regulation (EC) No 1060/2009.] [[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [●], which is established in the European Union, disclosed the intention to endorse credit ratings of [●].] [[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [●] in accordance with Regulation (EC) No. 1060/2009. [●] is established in the European Union and registered under Regulation (EC) No. 1060/2009.] [[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.]

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

[Save for any fees payable to the [Managers/Dealer], so far as each of the Trustee and the Obligor is aware, no person involved in the issue of the Certificates has an interest material to the offer.]

4	**Yield** (Fixed Rate Certificates only):	[●] per cent. per annum The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
5	**Operational Information**	
	(a) ISIN Code:	[●]

(b)	Common Code:	[●]
(c)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Not Applicable/give name(s), address(es) and number(s)]
(d)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(e)	Stabilising Manager(s):	[●]

USE OF PROCEEDS

The Issue Price in respect of each Series of Certificates will be applied by the Trustee as follows:

(i) in the case of a Wakala Series, towards the purchase from the Bank of the Initial Wakala Portfolio; and

(ii) in the case of a Wakala/Mudaraba Series, the Wakala Percentage of the Issue Price will be applied towards the purchase from the Bank of the Initial Wakala Portfolio and the Mudaraba Percentage of the Issue Price will by paid by the Trustee (as Rabb-al-Maal) to the Mudarib as the initial Mudaraba Capital of the relevant Mudaraba and invested by the Mudarib in the Initial Mudaraba Portfolio in accordance with the relevant Restricted Mudaraba Agreement (including the relevant Mudaraba Investment Plan).

DESCRIPTION OF THE TRUSTEE

The Trustee

AHB Sukuk Company Ltd. (the "**Trustee**"), an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 14 July 2011 under the Companies Law (2010 Revision) of the Cayman Islands with company registration number 259689. The registered office of the Trustee is at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102 Cayman Islands, telephone number +1345 949 8066.

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

The Business of the Trustee

The Trustee has no prior operating history or prior business and will not have any substantial assets or liabilities other than in connection with the Certificates.

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

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

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

Restrictions on the Offer of the Certificates

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

Financial Statements

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

Directors of the Trustee

The directors of the Trustee are as follows:

Name	Principal Occupation
Andrew Millar	Senior Vice President at Maples Fund Services (Middle East) Limited
Cleveland Stewart	Vice President at MaplesFS Limited

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

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

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

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

The Administrator

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

The terms of the Corporate Services Agreement and the Registered Office Agreement provide that either the Trustee or the Trustee Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Agreement provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party with a copy to any applicable rating agency.

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

The Trustee Administrator's principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

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

SELECTED FINANCIAL INFORMATION

The following tables set out in summary form the balance sheet and income statement information relating to the Bank. Such information has been extracted from the Financial Statements. The Financial Statements, together with the review or auditor's report, respectively, of KPMG and the accompanying notes, appear elsewhere in this Base Prospectus. The financial information presented below should be read in conjunction with the Financial Statements, such reports and the notes thereto and the other information contained in this Base Prospectus.

Income Statement Data

	Six months ended 30 June		**Year ended 31 December**	
	2013	**2012**	**2012**	**2011**
	(AED millions)			
Income from Ijara and Islamic financing activities, net	750.9	726.1	1,498.9	1,381.0
Income from Wakala investments	50.6	30.7	77.1	79.4
Investment income[1]	76.3	37.8	107.4	115.4
Commission, fees and foreign exchange income, net	79.0	76.7	155.4	141.1
Gross income	**956.8**	**871.3**	**1,838.8**	**1,716.9**
Personnel costs	(206.8)	(186.3)	(386.3)	(339.4)
General and administrative expenses	(153.3)	(131.7)	(274.0)	(223.8)
Impairment charges on financial assets	(94.2)	(126.0)	(257.3)	(280.3)
Depreciation	(29.6)	(35.0)	(72.1)	(71.6)
Profit before depositors' share of profits	**472.9**	**392.3**	**849.1**	**801.8**
Depositors' share of profits	(255.5)	(298.7)	(583.4)	(621.8)
Profit for period/year	**217.4**	**93.6**	**265.7**	**180.0**
Attributable to:				
Equity holder of the Bank	217.4	124.9	310.3	202.3
Non-controlling interest	—	(31.3)	(44.6)	(22.3)
Unrealised revaluation gain/(losses) on investment securities	2.4	9.5	15.6	(16.9)
Gain on sale of investments carried at fair value through other comprehensive income	1.4	—	—	—
Foreign currency translation reserve	(4.4)	(8.3)	(10.0)	3.0
Other comprehensive (expense)/income for the period/year	(0.6)	1.2	5.6	(13.9)
Total comprehensive income for the period/year	216.8	94.8	271.3	166.1
Attributable to:				
Equity holder of the Bank	216.8	126.1	315.9	188.5
Non-controlling interest	—	(31.3)	(44.6)	(22.3)
	216.8	94.8	271.3	166.1

Balance Sheet Data

	As at 30 June	As at 31 December	
	2013	2012	2011
		(AED millions)	
ASSETS			
Cash and balances with banks	1,317.4	1,437.2	1,232.2
Murabaha and Wakala deposits with banks and other financial institutions	3,765.6	2,805.8	2,608.2
Receivables from Islamic financing activities	18,929.0	17,859.9	15,501.3
Ijara	5,150.8	5,051.0	3,823.5
Investment securities(1)	2,653.3	2,799.6	3,160.0
Investment property	39.7	39.7	125.5
Property and equipment	1,410.7	1,369.7	1,219.7
Other assets	977.7	759.0	580.7
Total assets	**34,244.2**	**32,121.9**	**28,251.1**
LIABILITIES AND EQUITY			
Liabilities			
Customers' accounts	26,685.3	24,956.7	19,617.8
Wakala deposits from banks	2,361.1	2,491.6	4,935.8
Other liabilities	1,488.2	1,178.0	973.9
Total liabilities	**30,534.6**	**28,626.3**	**25,527.5**
Equity			
Share capital	3,090.0	3,090.0	2,590.0
Statutory reserve	69.4	69.4	34.3
Other reserves	(13.5)	(11.5)	(17.0)
Retained earnings	537.4	321.4	45.4
Total equity attributable to the equity holder of the Bank	3,683.3	3,469.4	2,652.7
Non-controlling interest	26.3	26.2	70.9
Total equity	**3,709.6**	**3,495.6**	**2,723.6**
Total liabilities and equity	**34,244.2**	**32,121.9**	**28,251.1**

Note:

(1) AED 1.8 billion of the Bank's investment securities as at 30 June 2013 comprise the investment by the Bank in a Government of Dubai *sukuk* issue in 2009. The Bank was the sole investor in this sukuk which matures in 2014. A matching Government related deposit has been made in connection with this *sukuk* investment and the investment income derived by the Bank from the *sukuk* is largely offset by the amounts payable in relation to this deposit.

At 31 December 2012 and 2011, approximately 97 per cent. and 99 per cent., respectively, of the Bank's AED 32.1 billion and AED 28.3 billion, respectively, of total assets and AED 28.6 billion and AED 25.5 billion, respectively, of total liabilities and approximately 93 per cent. of its AED 11.6 billion and approximately 95 per cent. of AED 13.3 billion, respectively, of contingencies and commitments, were concentrated in the UAE.

Sources of Funding

The Bank's main source of funding is customers' accounts, Wakala deposits from banks and shareholders' equity. The following table sets out certain details of such funding for the Bank as at 30 June 2013 and as at 31 December 2012 and 2011:

	As at 30 June	As at 31 December	
	2013	2012	2011
		(AED millions)	
Wakala deposits	17,522.5	18,684.9	14,782.3
Current accounts	2,964.0	2,143.6	2,087.3
Time deposits	1,897.9	1,666.8	1,325.0
Savings accounts	4,301.0	2,461.4	1,423.2
Wakala deposits from banks	2,361.1	2,491.6	4,935.8
Shareholders' equity	3,683.3	3,469.4	2,652.7

Cash and balances with banks

The following table sets out certain details of the Bank's cash and balances with Banks as at 30 June 2013 and as at 31 December 2012 and 2011:

	As at 30 June	As at 31 December	
	2013	2012	2011
		(AED millions)	
Cash in hand	187.7	203.0	305.4
Cash reserve deposits with the Central Bank	969.0	846.3	707.3
Current account with the Central Bank	105.7	336.5	127.6
Due from banks	55.0	51.4	91.9
Total	**1,317.4**	**1,437.2**	**1,232.2**

Cash reserve deposits with the UAE Central Bank are not available for the operations of the Group.

Other assets

The following table sets out certain details of the Bank's other assets as at 30 June 2013 and as at 31 December 2012 and 2011:

	As at 30 June	As at 31 December	
	2013	2012	2011
		(AED millions)	
Prepaid expenses	61.4	38.8	48.2
Income receivable	23.4	71.7	84.0
Takaful receivable	121.9	96.4	37.0
Murabaha inventory.	82.8	83.2	91.5
Prepaid staff allowances	35.3	22.3	22.0
Investment Property	39.7	39.7	125.5
Others	139.8	169.2	91.0
Acceptances	513.1	277.4	207.0
Total other assets	**1,017.4**	**798.7**	**706.2**

"Others" in the table above includes promises to buy and sell foreign currencies which are carried at fair value. The notional amounts of these contracts as at 31 December 2012 and 2011 are disclosed in Note 25 of the 2012 Financial Statements.

Customers' accounts

The following table sets out certain details of the Bank's customers' accounts by type of account as at 30 June 2013 and as at 31 December 2012 and 2011:

	As at 30 June	As at 31 December	
	2013	2012	2011
	(AED millions)		
By account:			
Wakala deposits	17,522.4	18,684.9	14,782.3
Current accounts	2,964.0	2,143.6	2,087.3
Time deposits	1,897.9	1,666.8	1,325.0
Savings accounts	4,301.0	2,461.4	1,423.2
Total	**26,685.3**	**24,956.7**	**19,617.8**

The following table sets out certain details the Bank's customers' accounts by sector as at 31 December 2012 and 2011:

	As at 31 December	
	2012	2011
	(AED millions)	
By sector:		
Government	11,714.4	9,435.6
Public	168.7	101.5
Corporate/private	5,244.5	4,749.2
Retail	7,829.1	5,331.5
Total	**24,956.7**	**19,617.8**

Impairment charges on financial assets

The following table sets out the Bank's impairment charges on financial assets as at 31 December 2012 and 2011

	Murabaha and wakala deposits with banks and other financial institutions		Ijara		Receivables from Islamic financing activities		Investment securities		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(AED millions)									
At 1 January	11.8	11.1	80.5	25.7	405.4	187.9	8.2	1.8	505.9	226.5
Charge for the year	(0.5)	0.6	30.9	54.8	232.2	218.5	(5.3)	6.4	257.3	280.3
Write offs	—	—	—	—	(30.6)	(0.9)	—	—	(30.6)	(0.9)
Unwinding on renegotiated financings	—	—	—	—	(5.9)	—	—	—	(5.9)	—
At 31 December	11.3	11.7	111.4	80.5	601.1	405.5	2.9	8.2	726.7	505.9

Consolidated statement of cash flows

The following table sets out certain details of the Bank's consolidated statement of cash flows for the six months ended 30 June 2013 and 2012 and the years ended 31 December 2012 and 2011:

	Six months ended 30 June		Year ended 31 December	
	2013	**2012**	**2012**	**2011**
	(AED millions)			
Net cash from / (used in) operating activities	(1,759.7)	2,747.0	1,810.6	500.7
Net cash from / (used in) investing activities	56.7	(231.0)	181.3	(1,154.4)
Net cash from / (used in) financing activities	(166.1)	(111.8)	(1,189.9)	197.9
Cash and cash equivalents, beginning of the period/year	1,912.9	1,427.5	564.1	1,019.9
Cash and cash equivalents, end of the period/year	43.8	976.7	1,366.1	564.1

Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts with original contractual maturities of less than three months. The following table sets out these amounts as at 30 June 2013 and 2012 and as at 31 December 2012 and 2011:

	As at 30 June	As at 31 December	
	2013	**2012**	**2011**
Cash and balances with banks	1,317.4	1,437.2	1,232.2
Murabaha and wakala deposits with banks and other financial institutions	3,765.6	2,805.8	2,608.2
Wakala deposits from banks	(2,361.1)	(2,491.6)	(4,935.8)
Total	**2,721.9**	**1,751.4**	**(1,095.4)**

Key Financial Ratios

The following table sets out certain key ratios calculated with results derived from the Financial Statements. These ratios are not calculated on the basis of IFRS and are not IFRS measures of financial performance.

	As at 30 June	As at 31 December	
	2013	2012	2011
	(% unless otherwise stated)		
Key Ratios			
Net profit margin[(1)]	4.2	4.1	3.9
Total financings/total assets	70.4	71.3	68.4
Customers' accounts/total assets	78.0	77.7	69.4
Total financings to total deposits ratio	90.3	91.8	98.5
Liquid assets ratio[(2)]	11.0	13.4	16.1
Cost to income ratio[(3)]	55.6	58.3	58.0
Return on equity[(4)]	12.0	10.0	8.6
Return on assets[(5)]	1.3	1.0	0.7
Non performing financings ratio[(6)]	1.6	1.3	1.2
Non performing financings provisions ratio[(7)]	198.5	231.9	211.3
Capital adequacy ratio[(8)]	14.4	14.7	13.4
Earnings per share (*fils*)	14	10	8

Notes:

(1) Net profit income divided by average earning assets (annualised for the six month period to 30 June 2013).
(2) Total liquid assets divided by total liabilities.
(3) Total operating cost divided by total operating income
(4) Net income divided by average equity.
(5) Net income divided by average assets (annualised for the six month period to 30 June 2013).
(6) Non-performing financings divided by gross financings.
(7) Total accumulated provisions divided by non-performing financings.
(8) Calculated in accordance with UAE Central Bank regulations.

FINANCIAL REVIEW

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

The review of the Bank's financial condition and results of operations is based upon the Financial Statements which have been prepared in accordance with IFRS. This discussion contains forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

Financial information in this section as at and for the six month periods ended 30 June 2013 and 2012 is unaudited. Save in the case of the financial information for the years ending 31 December 2008, 2009 and 2010 in the section entitled "Overview" below (which has been extracted from the consolidated audited financial statements of the Bank for such years) all financial information in this section has been derived from the 2012 Financial Statements, the Interim Financial Statements and the unaudited, unreviewed management accounts of the Bank (as applicable). References in this section to 2012 and 2011 are to the 12 months ended 31 December in each such year. The Bank's results for the six months ended 30 June 2013 should not be taken as being indicative of its results for the year ending 31 December 2013.

Overview

The Bank commenced operations in mid-2008 and has grown significantly since that date, notwithstanding the adverse effects of the global financial crisis on the UAE which commenced in late 2008. In 2009, the UAE experienced a significant economic slowdown following a substantial fall in hydrocarbon prices during the second half of 2008 and a slump in the property market from late 2008. In common with most other countries around the world, the UAE financial system experienced a significant liquidity squeeze during 2009 which adversely affected the banking sector.

Notwithstanding these adverse economic developments, the Bank opened seven branches and 33 automatic teller machines ("**ATMs**") across the UAE in 2008 and grown its total assets to AED 5.5 billion as at 31 December 2008. During 2009, the Bank opened a further seven branches and 28 ATMs in the UAE and had AED 17.4 billion in total assets as at 31 December 2009. The Bank also commenced its takaful product offering and, to complement its auto financing business, vehicle sales operations through its dedicated wholly-owned subsidiaries, Al Hilal Takaful PSC and Al Hilal Auto LLC in 2009. During 2010, although the effects of the global financial crisis began to subside, the banking sector in the UAE remained subdued. Nevertheless, the Bank opened seven more branches and 32 ATMs in the UAE and had grown its total assets to AED 25.7 billion as at 31 December 2010. In 2010, the Bank also commenced operations in Kazakhstan as the first Islamic bank in that country, through Al Hilal Islamic Bank JSC, a wholly-owned subsidiary, with its head office in Almaty and two branches in Astana and Shymkent. The Bank also recorded its first annual profit in 2010. During 2011, the Bank opened 19 ATMs in the UAE and its total assets as at 31 December 2011 were AED 28.3 billion. The Bank had 22 UAE branches by the end of 2012. The Bank opened a further four ATMs in the UAE during 2012 and as at 31 December 2012 its total assets were AED 32.1 billion. During the six months to 30 June 2013, the Bank closed one branch for renovation, opened one further branch and relocated two ATMs in the UAE, and its total assets as at 30 June 2013 were AED 34.2 billion.

This financial review analyses the Bank's results of operations in 2012 and 2011 as well as during the two six month periods ended 30 June 2013 and 30 June 2012.

Significant Accounting Policies and Critical Accounting Judgments

The preparation of the Financial Statements requires management to make certain estimates and judgments, some of which are subjective and complex, often as a result of the need to make estimations of future events. The Bank's significant accounting policies are set out in Note 3 to the 2012 Financial Statements and Note 3 to the Interim Financial Statements in each case in respect of the periods to which they relate, and a summary of the critical accounting estimates and judgments that are made in preparing the financial statements is set out in Note 5 to the 2012 Financial

Statements in respect of the years ended 31 December 2012 and 31 December 2011 and Note 4 to the Interim Financial Statements in respect of the six months ended 30 June 2013 and 30 June 2012.

Results of Operations for the Six Month Periods Ended 30 June 2013 and 30 June 2012

Gross Income

The Bank earns income from its financing activities, from investments made by it and from certain services provided by it.

The following table analyses the Bank's net income for each of the six month periods ended 30 June 2013 and 30 June 2012:

	Six months ended 30 June	
	2013	**2012**
	(AED millions)	
Income from Murabaha – corporate	313.1	265.9
Income from Murabaha – retail	314.8	325.1
Income from Ijara – corporate	46.9	62.3
Income from Ijara – retail	76.1	72.8
Total income from Ijara and Islamic financing activities, net	**750.9**	**726.1**
Income from Wakala investments	50.6	30.7
Investment income, net	76.3	37.8
Total investment income	**126.9**	**68.5**
Fee, commission and other income, net	76.8	73.0
Foreign exchange gains, net	2.2	3.7
Total commission, fees and foreign exchange income, net	**79.0**	**76.7**
Gross income	**956.8**	**871.3**

Income from Ijara and Islamic financing activities

The Bank's total net income from Ijara and Islamic financing activities was AED 750.9 million in the six months ended 30 June 2013, an increase of AED 24.8 million, or 3.4 per cent., from the AED 726.1 million recorded in the six months ended 30 June 2012. The increase in income from Ijara and Islamic financing activities reflected increases of AED 47.2 million, or 17.8 per cent., in income from Murabaha transactions with corporate clients and of AED 3.3 million, or 4.5 per cent., in income from Ijara transactions with retail clients and decreases of AED 10.3 million, or 3.2 per cent., in income from Murabaha transactions with retail clients and of AED 15.4 million, or 24.7 per cent., in income from Ijara transactions with corporate clients.

Income from Murabaha transactions principally reflects the Bank's profit on Murabaha transactions entered into by it. These transactions are entered into to provide financing to the Bank's clients and the increase in the income recorded in the first six months in 2013 compared to the first six months in 2012 principally reflected increased volumes of transactions entered into by the Bank with respect to corporate clients as its customer base continued to grow in the first six months of 2013.

Income from Ijara transactions represents rental revenue (net of the costs of leasing the assets concerned) received by the Bank in respect of assets (principally real estate, equipment and vehicles) leased by the Bank to its customers. The decrease in Ijara income recorded in the first six months in 2013 compared to the first six months in 2012 principally reflected the lower level of Ijara transactions entered into by the Bank with corporate clients.

Investment income

The Bank's total investment income was AED 126.9 million in the six months ended 30 June 2013, an increase of AED 58.4 million, or 85.3 per cent., from the AED 68.5 million recorded in the six months ended 30 June 2012 which principally reflected realised gains on the Bank's investment portfolios.

The Bank's Wakala investments comprise certain deposits made by the Bank with other financial institutions and the increase in income from these investments during the first six months in 2013 compared to the first six months in 2012 principally reflected increased volumes of transactions as the Bank sought to invest increasing funds available to it.

The Bank's other income generating investments comprise a portfolio of equity and *sukuk* instruments and the increase in income from these investments during the first six months in 2013 compared to the first six months in 2012 principally reflected fair value gains revaluations as a result of favourable market conditions affecting such investments. As at 30 June 2013, AED 1.8 billion of the *sukuk* instruments comprise the investment by the Bank in a Government of Dubai *sukuk* issue in 2009. The Bank was the sole investor in this *sukuk* which matures in 2014. The income derived by the Bank from the *sukuk* (in the form of periodic payments of profit) is largely offset by a matching Government of Abu Dhabi (the "**Government**") related deposit.

Commission, fees and foreign exchange income

The Bank's total net income from commission, fees and foreign exchange was AED 79.0 million in the six months ended 30 June 2013, an increase of AED 2.3 million, or 3.0 per cent., from the AED 76.7 million recorded in the six months ended 30 June 2012, principally reflecting an increase of AED 3.8 million, or 5.2 per cent., in fee, commission and other income. The Bank earns fees and commissions principally from the issuance of letters of credit and guarantees and the increase in fee, commission and other income was due to a more focused approach by the Bank to increase the volume of the fee, commission and other income generating activities undertaken by it.

Expenses

The Bank's expenses are personnel costs, general and administrative expenses, impairment charges and depreciation.

Personnel costs

The Bank's personnel costs were AED 206.8 million in the six months ended 30 June 2013, an increase of AED 20.5 million, or 11 per cent., from the AED 186.3 million recorded in the six months ended 30 June 2012, principally reflecting both staff number increases and increases in remuneration. The Bank's average number of full time staff was 758 in the six months ended 30 June 2013 compared to 717 in the six months ended 30 June 2012.

General and administrative expenses

The following table sets forth the details of the Bank's general and administrative expenses for each of the six month periods ended 30 June 2013 and 30 June 2012:

	Six months ended 30 June	
	2013	**2012**
	(AED millions)	
Rent expenses	42.3	39.3
Marketing and advertising expenses	16.7	12.2
Consultancy fees	8.1	28.5
Repair and maintenance	16.4	10.0
Communication	7.2	6.2
Other expenses	62.6	35.5
Total general and administrative expenses	**153.3**	**131.7**

The Bank's general and administrative expenses were AED 153.3 million in the six months ended 30 June 2013, an increase of AED 21.6 million, or 16.4 per cent., from the AED 131.7 million recorded in the six months ended 30 June 2012. The increase principally reflected increases in rent expenses (of AED 3.0 million, or 7.6 per cent.) as the Bank opened a new branch, increases in repairs and maintenance costs (of AED 6.4 million, or 64.0 per cent. in connection with the Bank's expanding branch network) and increases in other expenses (of AED 27.1 million, or 76.3 per cent.) reflecting a variety of different factors commensurate with the Bank's growth in operations over the period. These increases were only partially offset by a decrease in consultancy fees (of AED 20.4 million, or 71.5 per cent.) paid to direct sales agents which are contracted by the Bank through a third party outsourcing arrangement to provide sales services to the Bank's branches. The average number of such direct sales agents contracted by the Bank was 170 in the six months ended 30 June 2013 compared to 115 in the six months ended 30 June 2012.

Impairment charges on financial assets

The Bank records impairment charges on its financial and other assets where there is objective evidence that the asset has been impaired and the amount of the impairment charge reflects the difference between the carrying value of the asset and its assessed recoverable value or fair value, depending on the asset concerned.

The Bank's provisions for impairment charges (net of recoveries) were AED 94.2 million in the six months ended 30 June 2013, a decrease of AED 31.8 million, or 25.2 per cent., from the AED 126.0 million charged in the six months ended 30 June 2012. This decrease principally reflected decreases in impairment charges on Ijara financial assets (of AED 3.3 million, or 26.6 per cent.) and decreases in impairment charges on Islamic financing financial assets (of AED 30.1 million, or 27.8 per cent.). These decreases principally reflected the reduction in the financial assets of the Bank over the period and, in the case of Ijara financial assets, the implementation of tighter credit risk controls on high risk customer segments by the Bank.

Depreciation

The Bank depreciates its fixed assets (other than land which is not depreciated) using the straight line method to allocate each asset's cost or re-valued amount to its assessed residual amount over its estimated useful life. The Bank's depreciation cost in the six months ended 30 June 2013 was AED 29.6 million, a decrease of AED 5.4 million, or 15.4 per cent., from the AED 35.0 million recorded in the six months ended 30 June 2012. This decrease primarily reflected a significant proportion of the Bank's fixed assets having been fully depreciated.

Profit before Depositors' Share of Profits

Reflecting the above factors, the Bank's profit before depositors' share of profits was AED 472.9 million in the six months ended 30 June 2013, an increase of AED 80.6 million, or 20.5 per cent., from the AED 392.3 million recorded in the six months ended 30 June 2012.

Depositors' Share of Profits

Depositors' share of profits represents the amount due to customers who have deposited funds with the Bank as a *Mudarib* or as a *Wakil*. The return on the deposit is linked to the Bank's performance in the manner specified in the respective Mudaraba or *Wakala* contracts entered into between the Bank and its customers. The depositors' share of profits in the six months ended 30 June 2013 was AED 255.5 million, a decrease of AED 43.2 million, or 14.5 per cent., from the AED 298.7 million recorded in the six months ended 30 June 2012. This decrease principally reflects the market trend of declining EIBOR over the period resulting in reduced returns on deposits, combined with an increase in the proportion of current account and savings customer deposits held with the Bank on which the Bank is obliged to pay no profit, or a low rate of profit, respectively.

Profit for the Period

Reflecting the above factors, the Bank's profit for the six months ended 30 June 2013 was AED 217.4 million, an increase of AED 123.8 million, or 132.3 per cent., compared to AED 93.6 million recorded for the six months ended 30 June 2012.

Total Comprehensive Income/(Loss) for the Period

The Bank's other comprehensive loss in the six months ended 30 June 2013 was AED 0.6 million, a decrease of AED 1.8 million, or 150 per cent., from the AED 1.2 million other comprehensive income recorded in the six months ended 30 June 2012. As a result, the Bank's total comprehensive income in the six months ended 30 June 2013 was AED 216.8 million, an increase of AED 122.0 million, or 128.7 per cent., from the total comprehensive income of AED 94.8 million recorded in the six months ended 30 June 2012.

Results of Operations for the Years Ended 31 December 2012 and 31 December 2011

Gross Income

The following table analyses the Bank's net income for each of the years ended 31 December 2012 and 2011:

	Year ended 31 December	
	2012	**2011**
	(AED millions)	
Income from Murabaha – corporate	553.2	497.7
Income from Murabaha – retail	663.9	624.6
Income from Ijara – corporate	134.8	127.2
Income from Ijara – retail	147.0	131.5
Total income from Ijara and Islamic financing activities, net	**1,498.9**	**1,381.0**
Income from wakala investments	77.1	79.4
Investment income	107.4	115.4
Total investment income	**184.5**	**194.8**
Fee and commission income	145.2	126.0
Net foreign exchange gains and losses	6.4	5.7
Other income	3.8	9.4
Total commission, fees and foreign exchange income, net	**155.4**	**141.1**
Gross income	**1,838.8**	**1,716.9**

Income from Ijara and Islamic financing activities

The Bank's total net income from Ijara and Islamic financing activities was AED 1,498.9 million in 2012, an increase of AED 117.9 million, or 8.5 per cent., from the AED 1,381.0 million recorded in 2011. The increase in net income from Ijara and Islamic financing activities reflected increases of AED 55.5 million, or 11.2 per cent., in income from Murabaha transactions with corporate clients, AED 39.3 million, or 6.3 per cent., in income from Murabaha transactions with retail clients, AED 7.6 million, or 6.0 per cent., in income from Ijara transactions with corporate clients and AED 15.5 million, or 11.8 per cent., in income from Ijara transactions with retail clients.

Income from Murabaha transactions principally reflects the Bank's profit on Murabaha transactions entered into by it. These transactions are entered into to provide financing to the Bank's clients and the increase in the income recorded in 2012 compared to 2011 principally reflected increased volumes of transactions entered into by the Bank as its customer base continued to grow in 2012.

Income from Ijara transactions represents rental revenue (net of the costs of leasing the assets concerned) received by the Bank in respect of assets leased by the Bank to its customers. The increase in Ijara income recorded in 2012 compared to 2011 principally reflected increased volumes of Ijara transactions entered into by the Bank as its customer base continued to grow in 2012.

Investment income

The Bank's total investment income was AED 184.5 million in 2012, a decrease of AED 10.3 million, or 5.3 per cent., from the AED 194.8 million recorded in 2011. The decrease in investment income reflected decreases of AED 2.3 million, or 2.9 per cent., in income from Wakala investments and AED 8.0 million, or 6.9 per cent., in income from investments.

The Bank's Wakala investments comprise certain deposits made by the Bank with other financial institutions and the decrease in income from these investments in 2012 compared to 2011 principally reflected the decline in EIBOR, to which the return on the Bank's Wakala investment income is linked, over the period.

The Bank's other income generating investments comprise a portfolio of equity and *sukuk* instruments and the decrease in income from these investments in 2012 compared to 2011 principally reflected the decline in EIBOR, to which the return on the Bank's *sukuk* investment income is linked, over the period.

Commission, fees and foreign exchange income

The Bank's net income from commission, fees and foreign exchange was AED 155.4 million in 2012, an increase of AED 14.3 million, or 10.1 per cent., from the AED 141.1 million recorded in 2011, principally reflecting an increase of AED 19.2 million, or 15.2 per cent., in fee and commission income. The increase in fee and commission income reflected an increase in the volume of fee and commission income generating activities of the Bank. The Bank's other income decreased by AED 5.6 million, or 60.0 per cent., in 2012 compared to 2011 reflecting a variety of factors commensurate with the Bank's continued growth over the period.

Expenses

Personnel costs

The Bank's personnel costs were AED 386.3 million in 2012, an increase of AED 46.9 million, or 13.8 per cent., from the AED 339.4 million recorded in 2011, principally reflecting both increased staff numbers and increased remuneration. The Bank's average number of full time staff was 754 in 2012 compared to 713 in 2011.

General and administrative expenses

The following table sets forth the details of the Bank's general and administrative expenses for each of the years ended 31 December 2012 and 31 December 2011:

	Year ended 31 December	
	2012	**2011**
	(AED millions)	
Rent expenses	78.1	75.0
Marketing and advertising expenses	30.5	25.0
Consultancy fees	27.2	9.3
Repair and maintenance	16.9	13.0
Communication	12.1	9.4
Other expenses	109.2	92.1
Total general and administrative expenses	**274.0**	**223.8**

The Bank's general and administrative expenses were AED 274.0 million in 2012, an increase of AED 50.2 million, or 22.4 per cent., from the AED 223.8 million recorded in 2011. The increase principally reflected increases in consultancy fees (of AED 17.9 million, or 192.4 per cent.) in respect of the direct sales agents contracted by the Bank and other expenses (of AED 17.1 million, or 18.6 per cent.) reflecting a variety of factors commensurate with the Bank's growth in operations over the year. The average number of direct sales agents contracted by the Bank was 115 in 2012 compared to 190 in 2011.

Impairment charges on financial assets

The Bank's impairment charges on its financial assets were AED 257.3 million in 2012, a decrease of AED 23.0 million, or 8.2 per cent., from the AED 280.3 million charged in 2011. This decrease principally reflected decreases in impairment charges on Ijara financial assets (of AED 23.9 million, or 43.6 per cent.) and decreases in impairment charges on investment securities (of AED 11.7 million). These decreases principally reflected the implementation of tighter credit risk controls on high risk customer segments by the Bank in its Ijara financial assets.

Depreciation

The Bank's depreciation cost in 2012 was AED 72.1 million, an increase of AED 0.5 million, or 0.7 per cent., from the AED 71.6 million recorded in 2011. The increase reflected marginally increased depreciation as a result of a small increase in the size of the Bank's depreciable asset base.

Profit before Depositors' Share of Profits

Reflecting the above factors, the Bank's profit before depositors' share of profits was AED 849.1 million in 2012, an increase of AED 47.3 million, or 5.9 per cent., from the AED 801.8 million recorded in 2011.

Depositors' Share of Profits

The depositors' share of profits in 2012 was AED 583.4 million, a decrease of AED 38.4 million, or 6.2 per cent., from the AED 621.8 million recorded in 2011. This decrease principally reflected an increase in the proportion of current account and savings customer deposits held with the Bank on which the Bank is obliged to pay no profit, or a low rate of profit, respectively.

Profit for the Year

Reflecting the above factors, the Bank's profit for 2012 was AED 265.7 million, an increase of AED 85.7 million, or 47.6 per cent., from the profit of AED 180.0 million recorded in 2011.

Total Comprehensive Income for the Year

The Bank's other comprehensive income in 2012 was AED 5.6 million, an increase of AED 19.5 million, from the AED 13.9 million other comprehensive expense recorded in 2011. As a result, the Bank's total comprehensive income in 2012 was AED 271.3 million, an increase of AED 105.2 million, or 63.3 per cent., from the AED 166.1 million total comprehensive income recorded in 2011.

Segmental Information

The Bank classifies its activities into two main segments: Wholesale Banking and Personal Banking. The Bank's other business groups are Investment Banking and Treasury. The Bank's Investment Banking business first commenced operations in 2011 and, together with its Treasury business, does not, at this early stage in the development of these business lines, make a material contribution to the Bank's total assets, total liabilities or net profit.

The tables below show the Bank's total assets and total liabilities for the period by the above two main segments as at, and for each of the years ended 31 December 2012 and 31 December 2011:

	As at and for the year ended 31 December 2012			
	Wholesale Banking	Personal Banking	Unallocated(1)	Total
	(AED millions)			
Total assets	14,661.9	8,961.6	8,498.4	32,121.9
Total liabilities	17,127.6	7,829.1	3,669.6	28,626.3

	As at and for the year ended 31 December 2011			
	Wholesale Banking	Personal Banking	Unallocated(1)	Total
	(AED millions)			
Total assets	12,111.5	7,699.2	8,440.4	28,251.1
Total liabilities	14,286.3	5,331.5	5,909.7	25,527.5

Note: "Unallocated" refers to the total assets/total liabilities of the Bank's Investment Banking Group and Treasury Banking Group and those total assets/total liabilities of the Bank which the Bank does not apportion amongst its principal business groups.

The Bank classifies as Wholesale Banking assets and liabilities the funds which it applies to, and receives from, respectively, the customers of its Wholesale Banking Group. Similarly, the Bank classifies as Personal Banking assets and liabilities the funds which it applies to, and receives from, respectively, the customers of its Personal Banking Group.

Commitments and Contingencies

The Bank's principal commitments comprise commitments to extend credit and sell foreign currencies, capital commitments and operating lease commitments whilst its contingencies comprise guarantees provided and letters of credit issued.

The following table sets forth the Bank's commitments and contingencies as at 31 December 2012 and 2011:

	As at 31 December	
	2012	**2011**
	(AED millions)	
Letters of credit	806.5	443.8
Letters of guarantee	5,593.3	5,963.9
Irrevocable commitments to extend credit	1,244.5	2,319.2
Revocable commitments to extend credit	3,198.0	3,906.3
Capital commitments	563.9	436.5
Operating lease commitments	165.5	243.7
Total commitments and contingencies	**11,571.7**	**13,313.4**

Cash Flow Statements

The following table summarises the consolidated cash flows of the Bank for the six month periods ended 30 June 2013 and 2012:

	Six months ended 30 June	
	2013	**2012**
	(AED millions)	
Net cash (used in) / from operating activities	(1,759.7)	2,747.0
Net cash from / (used in) investing activities	56.7	(231.0)
Net cash used in financing activities	(166.1)	(111.8)
Net (decrease) / increase in cash and cash equivalents	**(1,869.1)**	**2,404.2**
Cash and cash equivalents, beginning of the period	1,912.9	(1,427.5)
Cash and cash equivalents, end of the period	**43.8**	**976.7**

Net cash (used in) / from operating activities

The Bank's net cash used in operating activities was AED 1,759.7 million in the six month period to 30 June 2013 compared to net cash from operating activities of AED 2,747.0 million in the six month period to 30 June 2012. The principal reason for the change was the increased levels of Murabaha and Wakala deposits placed by the Bank with other banks.

Net cash from / (used in) investing activities

The Bank's net cash from investing activities was AED 56.7 million in the six month period to 30 June 2013 compared to net cash used in investing activities of AED 231.0 million in the six month period to 30 June 2012. The principal reason for the change was the net sale of securities which was partially offset by the purchase of property and equipment, in each case over the period.

Net cash used in financing activities

The Bank's net cash used in financing activities was AED 166.1 million in the six month period to 30 June 2013 compared to net cash used in financing activities of AED 111.8 million in the six month period to 30 June 2012. The principal reason for the change was due to the decrease in the level of Wakala deposits received from other banks which was largely offset by the increase in the Bank's share capital in the six month period to 30 June 2012.

The following table summarises the consolidated cash flows of the Bank for the years ended 31 December 2012 and 2011:

	Year ended 31 December	
	2012	**2011**
	(AED millions)	
Net cash from operating activities	1,810.6	500.7
Net cash from / (used in) investing activities	181.3	(1,154.4)
Net cash (used in) / from financing activities	(1,189.9)	197.9
Net increase / (decrease) in cash and cash equivalents	**802.0**	**(455.8)**
Cash and cash equivalents, beginning of the year	564.1	1,019.9
Cash and cash equivalents, end of the year	**1,366.1**	**564.1**

Net cash from operating activities

The Bank's net cash from operating activities was AED 1,810.6 million in 2012 compared to net cash from operating activities of AED 500.7 million in 2011. The principal reason for the change was the increased levels of customer deposits of the Bank over the period.

Net cash from / (used in) investing activities

The Bank's net cash from investing activities was AED 181.3 million in 2012 compared to net cash used in investing activities of AED 1,154.4 million in 2011. The principal reason for the change was the net sale of securities which was partially offset by the purchase of property and equipment, in each case over the period.

Net cash (used in) / from financing activities

The Bank's net cash used in financing activities was AED 1,189.9 million in 2012 compared to net cash from financing activities of AED 197.9 million in 2011. The principal reason for the change was due to the decrease in the level of Wakala deposits received from other banks.

Sources of Funding

The Bank's main source of funding is customers' accounts, Wakala deposits from banks and shareholders' equity. Please see "*Selected Financial Information—Sources of Funding*" for details of such funding as at 30 June 2013 and as at 31 December 2012 and 2011.

DESCRIPTION OF THE GROUP

Overview

The Bank was established by the Abu Dhabi Investment Council (the "**Council**") as an Islamic bank on 18 June 2007 and commenced commercial operations on 19 June 2008. The Council is an investment arm of the Government and remains the Bank's sole shareholder. The Bank's registered number is CN1012299.

As at 31 December 2012, the Bank was the 11th largest bank in the UAE by total assets, the tenth largest by total financings and the 11th largest by total deposits. The Bank was the fourth largest Islamic bank in the UAE by total assets and by total deposits, and the third largest by total financings, in each case, as at the same date. There were a total of 51 banks in the UAE as at 31 December 2012 (source: the UAE Central Bank), eight of which were Islamic banks (in each case including the Bank). There were also a number of conventional banks with Islamic banking operations.

The Bank's total assets, financings and deposits as at 30 June 2013, 31 December 2012 and 31 December 2011 were as follows:

	As at 30 June	As at 31 December	
	2013	2012	2011
		(AED millions)	
Total assets	34,244.2	32,121.9	28,251.1
Total financings[(1)]	24,079.8	22,910.9	19,324.8
Total deposits	26,685.3	24,956.7	19,617.8

Note:

(1) Total financings comprises (i) Receivables from Islamic financing activities and (ii) Ijara assets.

The four principal business groups through which the Bank conducts its operations are Wholesale Banking, Personal Banking, Investment Banking and Treasury. The Bank also provides Islamic insurance or *takaful* services through its wholly-owned subsidiary, Al Hilal Takaful PSC ("**Al Hilal Takaful**"), which commenced operations on 11 November 2008. The Bank also operates a vehicle sales business through its wholly-owned subsidiary, Al Hilal Auto LLC ("**Al Hilal Auto**"), in addition to the auto financing operations of its Personal Banking Group. Al Hilal Auto commenced operations on 16 February 2009.

As at 30 June 2013 and as at 31 December 2012, the Bank had 22 branches and 116 ATMs across the UAE in Abu Dhabi, Dubai, the Emirate of Al Ain ("**Al Ain**"), the Emirate of Ras Al Khaimah ("**Ras Al Khaimah**") and the Emirate of Sharjah ("**Sharjah**"). It was the first Islamic bank to commence operations in Kazakhstan and did so on 17 March 2010 through its wholly-owned subsidiary, Al Hilal Islamic Bank JSC ("**Al Hilal Kazakhstan**"), which has its head office in Almaty and operates two additional branches in Astana and Shymkent.

Despite commencing commercial operations in the midst of the global financial crisis, which significantly impacted sectors of the UAE economy such as real estate and regions such as Dubai, the Bank's operations became profitable in its second full year of operations, when it made a net profit of AED 131.1 million for the year ended 31 December 2010 as compared to a net loss of AED 74.0 million for the year ended 31 December 2009. Its net profit for the six months ended 30 June 2013 and the years ended 31 December 2012 and 31 December 2011 was AED 217.4 million, AED 265.7 million and AED 180.0 million, respectively.

History and Background

The Bank was incorporated in Abu Dhabi on 18 June 2007 as a public joint stock company pursuant to the resolution of the Executive Council of the Emirate of Abu Dhabi No. 2 of 2007 and Emiri Decree No. 21 of 2007. The operations of the Bank are subject to (i) Federal Law No. 8 of 1984, as amended, concerning commercial companies, (ii) Federal Law No. 10, as amended, concerning the Central Bank of the UAE (the "**UAE Central Bank**"), the monetary system and the organisation of the banking profession and (iii) Federal Law No. 6 of 1985, as amended, concerning Islamic banks, investment institutions and investment companies.

In accordance with the Bank's Articles of Association (the "**Articles**"), the Bank may carry on all *Sharia* compliant banking, investment, commercial and service activities. Supervision of the activities of the Bank and the review of such activities to ensure their compliance with Islamic principles and rules is the responsibility of the Bank's *Fatwa* and *Sharia* Supervisory Board (the "***Sharia* Board**"), which is appointed by the Bank's Board of Directors (the "**Board**"). The Bank's registered office is P.O. Box 63111, Abu Dhabi, UAE and its telephone number is +971 (0) 2 499 4444.

Sole Government Related Shareholder and Capital Contributions

The Bank's sole shareholder is the Council, which has consistently supported the Bank's development. The Council made an initial capital contribution of AED 1 billion in 2008 for the commencement of the Bank's operations, and invested a further AED 1 billion in 2009, AED 590 million in March 2011 and AED 250 million in each of April and September 2012. As at 30 June 2013, the total capital contributions of the Council and fully paid share capital of the Bank was AED 3.09 billion. The authorised share capital of the Bank is AED 4 billion, comprised of 4 billion shares of AED 1 each. The shares of the Bank are not listed.

The Council commenced operations in 2007 and is responsible for investing the Government's surplus financial resources through a globally diversified investment strategy. The Council is also empowered with a direct investment mandate to broaden Abu Dhabi's economic base and facilitate the international development of domestic companies. The Council's Board of Directors currently has eight board members, one of whom also sits on the Board of the Bank.

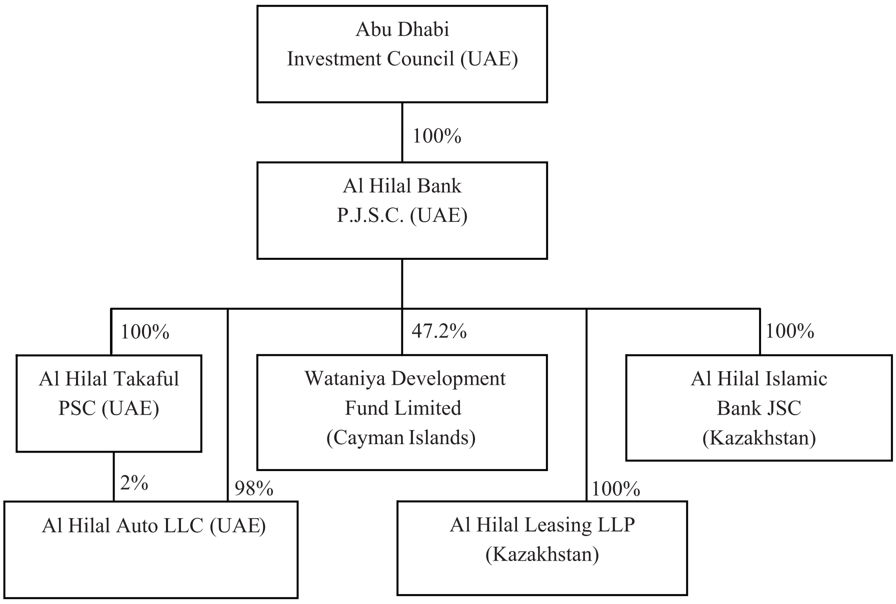
The Bank is the only Abu Dhabi based bank to be wholly-owned by the Government. In addition to the Bank, the Council has significant shareholdings in three of the six other banks with head offices in Abu Dhabi: National Bank of Abu Dhabi PJSC ("**NBAD**") (70.48 per cent. as at 31 December 2012), Abu Dhabi Commercial Bank PJSC ("**ADCB**") (64.84 per cent. as at 31 December 2012) and Union National Bank (50.01 per cent. as at 31 December 2012), as well as a smaller shareholding in Abu Dhabi Islamic Bank PJSC ("**ADIB**") (7.61 per cent. as at 31 December 2012). ADIB is the only other Abu Dhabi based Islamic bank in which the Council is a shareholder, although NBAD and ADCB also have Islamic banking operations.

The opportunity provided to the Bank, together with NBAD, to invest in *sukuk* issues by the Government of Dubai in 2009 is another example of the Bank's close relationship with the UAE Government. See "*Financial Review—Results of Operations for the Six Month Periods Ended 30 June 2013 and 30 June 2012—Investment Income*".

The UAE Commercial Companies Law No. 8 of 1984, as amended, and the Articles require 10 per cent. of the annual net profit of the Bank to be transferred each year to a statutory reserve until this reserve equals 50 per cent. of the Bank's fully paid share capital. As at 30 June 2013, the Bank's statutory reserve was AED 69.4 million, which represented 2.2 per cent. of the Bank's fully paid share capital.

Corporate Structure

The corporate structure of the Bank is as follows:



Competitive Strengths

The Bank's management believes that it enjoys a number of advantages over its competitors as set out below.

Strong Government shareholder support

The Bank is 100 per cent. owned by the Government, through the Council, and the Council has consistently demonstrated its willingness on behalf of the Government to provide the Bank with the necessary capital and support for the implementation of its strategy for continued growth and diversification. The most recent example of this was the Council's capital contribution of AED 250 million in September 2012.

The Bank is also able to capitalise on the Council's network of business relationships and its strong ties with other Government-related entities, in addition to the Council's assistance in the strategic direction of the Bank through the Council's representation on, and interaction with, the Board as sole shareholder. As a result, the Bank believes it is well placed to take advantage of the Government and public sector financing and deposit opportunities represented by the significant investment to be made in the UAE economy by the Government in the implementation of Abu Dhabi Economic Vision 2030. See "*Sole Government Related Shareholder and Capital Contributions*" above.

Strong capital base

As at 30 June 2013, Bank had a capital adequacy ratio of 14.4 per cent. which, although lower than a number of its peers in the UAE, meets and exceeds the capital adequacy ratio regulatory limits set by the UAE Central Bank. This enables the Bank to optimise its return on equity. The Bank has received AED 3.09 billion in aggregate of capital contributions from the Council since its incorporation in 2008, and approximately AED 1 billion of shareholder capital remains undrawn as at the date of this Base Prospectus. In addition, the Bank has the ability to access the capital markets to raise additional capital as an alternative to seeking further capital contributions from the Council should the Bank consider this necessary or desirable from time to time. Accordingly, the Bank believes it has a strong capital base from which to conduct its operations.

Experienced management

The Bank has a strong management team with substantial regional and global banking experience. The majority of the Bank's management joined the Bank at its incorporation and were therefore able to use their experience in creating a new bank which is not constrained by historic factors. Management was further able to be selective in identifying financing opportunities and, as a result, the Bank did not suffer from the same exposure to distressed entities and sectors which many of the Bank's competitors have been exposed to. As a consequence, the Bank has a non-performing financings ratio which is below that of its peers in the UAE and which the Bank seeks to conserve through the implementation of its stringent risk management framework.

Innovative products and services from a dedicated Islamic banking platform

As a relatively new and growing financial institution, the Bank considers itself to be better placed than its more established competitors to provide the innovative products and services required in order to meet the diverse and changing needs of the rapidly growing UAE population (which is estimated by the UAE National Bureau of Statistics to have doubled from 4,106,427 in 2005 to 8,264,070 by mid-2010). The Bank believes its ability to provide such innovative products and services is due to its lack of entrenched distribution and product delivery channels, its capability in meeting the ongoing challenge of establishing its point of difference as a relatively recent market entrant and its ability to implement new innovative products and services without the need to align them with an extensive existing product and service range. See "*Strategy—Invest in new products and technology*" below for several examples of some of the innovative products and services offered by the Bank.

In addition, by operating a full service Islamic banking business that is dedicated to providing *Sharia* compliant financing products and solutions to its customers, the Bank is able to offer a more focused approach to Islamic banking than conventional banks. Conventional banks which provide Islamic banking products and services generally do so through Islamic banking windows, which represent only a small proportion of the overall business of the relevant bank.

Favourable customer profile and strong brand affinity

The Bank's retail customer base comprises primarily high net worth individuals. This customer base profile provides the Bank with access to a large and stable deposit base (historically many of the Bank's retail customers have not withdrawn their deposits and switched to other financial institutions, a characteristic which the Bank describes as 'sticky') with a variety of maturity and re-pricing profiles. The nature of this customer base also presents opportunities for the Bank to cross-sell its products and services, both wholesale and retail, across the Bank's financing, investment and *takaful* businesses. Accordingly, the Bank is able to develop its brand affinity with customers whilst at the same time maintaining the strong financial profile of its retail customer base.

Strategy

The Bank's current strategy is based on three overarching principles of equal importance to the Bank:

- **Performance**: the Bank has a dual financial performance objective of achieving a substantial return on equity whilst maintaining its ranking in the top ten UAE banks and top three UAE Islamic banks (in each case as measured by financings).
- **Health**: the Bank's financial performance objectives will continue to be underpinned by a robust risk management framework and related systems and controls.
- **Development**: the Bank's vision and mission encompasses the development of Abu Dhabi, the UAE and the global Islamic banking industry.

The Bank's strategy is a refinement of the mission and goals with which it began operations in mid-2008 and reinforces the Bank's view that it needs to be prepared to participate in a dynamic and evolving banking industry. The current strategy has assisted the Bank in becoming the third largest Islamic bank and the tenth largest bank (measured by financings) in the UAE as at 31 December 2012 (source: UAE Central Bank). In furtherance of the strategic pillars discussed above, in 2012 the Bank implemented a new five-year strategic plan and the following provides an overview of the Bank's core strategic objectives under this plan.

Branch and ATM network expansion programme within the UAE

The Bank plans to continue its branch and ATM network expansion programme within the UAE. In the six months to 30 June 2013, the Bank opened one new branch in Abu Dhabi and relocated two ATMs within the UAE. Although the Bank does not currently plan to open any further branches during the remainder of 2013, it does plan to install a further four ATMs within the UAE in this period. During 2012, the Bank opened one new branch and installed four ATMs.

By expanding its distribution network, the Bank aims to improve customer access, thereby broadening its customer base which in turn is expected to lead to further retail financing, deposit and investment opportunities through the development of new client relationships and cross-selling opportunities.

Invest in new products and technology

In addition to expanding its branch network, the Bank is focused on investing in new products and technology to provide its customers with greater access to banking services, enhanced security and a wider range of banking products. With respect to customer access, the Bank has invested in providing 24 hour banking access to its customers through telephone and mobile short message service (''**SMS**'') banking. The Bank introduced online banking in 2011 and continues to improve access for customers with ongoing technological investment and development, having introduced mobile banking and 'smart phone' software applications for a variety of platforms.

The Bank has also introduced novel product delivery mechanisms such as ''eGrab'' (the first mobile eco-friendly bank branch in Abu Dhabi), its ''Financial Mall Branch'' in Abu Dhabi (which operates as a 'financial mall' providing the full range of products and services offered by the Bank segmented by customer type as well as retail outlets and a coffee shop) and the Al Hilal Auto ''Walk in. Drive out.'' auto mall concept. The Bank also introduced instant debit card issuance for customers opening an account in its branches and a thumb print verification facility to reduce customer waiting time and improve customer security.

With respect to the products offered and in the pipeline, the Bank has further broadened the range of products by expanding the Wholesale Banking Group's product offering to include trade financing and cash management services. It also offers small and medium-sized enterprises (''**SMEs**'') such banking products and services through the Personal Banking Group. Another present initiative of the Bank is the expansion of the range of credit cards it offers with a view to significantly growing its credit card business over the next three years.

Over time the Bank also expects its Investment Banking Group, which it established in 2010, to make a more significant contribution through complementing the operations of its Wholesale Banking Group (ensuring the Bank is able to offer a full range of banking products and services to its customers), as well as from the income generated in respect of its investment banking activities. The primary strategic objective of its Investment Banking Group is to complement the businesses of the Personal Banking Group and Wholesale Banking Group by developing a wide range of products and services for high net worth individuals, corporations and financial institutions. This is conducted through the Asset Management and Capital Market departments of the Investment Banking Group. The primary focus of the Investment Banking Group's Asset Management departments is to develop *Sharia* compliant investment fund products that are prudently managed to achieve substantial risk-adjusted returns while seeking to mitigate risk through diversification. The Bank plans to further expand the range of *Sharia* compliant funds which it currently offers across a range of asset classes in order to meet this objective. Such funds will be offered to customers of both the Personal Banking Group and Wholesale Banking Group according to their risk profiles. The primary focus of the Investment Banking Group's Capital Markets departments is to further enhance its *sukuk* origination and syndicated financing platform by selectively participating in a range of financing opportunities across the UAE and by selectively expanding its *sukuk* origination activities to the wider GCC region to take advantage of strong corporate and financing relations.

By pursuing the above mentioned strategy, the Bank plans to both consolidate its relationships with existing customers and to attract new customers by providing a comprehensive and innovative product offering across the full range of Islamic banking and insurance products and services it is able to provide.

Target specific customer sectors in order to maintain growth and profitability

During the recent global financial crisis, the Wholesale Banking Group targeted the Government sector, in particular, for growth in its financing portfolio while limiting its risk exposure. While the Government sector will remain a focus, the Bank plans to place greater emphasis on the energy, trading, manufacturing and services sectors, and mid-market to large corporates in growing the financing portfolio of its Wholesale Banking Group over the next three to five years. The Personal Banking Group intends to continue to focus on SMEs and high net worth individuals and to enhance its position in the credit card market.

The Bank increased its market share of total UAE financings from 1.9 per cent. as at 31 December 2011 to 2.2 per cent. as at 31 December 2012 (source: the UAE Central Bank). The Bank intends to ensure it continues to grow its market share of total UAE financings by placing greater emphasis on engaging mid to large corporates and continuing to target the Government and public sector through its Wholesale Banking Group.

In targeting these particular customer segments, the Bank is looking to maintain the growth rate of its business while also maintaining profitability.

Capitalise on opportunities to increase its market share by supporting the Government's strategy

The Bank is wholly-owned by the Government, through the Council, and as at 31 December 2012 the Government and public sector made up 47.6 per cent. of total customer deposits and 42.0 per cent. of total financings, as compared to 48.6 per cent. and 49.0 per cent., respectively, as at 31 December 2011. This decrease is consistent with the Bank's greater focus on other customer segments as the economic outlook for the UAE improves.

The Abu Dhabi Economic Vision 2030 is the Government's long-term plan for the transformation of the Abu Dhabi economy to reduce its high dependence on the oil sector and to establish a more sustainable and diversified economy. This will involve, among other things, significant investment in infrastructure development and the targeted growth of a number of different sectors of the Abu Dhabi economy which the Bank believes may give rise to opportunities for it to expand its financing portfolio to customers across a more diversified economy. The Bank is supporting this strategic plan through its significant investment in the development of a 23-storey office tower and additional retail amenities as part of the Al Maryah Island development, which will comprise over 34,000 square metres of office space, 700 square metres of retail space and over 1,000 car parking spaces. It is scheduled for completion in the first quarter of 2014. See also "*Property*" below.

Management of operating expenditure

As a relatively new bank, the Bank has incurred higher than normal operating costs in its early years in order to develop its business and grow its market share. After a number of years of rapid growth, the Bank now intends to focus on reducing its cost to income ratio which it expects to achieve through leveraging the economies of scale gained as a result of its increased deposit-taking and financing activities. The Bank has initiated a stringent budgetary process across the various business units to assist in achieving this objective.

Organic growth and international expansion

The Bank's current five year strategic plan provides for organic growth, which is based on a combination of self-support and capital contributions from the Council. The Bank's rapid growth since it began operations in 2008 has allowed the Bank to consider overseas expansion opportunities at an early stage in its development. The Bank's strategy also incorporates the expansion of its geographical footprint and this has so far been reflected by the opening of the Bank's first overseas operations in 2010, Al Hilal Bank Kazakhstan PJSC in Kazakhstan. In doing so, the Bank succeeded in establishing the first Islamic bank in this hydrocarbons-rich (and predominantly Muslim) country. Whilst the Bank does not have any immediate plans in relation to any other non-organic growth opportunities (for example by way of acquisition or merger) it would consider such growth on an opportunistic basis depending on the level of expected return on equity. Furthermore, the Bank will consider further international expansion if appropriate opportunities arose that complemented its existing geographical reach and its objective of raising the profile of Islamic banking globally. Such expansion would be dependent upon a regulatory environment conducive to Islamic banking and, as with the Bank's move into Kazakhstan, would most likely be prompted by an opportunity for the Bank to capitalise on existing trade flows between the relevant country and the UAE.

Investment in the Bank's employees

The Bank has identified the training and development of its employees as a key priority. To this end, the Bank has implemented a learning and development framework, delivering a range of training and development programmes aimed at the personal and professional development of its employees. These programmes are offered to employees across the Bank and its subsidiary companies and the Bank has also implemented a number of initiatives to attract university graduates. The Bank reviews these programmes on an annual basis.

Competition

Within the UAE, the Bank faces competition in all of its principal business areas. The Bank's principal competitors include both banks which are locally incorporated and certain foreign banks operating in the UAE, in each case including both conventional and Islamic banking institutions and specialist Islamic financing companies. As at 31 December 2012, there were 51 operating banks holding full commercial banking licences in the UAE, of which 23 were locally incorporated (source: *the UAE Central Bank*) and eight were Islamic banking institutions (in each case, including the Bank). See "*The UAE Banking Sector and Regulation*".

Through its investment banking and capital markets activities conducted by its Investment Banking Group, the Bank also competes with major international investment banks for mandates on investment banking and capital markets transactions.

It is expected that competition from other banks, both conventional and Islamic, and specialist Islamic financing companies will continue as more financial institutions enter the Islamic banking sector.

Despite the relatively high level of competition in the banking sector in the UAE, the Bank expects the continuing growth of the economy to lead to an overall growth in demand for banking services, and Islamic products in particular due to the continued improvement in Islamic banking products and, more generally, an increased understanding and acceptance of Islamic finance.

Al Hilal Auto's main competitors are ADIB, Dubai Islamic Bank PJSC and other Islamic banks, although the Bank believes Al Hilal Auto is differentiated from its competitors by offering a range of 'one-stop shop' services to its customers.

Al Hilal Takaful also operates in a competitive environment. As at 31 December 2012, there were 34 UAE-based insurers and 27 international insurers competing actively with Al Hilal Takaful in the UAE. Nine of these insurers (including Al Hilal Takaful) provide solely Islamic insurance products and services. Al Hilal Takaful's market share (by total *takaful* receivables) is less than 1 per cent. of the total market as at 31 December 2012.

Al Hilal Kazakhstan operates in a competitive environment in Kazakhstan, where it faces competition from governmental, supranational and privately-owned domestic and foreign banks. The majority of the domestic banks have a strong national presence and provide banking services across the various segments of the Kazakhstan economy. As at 31 July 2013, there were 38 operating banks holding full commercial banking licences in Kazakhstan. Of these, Al Hilal Kazakhstan was the only Islamic banking institution as Islamic banking business must, under the current regulatory position in Kazakhstan, be conducted by Islamic institutions rather than through the Islamic 'windows' of conventional (non-Islamic) banks. Al Hilal Kazakhstan commenced operations in 2010 and does not have a significant market share at this stage.

Business

Overview

The Bank's four principal business groups are Wholesale Banking, Personal Banking, Investment Banking and Treasury. These groups are managed from the Bank's head office in Abu Dhabi and operated through the Bank's branches across the UAE. Al Hilal Kazakhstan undertakes Wholesale Banking business only.

Wholesale Banking Group

The table below sets out certain financial information relating to the Wholesale Banking Group as at, and for the six months ended, 30 June 2013 and as at, and for each of the years ended 31 December 2012 and 2011:

	As at/six months ended 30 June	As at/year ended 31 December	
	2013	2012	2011
		(AED millions)	
Total assets	14,599.3	14,661.9	12,111.5
Total financings	14,599.3	14,661.9	12,111.5
Total deposits	20,988.0	17,127.6	14,286.3

The Wholesale Banking Group is divided into five departments:

- *Corporate Banking Department*: this department provides banking services to the Bank's corporate customers. Relationship managers with in-depth experience in a multitude of different sectors and industries work closely together with customers to address both their short-term and long-term banking requirements. These relationship managers engage with corporate customers to offer the latest and most relevant financing and/or deposit products and other services of the Bank to assist the Bank's corporate customers in responding to their business environments;
- *Government Relations Department*: this department provides a full spectrum of banking services to Government and Government-related entities in the UAE by using designated Government relationship managers to co-ordinate the involvement of the various product specialists within the Bank to provide the relevant services required;
- *Financial Institutions, Syndications and Structured Finance Department*: this department is responsible for the establishment and maintenance of relationships with financial institutions internationally in order to satisfy these customers' business requirements in various areas such as international trade finance and international payments in all major currencies. This department also originates, participates in and distributes various syndicated and structured finance products for the Bank's corporate customers both on a domestic and international basis;
- *Product and Structuring Department*: this department provides support within the Group to develop and design innovative, customer-focused, *Sharia* compliant financing solutions. The department's scope also includes 'custom-made' structuring of specific banking facilities and procuring and/or coordinating the relevant *Sharia* and legal approvals if so required by customers. This department also provides advisory services both internally and externally in order to assist the understanding of the structure of transactions and any relevant *Sharia* considerations; and
- *Cash Management Department*: this department performs the integrated functions of product development, sales and implementation in relation to the cash management requirements of the Bank's wholesale customers. The department offers a broad range of *Sharia* compliant cash management products covering account and liquidity management, transaction management (payments and collections) and the management of cash delivery channels. Customised solutions are developed by the department's product specialists to address the day-to-day banking transactional requirements of large corporates, SMEs, Government entities and non-bank financial institutions.

The Wholesale Banking Group also offers, through each of the divisions described above, various financing and deposits products (together with their related ancillary services) to customers with requirements for project financing, contract financing, export bills financing, assets acquisition, working capital, trade finance (including letters of credit and guarantee) and cash management.

As at 30 June 2013, the Wholesale Banking Group had approximately 235 customers.

Personal Banking Group

The table below sets out certain financial information relating to the Personal Banking Group as at, and for the six months ended, 30 June 2013 and as at, and for each of the years ended 31 December 2012 and 2011:

	As at/six months ended 30 June	As at/year ended 31 December	
	2013	2012	2011
		(AED millions)	
Total assets	10,275.6	8,961.5	7,699.2
Total financings	10,275.6	8,961.5	7,699.2
Total deposits	5,697.3	7,829.1	5,331.5

The Personal Banking Group has adopted a segmented approach to targeting its different retail banking customers (including by reference to different levels of income and personal wealth, as well as other demographic considerations that reflect differing demands for banking products and services), with a particular focus on high net worth individuals. The Personal Banking Group has focused on growing its deposit base and increasing its range of *Sharia* compliant deposit and financing products and services. The major retail banking products offered by the Personal Banking Group include:

- *Deposit accounts*: the Bank provides current and saving accounts, including *wakala* and *mudaraba* term deposit accounts, each of which involves the Bank investing on the customer's behalf the amounts deposited by a customer. The Bank offers innovative features such as allowing customers to reflect their preferred account numbers and instant issuance of debit cards;

- *Finance facilities*: the finance facilities provided by the Bank include personal, real estate and vehicle financing products, as well as other tailored products to address the specific financing requirements of its customers using a variety of Islamic financing structures including *murabaha, musawamah, istisna'a* and *ijara*;

- *Credit cards*: the Bank offers two different types of credit cards which are based on the Islamic financing structures of "*qard & ujrah*" (a guarantee of payments in return for a fixed fee) and "*commodity murabaha*" and "*tawarruq*" (which both involve a related purchase and sale of commodities on a deferred payment basis with a profit element);

- *Safe deposit lockers*: the Bank has introduced innovative safe deposit lockers available to its customers on a 24 hour basis at its Mall Branch in Abu Dhabi, with such lockers accessible using customers' debit card and thumb print verification for enhanced security; and

- *Bancatakaful plan*: the Bank recently launched its first *Sharia* compliant *takaful* unit-linked savings plan, in conjunction with FWO A.G. and Dubai Islamic Insurance and Reinsurance (Aman). Customers can invest in the plan by making regular or lump sum contributions. The plan offers 100 per cent. capital protection at maturity.

The Personal Banking Group also provides banking services to SMEs, with similar products and services to those which are offered to the Bank's larger corporate customers through the branch and other direct distribution networks of the Bank. The main products offered by the Personal Banking Group to SME customers include:

- *Operating accounts*: the Bank provides current and savings accounts based on the Islamic structures of "*qard al hasan*" and "*mudaraba*" respectively, to assist SME customers in managing their day-to-day transactions (in the case of current accounts) and provide a profit return on customers' surplus funds (in the case of savings accounts);

- *Business finance facilities*: the Bank provides finance facilities, using the Islamic structures of "*commodity murabaha*", "*sukuk murabaha*" "*goods murabaha*" or "*service ijara*", to assist its SME customers in the acquisition of goods and equipment and their other short-term or long-term capital needs;

- *Business vehicle finance facilities*: the Bank provides finance facilities, using the Islamic structures of "*vehicle murabaha*" and "*vehicle musawamah*", to assist SME customers to purchase vehicles for use in their business. Products being offered include passenger vehicle finance, fleet finance and commercial vehicle finance; and

- *Trade finance facilities*: the Bank provides finance facilities, including letters of credit and guarantees.

In addition, the Personal Banking Group introduced "*Seghaar*" banking to instil and encourage savings habits in children from an early age and educate them on the value of money. *Seghaar* offers children learning and fun activities to increase recognition, understanding and literacy through *Seghaar's* five pillars, "*Learn, Earn, Save, Protect and Donate*". Banking products offered to children under the *Seghaar* segment include savings accounts, term deposits, educational finance and a *takaful*-educational savings plan, amongst others.

As at 30 June 2013, the Bank provided its retail banking services to over 70,000 customers through a network of 22 branches and 116 ATMs in the UAE. The Bank continues to grow its retail portfolio, having grown by AED 2.6 billion, or 28.2 per cent., between 31 December 2012 and 30 June 2013, compared to growth of AED 395.6 million, or 4.3 per cent., in the year to 31 December 2012. In addition to its physical delivery network, the Bank has actively sought to expand its alternative distribution channels, including telephone, SMS, online and mobile banking. The Bank plans to invest further in technology for the continued expansion of its distribution and access networks. For example, the Bank's "Money Station" branch is a full service drive-through branch where customers can use banking facilities (including account opening and cash transactions) without entering the branch. In addition, the Bank recently launched the world's first *Qibla* direction (being the direction to Mecca) finder in the form of a credit card. In addition to its wider retail branch network, the Bank also services its high net worth customers through five "Wealth Centres" across the UAE, which comprise dedicated facilities and staff within the relevant branches focusing on servicing the particular needs of such customers.

The Bank's retail products are supported by the adoption of stringent credit criteria, including specified financing limits for each retail product. See further "—*Risk Management*".

Investment Banking Group

The Investment Banking Group first commenced operations in 2010 and does not, at this early stage in its development, make a material contribution to the Bank's net profit.

The services offered by the Investment Banking Group are provided through the two following departments:

- *Corporate Finance Advisory*: this department provides corporate finance advisory services to the Bank's Government-related, corporate and institutional clients as well as financial institutions, including the managing and arranging of *sukuk* and equity capital market issuances, restructuring and mergers and acquisitions. This department has been further strengthened by the establishment of a dedicated capital market and *sukuk* origination function at the start of 2012 which has successfully secured several mandates as a joint bookrunner.

- *Asset Management*: the Bank provides a variety of equity, *sukuk* and structured product investments to the Bank's corporate and institutional customers. The Bank's "GCC Equity Fund" is the first such product offered by the Bank and was launched on 4 April 2011. It is an open ended fund that seeks to provide investors with a long term investment in a diversified portfolio of *Sharia* compliant equity securities in the GCC region and which, as at 30 June 2013, had AED 78.24 million of assets under management.

  The Bank's Asset Management department also provides customised investment strategies and solutions for ultra-high net worth individuals and institutional investors. In this respect, the Bank's Asset Management department launched a discretionary *sukuk* portfolio management service in June 2011, the objective of which is to preserve capital for the Bank's clients and to provide stable returns by investing in global and regional *Sharia* compliant *sukuk* with a medium to long term investment horizon. The Bank also launched its "Global Sukuk Fund" in March 2012 which is an open-ended fund that aims to generate periodic returns on its investments in addition to achieving long-term capital growth by investing in a diversified portfolio of *Sharia*-compliant global fixed-income securities in the form of *sukuk* and which, as at 30 June 2013, had approximately USD 63 million of assets under management.

Treasury Banking Group

The Bank's Treasury Banking Group has three roles: (i) managing the Bank's liquidity and funding requirements; (ii) executing and managing the Bank's proprietary investment activities; and (iii) providing fee-based treasury services to the Bank's Government and public sector, institutional and high net worth customers (including foreign exchange, money market, treasury, capital markets and custody services). The provision of such fee-based services is at an early stage and these do not yet make a material contribution to the Bank's net profit.

The products and services provided by the Treasury Banking Group include foreign exchange ("**FX**") spot and forward (promise based) swaps, interbank *murabaha* and *wakala* transactions, profit rate swaps, cross currency swaps, *sukuk* trading and *sukuk* custody.

The Treasury Banking Group is also responsible for managing the Bank's liquidity requirements and acts under the supervision of the Bank's Assets and Liabilities Committee ("**ALCO**"). This group also manages the Bank's profit rate risk, risk profile, asset/liability maturity mismatches and proprietary investment portfolio primarily through inter-bank placements, investments in quoted *sukuk* in conjunction with the Investment Banking Group and *Sharia* compliant certificates of deposits issued by the Central Bank of the UAE.

The Treasury Banking Group is divided into three main departments:

- *Trading Department*: this department manages the Bank's day-to-day trading and liquidity transactions and operates through four main specialised trading desks:
  - *Money Markets*: this desk is responsible for monitoring and managing day-to-day liquidity and also provides clients with *Sharia* compliant products and services aimed at providing competitive profit rates and rates of return on their investments;
  - *Asset and Liability Management* ("**ALM**"): this desk is responsible for balance sheet management as guided by the ALCO. ALM manages liquidity risk, profit rate risk and concentration risk while ensuring adherence to internal and regulatory guidelines on liquidity and profit rate risk;
  - *FX*: this desk manages the Bank's overall FX exposure in order to minimise currency risk and also provides customers with a wide range of *Sharia* compliant products and services to assist them in managing their FX risks (including FX contracts such as spot, forward *wa'ad* (promise to purchase) and other structured products); and
  - *Capital Markets*: this desk is responsible for the trading and management of *sukuk*.

  As at 30 June 2013, the total value of the Bank's investment portfolio was AED 2.7 billion compared to AED 2.8 billion as at 31 December 2012 and AED 3.2 billion as at 31 December 2011. See "*—Investments*" below in relation to the early adoption of IFRS 9 (*Financial instruments: Classification and measurement*) by the Bank and the basis on which financial instruments are valued by the Bank.

  The primary purpose of the Bank's investment portfolio is to assist the Bank in its liquidity management. The majority of the Bank's investment portfolio consists of quoted *sukuk* investments (comprising *Sharia* compliant trust certificates (*sukuk*)). As at 30 June 2013, of the total of AED 2.7 billion of investment securities held by the Bank, approximately 95 per cent. represented quoted *sukuk* investments classified as "held to maturity". Investment by the Bank in *sukuk* (quoted and unquoted) and real estate financing is subject to the Bank's own internal dual due diligence and credit approval by the Bank's Management Credit Risk Committee and its Management Investment Committee and, depending on the size of the relevant investment, its Board Risk Committee. See further "*—Risk Management—Credit Risk—Credit Approval Process*" below. Equity investments are assessed on a case-by-case basis with the requisite internal approval processes and external financial advisory services sought depending on the size and nature of the particular investment.

The Bank's real estate investments are principally represented by its 47.2 per cent. shareholding in Wataniya Development Fund Limited. See further "*—Subsidiaries—Wataniya Development Fund Limited*" below.

- *Treasury Sales Department*: this department comprises three desks which manage the expansion of the Bank's relationships with existing corporate and institutional (primarily financial) customers and the development of *Sharia* compliant treasury products for the Bank's customers, as follows:
  - *Corporate Treasury Sales*: this desk complements the Bank's existing corporate customer relationships by providing a direct treasury point of contact which the Bank can then use to distribute the various treasury products it offers. Through this dedicated corporate treasury team, the Bank is able to offer more competitive treasury products, including wakala deposits, FX spot and forward *wa'ad* (promise to purchase) transactions. The desk also executes master treasury agreements with the Bank's corporate customers to facilitate the provision of hedging products such as profit rate swaps;
  - *Financial Institutions Treasury Sales*: this desk is involved in the marketing of the Bank's treasury products and services to local, regional and international financial institutions. It also manages the relationships, credit limits and legal documentation in respect of the *Sharia* compliant treasury products of the Bank required to facilitate its participation in financial markets. This includes securing sources of liquidity for both money market, FX and hedging transactions; and
  - *Product Development*: this desk is responsible for analysing market trends and developing dynamic banking and financing solutions to meet the needs of the Bank's customers in hedging their exposures to FX, money market movements and *Sharia* compliant assets traded in the financial markets; and
- *Business Application and Support Department*: this department has a control and support function and assists in monitoring and improving the Treasury Banking Group's compliance with the management information systems and risk management, compliance and regulatory policies of the Bank. This involves monitoring the limits of the FX, Money Markets and Capital Markets desks as well as assisting in product evaluation and development. This department also participates in the Bank's overall operational risk management development. See "*—Risk Management*" below.

Investments

In relation to the Bank's portfolio of *sukuk* and equity investments managed by the Treasury Banking Group, the Bank adopted IFRS 9 from 1 October 2010 (it becomes mandatory from 1 January 2015), as well as the related consequential amendments to the other relevant IFRS provisions, as the Bank was of the view that this new accounting policy provided more reliable and relevant information for users to assess the new amounts, timing and uncertainty of future cash flows. The Bank's management assessed the financial assets held by the Bank as at the date of its initial application of IFRS 9 on 1 October 2010 and the main effects resulting from this assessment were as follows:

- investments in *sukuk* instruments, previously classified as available-for-sale, meet the criteria to be classified as at amortised cost in accordance with IFRS 9. They are now therefore classified as financial assets at amortised cost; and
- equity investments not held for trading that were previously measured at fair value and classified as available-for-sale have been designated as at fair value through other comprehensive income and profit and loss.

The table below shows the classification of the Bank's investment securities portfolio as at 30 June 2013:

	As at 30 June 2013
	(AED million)
Financial assets at fair value through profit and loss	
Quoted equity investments	42.8
Commodity-linked securities	36.3
Financial assets at fair value through other comprehensive income	
Sukuk fund	36.4
Quoted equity securities	18.0
Financial assets at amortised cost	
Sukuk investments	2,525.6
Allowance for impairment	(5.8)
Total investment securities	**2,653.3**

Subsidiaries

Currently, the Bank's active subsidiaries comprise Al Hilal Takaful, Al Hilal Auto, Al Hilal Kazakhstan, Al Hilal Leasing LLP and Wataniya Development Fund Limited. See "—*Corporate Structure*" above for a description of the Group's corporate structure.

As at the date of this Base Prospectus, Al Hilal Leasing LLP does not have any employees and does not make a material contribution to the net profit of the Bank. The remaining active subsidiaries of the Bank are described below.

Al Hilal Takaful

Al Hilal Takaful commenced operations in April 2009 and its first full year of operations was 2010. The table below sets out certain financial information relating to Al Hilal Takaful as at, and for the six months ended 30 June 2013 and as at, and for each of the years ended 31 December 2012 and 2011:

	As at/six months ended 30 June	As at/year ended 31 December	
	2013	2012	2011
		(AED millions)	
Total assets	263.1	223.6	185.0
Takaful receivables	97.9	73.9	37.0
Re-takaful contract assets	29.5	26.6	34.4
Total liabilities	191.6	147.9	120.9
Takaful contract liabilities	135.3	105.6	87.6
Re-takaful liabilities and takaful payables	16.1	12.6	6.2
Net profit	2.2	2.2	0.0
Gross revenues	119.9	174.6	120.8

Al Hilal Takaful offers a wide range of Islamic insurance (*takaful*) products covering a range of risks, including property, liability, contractor, equipment and machinery, marine, motor and medical *takaful* to Government, corporate and individual clients.

Al Hilal Takaful uses the following distribution channels to sell its products:

- *Branches*: Al Hilal Takaful has six branches (which are independent of the Bank's own branches) within the UAE, three in Abu Dhabi, two in Dubai and one in Al Ain. Each branch has been assigned a specific geographical area and reports to Al Hilal Takaful's head office in Abu Dhabi;

- *Cross-selling*: Al Hilal Takaful has formed a committee together with the Bank to target existing and potential customers of the Bank for cross-selling purposes;
- *Brokers*: Al Hilal Takaful uses a network of brokers who are licensed to conduct insurance business in favour of their customers; and
- *Direct sales*: Al Hilal Takaful conducts direct sales, although mainly to corporate clients.

As at 30 June 2013 Al Hilal Takaful had 48 employees, of whom ten were UAE nationals.

Al Hilal Takaful has arranged a comprehensive *re-takaful* programme with reputable *re-takaful* operators and re-insurers which enables it to underwrite all the classes of its business and minimise volatility in earnings from large losses or catastrophic events.

The *Fatwa* and *Sharia* Supervisory Board of Al Hilal Takaful is separate and independent from the *Sharia* Board of the Bank and has a separate management team from the Bank.

Al Hilal Takaful is regulated by the UAE Insurance Authority (established pursuant to Federal Law No.6 of 2007), which is overseen by the UAE Ministry of Economy. Additionally, in respect of providing health insurance services in Abu Dhabi, Al Hilal Takaful is also regulated by the Health Authority of Abu Dhabi.

Al Hilal Auto

Al Hilal Auto commenced operations in February 2009 and its first full financial year of operations was 2010. As at 30 June 2013, Al Hilal Auto had eight employees of whom one was a UAE national. Al Hilal Auto introduced its new concept "Walk in. Drive out." vehicle showroom in Abu Dhabi. It buys and sells both new and used vehicles, offers trade-in facilities, fleet sales and also selling vehicles on consignment. The purchase, finance, registration and *takaful* (insurance) service elements of Al Hilal Auto's operations are provided by the Bank's Personal Banking Group.

Al Hilal Kazakhstan

Al Hilal Kazakhstan, which is monitored by and governed under the rules of the National Bank of Kazakhstan, offers *Sharia* compliant banking services in Kazakhstan with a focus on government financing and large local and international corporates. It also looks to facilitate investment from the UAE into Kazakhstan. Al Hilal Kazakhstan commenced operations in March 2010. As a relatively new entrant to the financial services market in Kazakhstan, Al Hilal Kazakhstan does not currently make a material contribution to the Bank's net profit.

Kazakhstan is looking to establish itself as a centre of Islamic finance in the Central Asia region, which has a significant Muslim population, and the Bank is working together with the Kazakhstan authorities to establish an appropriate regulatory framework for Islamic banking operations in Kazakhstan. As the first Islamic bank to operate in Kazakhstan, the Bank expects Al Hilal Kazakhstan to be well placed to capitalise on the growth of the Islamic banking industry in Kazakhstan as that industry develops. One of the initial challenges for Al Hilal Kazakhstan has been to raise awareness of the Islamic banking model in general, and more particularly, the products and services it offers. In order to address this it has initiated a series of training and marketing sessions, which have largely been conducted by Sheikh Essam Eshaq, a member of the *Sharia* Board. The *Sharia* Board has conducted several training seminars, for corporate customers, the Kazakhstan Central Bank and the Ministry of Finance of Kazakhstan, mass media, leading universities and the general public.

In addition to furthering the Government's objective for the Bank to raise the profile of Islamic banking globally, the Bank also expects to be able to capitalise on trade flows between the UAE and Kazakhstan in the oil and gas sector, in particular, through its establishment of Al Hilal Kazakhstan. Examples of this include the significant investments that have already been made in Kazakhstan by Abu Dhabi investment vehicles such as Mubadala Development Company PJSC and the International Petroleum Investment Company PJSC and the announcement by UAE real estate contractor Aldar Properties PJSC of its plans to construct the tallest building in the CIS region in Astana at an estimated cost of around USD 1 billion.

To develop its business in Kazakhstan, Al Hilal Kazakhstan has targeted the three strategically important geographical areas of Almaty, Astana and Shymkent where it has opened branches. Al Hilal Kazakhstan promotes a direct sales strategy through these branches.

Al Hilal Kazakhstan is involved in the financing of government projects and entities owned by Kazakhstan's sovereign wealth fund, Samruk-Kazyna. Al Hilal Kazakhstan intends to continue to focus on such financings for the remainder of 2013. Al Hilal Kazakhstan is also finalising its investment participation in Kazakhstan Ijara Company with other stakeholders, which will provide finance to SME customers in Kazakhstan.

In addition, Al Hilal Kazakhstan provides financing products to selected private corporate customers in the agricultural, oil and gas, mining and manufacturing, trade, fast moving consumer goods, transport, construction and communication sectors on a case-by-case basis. Services and products in the retail and private sectors are currently limited to maintaining accounts and accepting term deposits.

Islamic finance legislation in Kazakhstan is still being developed and accordingly the financing products offered by Al Hilal Kazakhstan are currently restricted to *murabaha* and *ijara* transactions and *wakala* investments. Al Hilal Kazakhstan also offers demand deposits and term *mudaraba* and *wakala* deposit facilities for corporate and high net worth retail clients.

As at 30 June 2013, Al Hilal Kazakhstan had 53 employees working across its three branches.

Al Hilal Kazakhstan's licence to accept deposits from individuals was temporarily suspended in 2011 as a result of losses incurred in its first year of operations which resulted in a shortfall of around USD 3.5 million (approximately AED 13 million) in respect of the minimum required capital of Al Hilal Kazakhstan of approximately USD 70 million (approximately AED 257 million). This shortfall was promptly remedied by way of a further capital contribution of USD 5 million (approximately AED 18 million) to Al Hilal Kazakhstan by the Bank in 2011 and the licence was fully reinstated the same year.

Wataniya Development Fund Limited

Wataniya Development Fund Limited (the "**Fund**") represents an investment by the Bank in 2009, together with Abu Dhabi Investment House, which is the Fund's manager, as well as two state (Oman and Brunei) pension funds, in the development of a commercial building in Abu Dhabi with 19 floors which is scheduled for completion in the first quarter of 2014. The Bank owns a 47.2 per cent. stake in the Fund and 50 per cent. of the Fund's board of directors is comprised of representatives of the Bank. As the Bank is the largest shareholder of the Fund, the Fund is consolidated into the Bank's financial statements.

Finance Portfolio

The table below sets out details of the Bank's receivables from Islamic financing activities and *ijara* as at 30 June 2013, 31 December 2012 and 31 December 2011 classified by type of Islamic financing:

	As at 30 June	**As at 31 December**	
	2013	**2012**	**2011**
		(AED millions)	
Corporate commodity murabaha	11,665.4	11,680.9	10,026.0
Retail musawama and murabaha	12,256.7	10,625.0	9,936.4
Islamic credit card receivable	76.2	77.3	62.3
Murabaha deferred profit	(4,394.6)	(3,922.3)	(4,117.8)
Corporate Ijara Mawsufa Fi-aldhimma	103.1	288.5	562.2
Corporate standard Ijara	2,830.8	2,692.5	1,523.2
Retail Ijara Mawsufa Fi-aldhimma	183.1	220.5	325.6
Retail standard Ijara	2,154.3	1,960.8	1,492.9
Total gross receivables from Islamic financing and Ijara	**24,875.0**	**23,623.2**	**19,810.8**
Allowance for impairment	(795.2)	(712.5)	(486.0)
Total net receivables from Islamic financing and Ijara	**24,079.8**	**22,910.7**	**19,324.8**

The table below sets out details of the Bank's performing and non-performing financing assets from Islamic financing activities and *ijara* as at 31 December 2012 and 31 December 2011. The non-performing financing assets in this table do not include certain financing assets currently undergoing a restructuring process (in relation to which the Bank has made a general provision in respect of its anticipated losses), the total amount of which as at 31 December 2012 was AED 1.0 billion.

	As at 31 December	
	2012	**2011**
	(AED millions)	
Performing	23,315.2	19,580.9
Non-performing	308.0(1)	229.9
Total	23,623.2	19,810.8
Provision for credit losses	(712.5)	(486.0)
Receivables from Islamic financing activities and ijara, net	**22,910.7**	**19,324.8**

Note:

(1) Of this, AED 276.6 million represents non-performing financings with retail customers, with the remaining AED 31.4 million with corporate customers.

The table below sets out details of the Bank's non-performing financing assets as well as past due but not impaired financing assets from Islamic financing activities and *ijara* as at 31 December 2012 and 31 December 2011:

	As at 31 December	
	2012	**2011**
	(AED millions)	
Past due but not impaired	1,615.8	1,460.5
Impaired	308.0(1)	229.8
Gross	1,923.8	1,690.3
Provision for credit losses	(712.5)	(486.0)
Net	**1,211.3**	**1,204.3**

Note: Of this, AED 276.6 million represents impaired financings with retail customers, with the remaining AED 31.4 million with corporate customers.

Please see "*—Credit Risk—Exposure to Credit Risk*" below for further discussion on the Bank's largest individual exposures.

The table below set out details of the Bank's gross financing assets from Islamic financing activities and *ijara* by industry sector as at 31 December 2012 and 31 December 2011:

	As at 31 December	
	2012	2011
	(AED millions)	
Agriculture, fishing and related activities	112.3	—
Crude oil, gas, mining and quarrying	152.3	250.3
Manufacturing	394.7	198.9
Electricity and water	300.0	—
Construction	394.0	1,243.5
Trade	1,077.8	—
Transport, storage and communication	692.7	651.3
Financial institutions	968.6	1,106.3
Services	144.1	13.0
Government	6,877.5	6,362.3
Retail/consumer banking	11,850.6	11,412.8
All others	2,745.9	1,246.4
Total	**25,710.5**	**22,484.8**

In addition to its financing assets from Islamic financing activities and *ijara*, the Bank has *murabaha* and *wakala* deposits with banks and other financial institutions. The table below sets out details of these deposits as at 31 December 2012 and 31 December 2011:

	As at 31 December	
	2012	2011
	(AED millions)	
Commodity murabaha with financial institutions	—	100.0
Wakala deposits	2,817.0	2,520.0
Allowance for impairment	(11.2)	(11.8)
Total	**2,805.8**	**2,608.2**

Funding and Liquidity

The Bank's main source of funding is customer deposits, Wakala deposits from banks and shareholders' equity. See "*Selected Financial Information—Source of Funding*" above.

The table below shows a summary of the Bank's maturity profile as at 31 December 2012:

	Less than 3 months	3-12 months	1-5 years	Greater than 5 years	Total
			(AED millions)		
Assets					
Cash and balances with banks	1,437.2	—	—	—	1,437.2
Murabaha and wakala deposits with banks and other financial institutions	2,651.2	154.6	—	—	2,805.8
Receivables from Islamic financing activities	1,617.0	2,932.6	7,480.9	5,829.4	17,859.9
Ijara	396.7	589.5	2,062.8	2,002.0	5,051.0
Investment securities	103.2	7.0	2,563.4	126.0	2,799.6
Other assets	759.0	—	—	—	759.0
Total	**6,964.3**	**3,683.7**	**12,107.1**	**7,957.4**	**30,712.5**
Liabilities					
Customers' accounts	13,855.4	7,483.1	3,613.2	5.0	24,956,7
Wakala deposits from banks	2,491.6	—	—	—	2,491.6
Other liabilities	1,178.0	—	—	—	1,178.0
Total liabilities	**17,525.0**	**7,483.1**	**3,613.2**	**5.0**	**28,626.3**
Net position	**(10,560.7)**	**(3,799.4)**	**8,493.9**	**7,952.4**	**2,086.2**

The table below shows a summary of the Bank's maturity profile as at 31 December 2011:

	Less than 3 months	3-12 months	1-5 years	Greater than 5 years	Total
			(AED millions)		
Assets					
Cash and balances with banks	1,232.2	—	—	—	1,232.2
Murabaha and wakala deposits with banks and other financial institutions	2,511.4	3.8	4.8	88.2	2,608.2
Receivables from Islamic financing activities	1,198.3	2,827.1	7,077.7	4,398.2	15,501.3
Ijara	379.1	503.8	1,363.5	1,577.1	3,823.5
Investment securities	40.9	—	3,116.1	3.0	3,160.0
Other assets	—	—	—	580.7	580.7
Total	5,361.9	3,334.7	11,562.1	6,647.2	26,905.9
Liabilities					
Customers' accounts	7,827.6	8,431.3	3,358.9	—	19,617.8
Wakala deposits from banks	4,885.4	8.9	4.7	36.8	4,935.8
Other liabilities	—	—	—	973.9	973.9
Total liabilities	**12,713.0**	**8,440.2**	**3,363.6**	**1,010.7**	**25,527.5**
Net position	**(7,351.1)**	**(5,105.5)**	**8,198.5**	**5,636.5**	**1,378.4**

Risk Management

The Bank faces a variety of financial and other risks in its operations (including credit, market, liquidity, operational and *takaful* and *re-takaful* risks) in respect of which it has implemented a risk management structure to ensure the identification, measurement, monitoring and control of risk in accordance with the Bank's risk management policy and the regulatory guidelines provided by the UAE Central Bank.

The Bank's risk management policies are designed to identify, analyse and evaluate, set appropriate limits for and monitor risk. The overall responsibility for risk management rests with the Board. Senior management is responsible for the implementation of the Bank's risk management framework, as approved by the Board, in accordance with defined policies and procedures focused on mitigating and controlling risks.

The Bank's risk management framework is integral to the operations and culture of the Bank. Risks are proactively managed within the Bank and the framework is sufficiently flexible to incorporate any new operations the Bank undertakes. The framework is comprehensive and has been communicated from the Board down to the Bank's individual business lines. The Bank's business strategy is to achieve the objective of being a strong financial institution with insight and transparency in risk-taking. The risk governance framework supports this objective and promotes transparency within the Bank.

The Group Risk Management Division ("**GRMD**") is responsible for the overall risk management framework of the Bank. The GRMD is an independent group comprised of members from the business risk units and the risk functions of the Bank, is headed by the Bank's Chief Risk Officer ("**CRO**") and reports to the Bank's Chief Executive Officer ("**CEO**") and the Board Risk Committee ("**BRC**"). The GRMD is responsible for overseeing risk on behalf of the BRC and for reviewing and highlighting all risk issues that require senior management's attention. The GRMD undertakes a group-wide risk assessment for the Bank and, where necessary, changes are made to improve processes and procedures in order to further strengthen the risk framework. The GRMD is the primary platform for formulating policies relating to risk issue(s) which are then reviewed and approved by the BRC and the Board. The GRMD is further responsible for ensuring implementation of the Basel regulatory framework across the Bank as prescribed by the UAE Central Bank. The GRMD is also responsible for ensuring that the risk organisational structure of the Bank is equipped with the appropriate skills, policies and processes to enable it to perform efficiently and effectively and for reviewing, monitoring and managing the risk emanating across the Bank's operations in conjunction with the respective business heads for individual business lines.

The Bank's approach to risk management revolves around the "Five Pillars of Risk Management" it has identified, which are as follows:

- *Strong Corporate Governance*, consisting of (i) ensuring the presence on the Board of qualified people who have a clear understanding of the rules and responsibilities relating to risk management; (ii) operating oversight committees to oversee risk management; (iii) avoiding conflicts of interest; (iv) compliance with high ethical and *Sharia* principles; and (v) establishing risk tolerance and threshold levels through the Bank's risk appetite statement, to manage risk exposures;

- *Robust Risk Architecture*, consisting of (i) establishing and continually reviewing IT platforms to monitor, measure and control risk; (ii) ensuring a comprehensive management information systems ("**MIS**") risk reporting and monitoring system is in place; and (iii) ensuring that the risk infrastructure systems meet the Bank's needs and that a platform for the development and implementation of more advanced risk management systems is in place;

- *Adherence to Globally Accepted Risk Standards*, which involves (i) taking a disciplined approach to the measuring, monitoring and management of risk; (ii) maintaining a disciplined approach to financing portfolio management in line with globally accepted standards; and (iii) continually reviewing and updating the Bank's risk management policies and processes;

- *Skilled and Seasoned Employees*, ensuring that (i) the Bank's personnel consists of those who have the appropriate skills and experience and who provide leadership and team building qualities; and (ii) proper and regular training of staff is provided; and

- *Robust Risk Culture*, (i) emphasising the importance of a prudent approach to risk; (ii) ensuring predictable performance by internal monitoring of consistent risk assessment through the internal audit function; (iii) striking a suitable balance between risk and reward; (iv) compliance with regulatory standards; (v) fraud prevention; and (vi) developing a sound risk strategy for the Bank.

The Bank operates the following committees to manage risk (see further "—*Management*" for a diagrammatic representation of these committees together with their reporting lines), each of which meets at least on a quarterly basis:

- *Board Risk Committee*. The Board has delegated oversight of the Bank's risk and controls to the BRC. The membership of the BRC includes at least three members of the Board. Members of the BRC and its Chairman are nominated by the Board.

  The responsibilities of the BRC include the following;

  - To oversee the development and annual review of risk management policies and plans to recommend for approval to the Board.
  - To make recommendations to the Board concerning the levels of current and future risk tolerance, appetite and strategy.
  - To ensure that risk management frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
  - To ensure that the Bank's management considers and implements appropriate risk controls.
  - To ensure the business continuity plans of the Bank are in place.
  - To approve credit proposals beyond the authority of the Management Credit Risk Committee ("**MCRC**").
  - To regularly review the evolving risk profile of the Bank.

The BRC will periodically review and assess the adequacy of the above list of responsibilities as required and recommend any proposed changes to the Board.

- *Management Risk Committee* ("**MRC**"). The main responsibility of the MRC is to oversee risk within the Bank and report to the BRC. The membership of the MRC comprises the CEO and executive level management of the Bank.

  The responsibilities of the MRC include the following;

  - To review and approve the risk management framework with recommendations to the BRC for approval by the Board.
  - To implement specific limits or tolerance levels that are aligned with those overall limits set by the Board at departmental or functional activity and operational risk levels.
  - To identify and consider different ways that the Bank can respond to the risks identified during the risk assessment process. Risks are not only identified for their potential negative impact, but also the positive business opportunities that they may present.
  - To review on a quarterly basis the Bank's performance of all Basel II-related issues, including risk rating systems and regulatory capital requirements.
  - To appraise and assess the evolving risk profile of the Bank.

The MRC will periodically review and assess the adequacy of the above list of responsibilities as required and recommend any proposed changes to the BRC for ultimate approval by the Board.

- *Management Credit Risk Committee*. The primary responsibility of the MCRC is the management and oversight of credit risk at the Bank.

  The voting members of the MCRC comprise the CEO, CRO, Chief Investment Officer, Executive Vice President ("**EVP**") – Treasury, EVP – Wholesale Banking and Head of Personal Banking.

The responsibilities of the MCRC include the following:

- To approve credit limits and obligor limits within its authority levels as delegated by the Board.
- To review credit approval cases beyond its delegated authorities for onward recommendation to the BRC.
- To review and approve credit policies and changes to these policies, within the risk management framework as approved by BRC.
- To review all debt restructuring and write-off cases and make decisions regarding the reclassifications of the Bank's credit assets.

The MCRC will periodically review and assess the adequacy of the above list of responsibilities as required and recommend any proposed changes to the BRC for ultimate approval by the Board.

- *Management Remedial Committee* (the "**Remedial Committee**"). The primary responsibility of the Remedial Committee is the management of remedial and past-due customer exposures.

  The membership of the Remedial Committee comprises the CEO, CRO, EVP – Wholesale Banking, Head of Personal Banking, Chief Investment Officer and EVP – Treasury.

  The responsibilities of the Remedial Committee include the following:

  - To review all legal cases outstanding for defaulted customers including those that have been written-off.
  - To institute various directives to the respective departments with follow-up actions in respect of certain outstanding past due and remedial accounts as may be recommended by the Remedial Committee.
  - To assign adequate provisions to past due customer exposures where required.
  - To approve recommendations for the sale of real estate or other collateral which is provided as collateral against defaulted customer exposures after all measures to recover the defaulted debt have been exhausted.
  - To recommend to the Board write-offs of defaulted debts in accordance with the Bank's Write Off Policy after all efforts of recovery have been exhausted and where there is little prospect of recovery.
  - To seek the inclusion or removal of a defaulting customer's name from the UAE Central Bank's Risk Bureau database.
  - To recommend and approve rescheduling and restructuring of the customer's debts.

The Remedial Committee will periodically review and assess the adequacy of its above list of responsibilities as required and recommend any proposed changes to BRC for approval.

- *Assets and Liabilities Committee*. The primary responsibility of the ALCO is the Bank's assets / liabilities management and the monitoring of market and liquidity risk to which the Bank is exposed.

  The membership of the ALCO comprises the CEO, Chief Financial Officer, CRO, Chief Investment Officer, EVP – Treasury, EVP – Wholesale Banking, EVP – Investment Banking, Head of Personal Banking and SVP – Legal Counsel and meets on a monthly basis to review the liquidity position of the Bank.

  The responsibilities of the ALCO include the following:

  - To develop and submit for approval to the Board the Bank's Assets and Liabilities Policy.
  - To review and propose changes to the Assets and Liabilities Policy, including risk limits, measurement, and management and monitoring processes to the Board.
  - To review and approve the profit rate forecasts to be used in evaluating the effect of changes in profit rates on the Bank's earnings.

- To develop, review and modify the primary asset-liability profile of the Bank in line with the profit rate risk management objectives, business plans and operating strategy of the Bank.
- To evaluate the Bank's current profit rate risk position.
- To review deviations between actual positions and set limits and direct modifications to comply with the Bank's risk management guidelines.
- To report the Bank's financial risk exposures (profit rate risk, liquidity risk and other market risks) to the Board, comparing the Bank's current positions against the policy limits.
- To inform the Board of any regulatory developments that affect asset/liability policies and strategies.
- To review the adequacy of the Bank's liquidity position including regulatory limits.

- *Management Operational Risk Committee* (the "**MORC**"). The MORC is a subcommittee of the MRC which is dedicated to all operational risks, including fraud and compliance. The MORC is chaired by the CEO (or the CRO in his absence) and attended by all business unit heads, support function heads, the chief executive officer of Al Hilal Takaful (as an invitee) and the Head of Internal Audit. The Head of Operational Risk also attends as the secretary and/or coordinator. The MORC meets eight times a year and its purpose is to provide assurance to the BRC that the operational risks facing the Bank are being adequately identified, assessed, mitigated or controlled and monitored in a manner commensurate with the Bank's risk management policies.
- *Management Investment Committee* (the "**MIC**"). The primary responsibility of the MIC is the management and monitoring of the Bank's investment activity.

  The membership of the MIC comprises the CEO, Chief Financial Officer, EVP – Treasury, EVP – Wholesale Banking, EVP – Investment Banking and CRO.

  The responsibilities of the MIC include the following:

  - To review and recommend to the Board the investment strategy for the financial year.
  - To inform the Board on any breaches of investment limits, the remedial action taken and the immediate and future impact of the breach.
  - To review and approve policy and procedures for matters relating to investment.
  - To review at least annually, if applicable, the performance of each investment manager / custodian and their fees.
  - To review and approve all new investments made by the Bank.
  - To review and approve recommendations for the sale of the Bank's investments.

- *Finance Committee* (the "**FINCO**"). The primary responsibility of FINCO is to assess the Bank's business performance, monitor capital and operating expenditure, review the annual budget and business plan.

  The membership of the FINCO comprises the CEO, Chief Financial Officer, EVP – Human Capital & Facilities Management, CRO, EVP – Treasury, EVP – Wholesale Banking, EVP – Investment Banking Group and Head of Personal Banking.

  The responsibilities of the FINCO include the following:

  - To assess business performance at a business line, product and customer level based on established metrics and approaches.
  - To monitor capital and operating expenditure at a business line and overhead level against the Bank's budget, and report any transgressions or unusual trends to the Board.
  - To monitor net margins in line with the Bank's budget and medium term strategy and report any unusual trends to the Board.

- To review and provide recommendations to the Board for (i) the annual budget and business plan; and (ii) the medium term strategic plan.

Independent reviews of the credit, risk and compliance management functions of the Bank are carried out by internal and external auditors, and the UAE Central Bank maintains proactive oversight and conducts regular inspections.

The Bank is exposed to five major areas of risk: credit risk, market risk, liquidity risk, operational risk and *takaful* and *re-takaful* risk.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty fails to meet its contractual obligations to make a payment to the Bank. Credit risk arises principally from the Bank's receivables from Islamic financing activities, *ijara* assets and investments in *Sharia* compliant products and structures. The Bank is exposed to credit risk through its financing, trading, treasury and investment activities and when it acts as an intermediary on behalf of its customers or third-parties, or issues guarantees.

The GRMD develops and maintains the Bank's credit risk grading in order to categorise exposures according to the degree of risk and to alert management to these risks. The risk grading system reflects the probability of an obligor defaulting. Prior to facilities being made available to customers by the relevant business unit, the GRMD assesses all credit exposures which are in excess of designated limits. Facilities are also subject to an annual review process. The Bank further manages credit exposure by obtaining security and collateral where this is deemed appropriate and by limiting the duration of the Bank's exposure to the relevant customer or counterparty.

The Bank provides an allowance for impairment losses on assets carried at amortised cost that represents its estimate of expected losses on its financial assets. The main components of this allowance are a specific loss component (relating to individually significant exposures) and a collective loss allowance (which is calculated at a general level). Any write-off for an impaired facility or investment is approved by the BRC upon determination by the GRMD and/or RMC that the facility or investment will not be recovered.

As at 30 June 2013, of the Bank's total financings of AED 24.1 billion, AED 10.1 billion, or approximately 42 per cent., benefitted from collateral arrangements. Of this percentage, 20 per cent. were granted in respect of real estate, 18 per cent. in respect of deposits or other assets, 3 per cent. in respect of government guarantees and the remaining 1 per cent. in respect of financial guarantees.

Credit approval process

- *Wholesale Banking*. The credit approval process commences with the Bank's relationship manager undertaking a detailed consultation with, and due diligence process in respect of, the customer. The Bank's relationship manager then prepares the credit application which incorporates an analysis of the customer's relevant financial, business and/or management factors. This application also incorporates details of the credit lines that have been requested by the customer along with any security/collateral that has been proposed. This application is duly reviewed by the Bank's relevant area managers and is then, with the support of the EVP – Wholesale Banking, forwarded to the GRMD for its review. Within the GRMD a credit manager will review the credit application and, after clearing all issues with the GRMD, prepare a GRMD recommendation. The credit application is then presented to the MCRC for its approval and/or recommendation. After due consideration, the MCRC will either approve and/or recommend the proposal (with or without new conditions) or decline it and request that it is presented again with certain clarifications on issues raised. Any credit application which is in excess of the MCRC's authority, which varies depending on the rating applied to the customer and the amount and term of the financing applied for and level of cash collateralisation, is forwarded to the BRC for approval.

- *Personal Banking*. Applications for retail finance are submitted by the sales team to the Bank's credit team in Abu Dhabi or Dubai, depending on the location of the customer. The analyst then reviews the application to ensure (i) all mandatory UAE Central Bank and 'blacklist' checks have been completed, (ii) all required documentation has been provided in accordance with the relevant product manual and (iii) the customer meets the relevant eligibility requirements set out in the Bank's Credit Policy. Applications that satisfy all of these criteria are then forwarded for credit approval, with the level at which such approval is to be obtained depending on the total amount and nature of the financing applied for and the total exposure of the Bank to the customer. This level of approval authority is determined by the MCRC. Credit applications in excess of the delegation limits for Personal Banking are presented to the MCRC for its approval.

Exposure to credit risk

The Bank measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, profit suspended and impairment losses, if any.

As at 30 June 2013, 31 December 2012 and 31 December 2011, the Bank's maximum exposure to credit risk before collateral held or other credit enhancements was as follows:

	As at 30 June	As at 31 December	
	2013	2012	2011
		(AED millions)	
Cash and balances with banks	1,317.4	1,437.2	1,232.2
Murabaha and wakala deposits with banks and other financial institutions	3,765.6	2,805.8	2,608.2
Receivables from Islamic financing activities	18,929.0	17,859.9	15,501.3
Ijara	5,150.8	5,051.0	3,823.5
Investment securities	2,653.3	2,799.6	3,160.0
Other assets	977.7	759.0	580.7
	32,793.8	30,712.5	26,905.9
Contingencies and commitments	6,243.0	11,571.7	13,313.4

Note:

The table above represents a worst case scenario of credit risk exposure of the Bank at 30 June 2013, 31 December 2012 and 31 December 2011 without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on the gross carrying amounts as reported in the consolidated statement of financial position, at those respective dates.

As at 30 June 2013, 31 December 2012 and 31 December 2011, over 99 per cent. of the Bank's AED 24.1 billion, AED 22.9 billion and AED 19.3 billion, respectively, of total financings and over 99 per cent. of its AED 6.2 billion, AED 11.6 billion and AED 13.3 billion, respectively, of contingencies and commitments were concentrated in the UAE.

In terms of the industry concentration of the Bank's total financing portfolio, as at 30 June 2013, the retail/consumer banking sector accounted for approximately 40 per cent. whilst the Government sector accounted for approximately 21 per cent., as compared to approximately 28 per cent. and 13 per cent., respectively, as at 31 December 2012 and approximately 25 per cent. and 19 per cent. respectively, as at 31 December 2011.

The Bank's ten largest financings represented approximately 29 per cent. of its total financings as at 30 June 2013 and as at 31 December 2012 and approximately 34 per cent. as at 31 December 2011. The Bank's largest funded exposure to a private sector obligor was approximately AED 645 million as at 30 June 2013, AED 641 million as at 31 December 2012 and AED 702 million as at 31 December 2011, which constituted around 3 per cent. of the Bank's total financings as at 30 June 2013, as at 31 December 2012 and as at 31 December 2011.

In line with the UAE Central Bank's loan classification and provisioning circular of 11 November 2010, the Bank classifies its financings as normal (all information available indicates payment as agreed), watch-list (some weakness in the obligor's financial position and credit worthiness that requires more than normal attention), sub-standard financings (payment are in arrears beyond 90 days or some loss is possible due to adverse factors), doubtful financings (full recovery seems doubtful based on available information, resulting in a loss on part of such financings) and loss financings (possibility of no recovery after the Bank has exhausted all available courses of action). In the case of sub-standard financings, a specific provision is made for a minimum of 25 per cent. of the net exposure amount, in the case of doubtful loans this provisioning level is 50 per cent. of the net exposure amount and, in the case of loss financings, full provision for the net exposure amount is made.

In the case of corporate and commercial financings, whether a financing is to be classified as doubtful or a loss is to be determined by an assessment of the particular financing rather than the number of days by which payment is past due. In the case of retail and consumer facilities, a financing will be considered sub-standard when payments are 90 to 120 days past due, doubtful when 121 to 180 days past due and a loss when more than 180 days past due.

Non-performing financings comprise financings which are more than 90 days past their due date and impaired financings. The tables below set out an analysis of past due financings by number of days past due as at 31 December 2012 and 31 December 2011:

	As at 31 December 2012				
	1-29 days	**30 to 59 days**	**60 to 89 days**	**Above 90 days**	**Total**
			(AED millions)		
Past due but not impaired financings	239.7	332.2	172.8	871.1	1,615.8
Past due and impaired financings	—	—	—	—	—

	As at 31 December 2011				
	1-29 days	**30 to 59 days**	**60 to 89 days**	**Above 90 days**	**Total**
			(AED millions)		
Past due but not impaired financings	362.5	191.2	107.9	798.8	1,460.5
Past due and impaired financings	—	—	—	—	—

The following table sets out the Bank's impairment charges on financial assets as at 31 December 2012 and 2011:

	Murabaha and wakala deposits with banks and other financial institutions		**Ijara**		**Receivables from Islamic financing**		**Investment securities**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
					(AED millions)					
At 1 January	11.8	11.1	80.5	25.7	405.4	187.9	8.2	1.8	505.9	226.5
Charge for the year	(0.5)	0.6	30.9	54.8	232.2	218.5	(5.3)	6.4	257.3	280.3
Write offs and recoveries	—	—	—	—	(30.6)	(0.9)	—	—	(30.6)	(0.9)
Unwinding on renegotiated financings	—	—	—	—	(5.9)	—	—	—	(5.9)	—
At 31 December	11.3	11.7	111.4	80.5	601.1	405.5	2.9	8.2	726.7	505.9

The total carrying amount of financings that have been renegotiated as at 31 December 2012 was AED 1.0 billion and AED 810 million as at 31 December 2011.

Prior to a financing becoming non-performing it will be placed on a watch-list and monitored by the GRMD, relationship managers within the Wholesale Banking Group and the MCRC for discussion and updates on the account's status. The Bank ceases to accrue income on financings that have been provisioned or where payment is over due by more than 90 days. Impaired financings are written-off by the Bank once all reasonable restructuring and collection efforts have been undertaken or where the possibility of any further recovery is considered remote.

Market risk

Market risk is the current or prospective risk that changes in financial market prices and rates will cause fluctuations in the fair value or future cash flows of financial instruments. The risk arises from imbalances in the Bank's balance sheet as well as from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

Overall authority for market risk management is vested with the Market Risk Middle Office within the GRMD, which is responsible for monitoring and developing management policies in relation to market risk (with such policies being subject to the review and approval of the BRC).

The Bank's market risk exposure comprises exposures in its trading book and banking book.

Trading Book Exposures

The Bank's trading book exposures are currently minimal and comprise of open positions in foreign exchange, equity and *sukuk* investments held in the trading book of the Bank.

Banking Book Exposures

Banking book exposures include all rate-sensitive assets and liabilities not categorised under trading book exposures. The primary market risk exposure for banking book assets and liabilities is the profit rate risk which will impact the value of rate-sensitive assets and liabilities.

Market risk arising from investment in debt and capital markets

The Bank is exposed to market risk arising from its investment securities portfolio, which primarily comprises investments in *sukuk* and investment in publicly traded equities as well as mutual funds. See "—*Treasury Banking Group*" above for further discussion on the components of the Bank's investment securities portfolio. The majority of the Bank's investment securities are publicly traded. The table below shows the impact that a 10 per cent. increase or decrease in the prices of the major components of the Bank's investment securities portfolio would have on the Bank's results and equity for the years ended 31 December 2012 and 31 December 2011 (this analysis is based on the assumption that all other variables will remain constant and, where applicable, the Bank's investments moved according to the historical correlation of the relevant index):

	Impact on results and equity of the Bank	
	As at 31 December	
	2012	2011
	(AED millions)	
+/- 10% change in investment security prices:		
Profit and loss	9.1	1.0
Other Comprehensive Income	2.7	2.2

Currency risk

The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Senior management sets limits on the level of currency exposure, in aggregate for both overnight and intra-day positions, and monitors currency positions on a daily basis.

The table below shows the composition of the Bank's foreign currency exposure to significant currencies as at 31 December 2012 and 31 December 2011:

	Net open position	
	As at 31 December	
	2012	2011
	(AED millions)	
Currency		
Euro	—	17.4
British Pounds	0.2	1.1
Japanese Yen	0.1	0.2
Omani Riyals	0.2	—
Various currencies	0.4	(0.2)

If the exchange rate between the various currencies and the AED increased or decreased by 10 per cent. then, assuming that all other variables remained constant, the impact on the results and equity of the Bank would be immaterial due to the fact that the Bank's FX open position has remained minimal. The net open position of the Bank (excluding US dollar and other GCC currencies which, as at the date of this Base Prospectus, are pegged to the US dollar) as at 31 December 2012 was AED 0.3 million and as at 30 June 2013 it was AED 3.2 million.

Profit rate risk within the banking book

Profit rate risk reflects the degree of vulnerability of an organisation to adverse changes in profit rates. The Bank's net profit income can be significantly affected by the impact of profit rate changes on its balance sheet. Profit rate risk occurs when assets and liabilities mature or reprice at different times. If more liabilities than assets are repriced in a given period and market profit rates are declining, the Bank's repriced liabilities (funding cost) will fall. This increases the asset/liability profit rate spread, with a positive impact on the Bank's gross margin. Conversely, if more assets than liabilities reprice or mature in a given period, then a decline in market profit rates will reduce the asset/liability profit rate spread, with a negative impact on the Bank's gross margin. These fluctuations in gross profit margin are effectively 'neutralised' when assets are funded by identically matching liabilities. To eliminate repricing risk all assets and liabilities will have the same maturity and amortisation profile. Matched funding, however, does not maximise earnings. To increase earnings, the Bank's businesses selectively mismatch asset and liability repricing to take advantage of expected profit rate movements and the shape of the expected yield curve. A long-term impact of profit rates is on the net worth of the Bank as the economic value of the Bank's on-balance sheet assets, liabilities and off-balance sheet positions are affected by variations in market rates. Therefore, each business within the Bank is encouraged to accept and manage profit rate risk proactively against defined limits set by the Bank depending on each businesses' potential returns and its capacity to absorb the potential losses from the adverse movements described above. These internal limits are assigned as 'best practice', with the Bank's Treasury Banking Group being responsible for overall profit rate risk management.

The table below shows the impact that a 200 basis points increase or decrease in profit rates on both the assets and liabilities of the Bank would have on the Bank's results and equity for the years ended 31 December 2012 and 31 December 2011 (assuming all other variables remain constant). The impact highlighted is calculated using the 'earnings at risk' approach which measures the expected variability over a twelve month period as a result of the plus or minus 200 basis points change in profit rates:

	Impact on results and equity of the Bank	
	As at 31 December	
	2012	**2011**
	(AED millions)	
+200 basis points change in profit rates	(98.9)	(141.3)
-200 basis points change in profit rates	86.9	67.2

The table below shows a summary of the Bank's profit rate re-pricing as at 31 December 2012:

	Less than 3 months	3-6 months	6-12 months	1-5 years	Greater than 5 years	Non-sensitive	Total
				(AED millions)			
Assets							
Cash and balances with banks	—	—	—	—	—	1,437.2	1,437.2
Murabaha and wakala deposits with banks and other financial institutions	2,651.2	104.5	50.1	—	—	—	2,805.8
Receivables from Islamic financing activities	8,088.6	2,791.4	706.2	2,340.6	3,753.5	179.4	17,859.9
Ijara	2,934.7	2,027.1	29.1	60.1	—	—	5,051.0
Investment securities	177.0	—	—	2,321.9	126.0	174.7	2,799.6
Other assets	—	—	—	—	—	759.0	759.0
Total assets	**13,851.5**	**4,923.0**	**785.4**	**4,722.6**	**3,879.5**	**2,550.3**	**30,712.5**
Liabilities							
Customers' accounts	13,883.0	3,578.1	2,922.7	2,294.2	5.0	2,273.7	24,956.7
Wakala deposits from banks	2,481.1	—	—	—	—	10.5	2,491.6
Other liabilities	—	—	—	—	—	1,178.0	1,178.0
Total liabilities	**16,364.1**	**3,578.1**	**2,922.7**	**2,294.2**	**5.0**	**3,462.2**	**28,626.3**
Net position	**(2,512.6)**	**1,344.9**	**(2,137.3)**	**2,428.4**	**3,874.5**	**(911.9)**	**2,086.2**

The table below shows a summary of the Bank's profit rate re-pricing as at 31 December 2011:

	Less than 3 months	3-6 months	6-12 months	1-5 years	Greater than 5 years	Non-sensitive	Total
				(AED millions)			
Assets							
Cash and balances with banks	—	—	—	—	—	1,232.2	1,232.2
Murabaha and wakala deposits with banks and other financial institutions	2,511.4	3.8	—	4.8	—	88.2	2,608.2
Receivables from Islamic financing activities	6,865.2	964.7	873.8	3,454.3	3,046.0	297.3	15,501.3
Ijara	1,801.5	1,936.1	18.0	67.9	—	—	3,823.5
Investment securities	460.0	—	—	2,656.1	—	43.9	3,160.0
Other assets	—	—	—	—	—	580.7	580.7
Total assets	**11,638.1**	**2,904.6**	**891.8**	**6,183.1**	**3,046.0**	**2,242.3**	**26,905.9**
Liabilities							
Customers' accounts	7,691.2	2,539.5	5,281.6	1,889.8	—	2,215.7	19,617.8
Wakala deposits from banks	4,890.2	3.8	5.1	4.9	—	31.8	4,935.8
Other liabilities	—	—	—	—	—	973.9	973.9
Total liabilities	**12,581.4**	**2,543.3**	**5,286.7**	**1,894.7**	**—**	**3,221.4**	**25,527.5**
Net position	**(943.3)**	**361.3**	**(4,394.9)**	**4,288.4**	**3,046.0**	**(979.1)**	**1,378.4**

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in repaying its funding or will only be able to secure funding at excessive cost. Liquidity risk arises from the inability to manage unplanned decreases or changes in funding sources.

The management of liquidity risk is driven by the Board. The Board defines the scope of the liquidity risk policy and delegates its authority to the ALCO, which has the responsibility for understanding the risks assumed by the Bank and ensuring that these risks are appropriately managed. The delegation of approval authorities is formalised and governed by the ALCO as described above, complemented by the general oversight of the GRMD.

Active liquidity management

The Bank's approach to managing liquidity is to ensure, as far as is possible, that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring significant losses or risking damage to the Bank's reputation. The Treasury Banking Group monitors the Bank's significant maturing financings and deposits on a daily basis while a comprehensive liquidity reporting process is conducted on a weekly and monthly basis. The Treasury Banking Group then maintains a portfolio of short-term liquid assets which normally consist of short-term liquid investment securities and inter-bank facilities to ensure that sufficient liquidity is maintained within the Bank. The liquidity requirements of business units and subsidiaries are met through short-term financing from the Treasury Banking Group to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. The daily liquidity position is monitored and regular stress testing is conducted under a variety of scenarios covering the normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the ALCO. Daily reports cover the liquidity position of the Bank, its operating subsidiaries and its branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to the ALCO.

The Bank relies on customers' accounts and wakala deposits from banks as its primary sources of funding. Customers' accounts and wakala deposits from banks generally have shorter maturities and a large proportion of them are repayable on demand, although historically many of the Bank's deposits have been 'sticky' and so not withdrawn from the Bank. The short-term nature of these deposits increases the Bank's liquidity risk and the Bank actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Liquidity management strategy

The Bank controls liquidity risk through regular monitoring of a number of key ratios such as advances to stable resources ratio, liquidity asset ratio and sources of funds analysis.

Liquidity shortfall limits for different time periods are also currently being established and any exceptions to these limits are referred to ALCO for remedial action.

The Bank's ability to withstand both temporary and longer-term liquidity disruptions and its ability to fund some or all of its activities in a timely manner and at a reasonable cost depend on the adequacy of its formal liquidity contingency plans. The Bank therefore has implemented a Contingency Funding Plan ("**CFP**") to ensure that a comprehensive strategy is instituted in the Bank to guide its senior management in handling a liquidity crisis. This includes procedures for meeting cash flow shortfalls in emergency situations as well as setting up the roles and responsibilities to be carried out by various executives and departments. The CFP may be executed in the event of a liquidity crisis, whether it is a Bank-specific or a general-market crisis.

See "—*Funding and Liquidity*" above for a summary of the Bank's maturity profiles as at 31 December 2012 and 31 December 2011.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. The Bank has implemented a strategic operational risk management framework and the MORC meets regularly to review the Bank's operational risk profile and key areas of risk. The Bank also ensures that departmental risk control self assessments are conducted on a regular basis.

Takaful and re-takaful risk

Takaful risk

Takaful risk is where the *takaful* funds agree to indemnify the insured parties against unforeseen, future insured events. The frequency and severity of claims are the main risk factors. Due to the inherent risk in the *takaful* business, actual claim amounts can vary marginally compared to the outstanding claim reserves but are not expected to have a material impact on the financial performance of the business.

Re-takaful risk

In order to minimise financial exposure arising from large claims, Al Hilal Takaful, in the normal course of business, enters into agreements with other parties for *re-takaful* purposes. Such *re-takaful* arrangements provide for business diversification and enable management to control exposure to potential losses from large claims, thereby providing additional capacity for growth.

To minimise its exposure to significant losses from a reinsurer's insolvency, Al Hilal Takaful evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of reinsurers.

Re-takaful arrangements do not relieve Al Hilal Takaful from its obligations and as a result Al Hilal Takaful remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet its obligations under the relevant *re-takaful* agreement.

Reserve for claims

The Bank maintains reserves in respect of its *takaful* business in order to protect against future adverse claims and significant events. Uncertainties around the amount and timing of claim payments are usually resolved within a year.

Capital Adequacy

The Bank's policy is to develop and maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The GRMD is responsible for ensuring the implementation and compliance of the Bank with the Basel II and UAE Central Bank regulations. The GRMD ensures this implementation through the following processes:

- assessing the ability of the Bank to meet the requirements of the Basel II and Basel III regulations by developing models (where appropriate) of credit risk, market risk and operational risk for analysis of risk exposure for assessing Pillar 1;
- eliminating discrepancies identified during the analysis stage, providing feedback to the senior management on the status of such discrepancies and updating the models accordingly;
- ensuring that the Bank complies with the mitigation requirements of Basel II as per the requirements set forth by the UAE Central Bank (including the implementation of ICAAP) (Pillar 2); and
- ensuring that the Bank provides adequate disclosure (Pillar 3) to the necessary stakeholders as required by the UAE Central Bank and the Basel requirements.

The Bank's regulator is the UAE Central Bank, which sets and monitors capital requirements for the Bank. The Bank is also required to comply with the provisions of the UAE Central Bank in respect of regulatory capital.

The following table sets forth the Bank's regulatory capital position under the Basel II framework as at 30 June 2013 and as at 31 December 2012 and 2011:

	As at 30 June	As at 31 December	
	2013	2012	2011
	(AED millions, unless otherwise stated)		
Tier 1 capital			
Ordinary share capital	3,090.0	3,090.0	2,590.0
Statutory reserve	69.1	68.4	13.8
Retained earnings and current period/year profit	600.8	379.5	90.8
Total tier 1 capital	3,759.9	3,537.9	2,694.6
Tier 1 capital ratio (per cent.)	**13.6**	**13.9**	**12.6**
Tier 2 capital			
Undisclosed reserves/general provisions	327.0	302.5	267.3
Asset revaluation reserve	(11.1)	(6.6)	(3.3)
Qualifying tier 2 capital	315.9	295.9	264.0
Deductions from tier 1 and tier 2 capital			
Investments in unconsolidated subsidiaries	(93.6)	(97.9)	(94.4)
Total tier 1 and tier 2 capital	3,982.3	3,735.9	2,864.2
Risk weighted assets (Pillar 1)			
Credit risk	26,163.1	24,197.3	20,778.8
Market risk	103.8	265.2	41.0
Operational risk	1,339.2	967.6	561.4
Total risk weighted assets	27,606.1	25,430.1	21,381.2
Capital adequacy ratio (per cent.)	**14.4**	**14.7**	**13.4**

Anti-Money Laundering Policies

Anti-Money Laundering ("**AML**") and Know Your Customer ("**KYC**") procedures are subject to local regulations, which require transaction monitoring, the reporting of suspicious activity and staff training to form part of such procedures.

Effective AML and KYC procedures form a fundamental part of the Bank's anti-money laundering internal control regime. The Bank has introduced risk based KYC standards, which apply across retail and corporate services, commercial trade transactions and correspondent banking. The Bank's AML policies and procedures have been implemented in accordance with local legislation and regulatory requirements as well as the international sanctions resolutions. Guidelines have also been designed to provide adequate support to the business in minimising the risk of money laundering and terrorist financing, as well as to comply with applicable legislation and regulations. The Bank's AML and KYC policies and procedures apply to all countries in which the Bank operates.

Ongoing KYC, AML and sanctions training is provided by means of classroom training and e-learning to all of the Bank's employees. All new accounts and remittances are screened against UAE Central Bank, the United States Office of Foreign Assets Control ("**OFAC**") and the United Nations lists of sanctioned persons and entities and the Bank's entire customer database is screened periodically to ensure that subsequently sanctioned persons and entities are not present. Financial activities for all accounts are monitored on an automated basis, the systems for which were implemented by the Bank in May 2010.

Information Technology

The Bank recognises the importance of Information Technology (“**IT**”) in assisting it to reach its objectives of growth, expansion and competitive market positioning. There is strong alignment between the Bank’s business plans and its IT plans.

The Bank’s IT department has completed the implementation of many business support systems such as retail and corporate internet banking, mobile banking, anti-money laundering, enterprise content management, customer relationship management, customer liability management, operational risk, customer credit rating, enterprise resource planning, core banking, and various new products in cards systems. All of the systems are online integrated using ‘middleware systems’.

In addition to the business support systems described above, the Bank’s IT department has completed many infrastructure-related projects such as disaster recovery setup, server ‘virtualisation’ and database consolidation.

The Bank has implemented information security systems and procedures to protect and maintain the confidentiality of customer information.

Related Party Transactions

The Bank’s related parties include its sole shareholder, directors and key management, as well as entities owned and controlled by its key management. All related party transactions are approved by the Management Committee or the Board.

See note 27 to the 2012 Financial Statements and note 20 to the Interim Financial Statements for further information in relation to the Bank’s related party transactions.

Property

The Bank’s principal fixed assets include premises for its new head office in Abu Dhabi, acquired by it from the Council for AED 713 million in 2011 and its other branch buildings and offices. The Bank moved into its new head office in the third quarter of 2013. The Bank also owns an office tower development on Sowwah Island (now known as Al Maryah Island) which is expected to be completed in the first quarter of 2014. Total planned capital expenditure for the Al Maryah Island Tower development is AED 391 million, of which AED 110 million has been incurred as at the date of this Base Prospectus. The Bank expects to finance the remainder of this capital expenditure through internal sources of funds

The net book value of the Bank’s property and equipment was AED 1.4 billion as at 30 June 2013, as compared to AED 1.4 billion as at 31 December 2012 and AED 1.2 billion as at 31 December 2011.

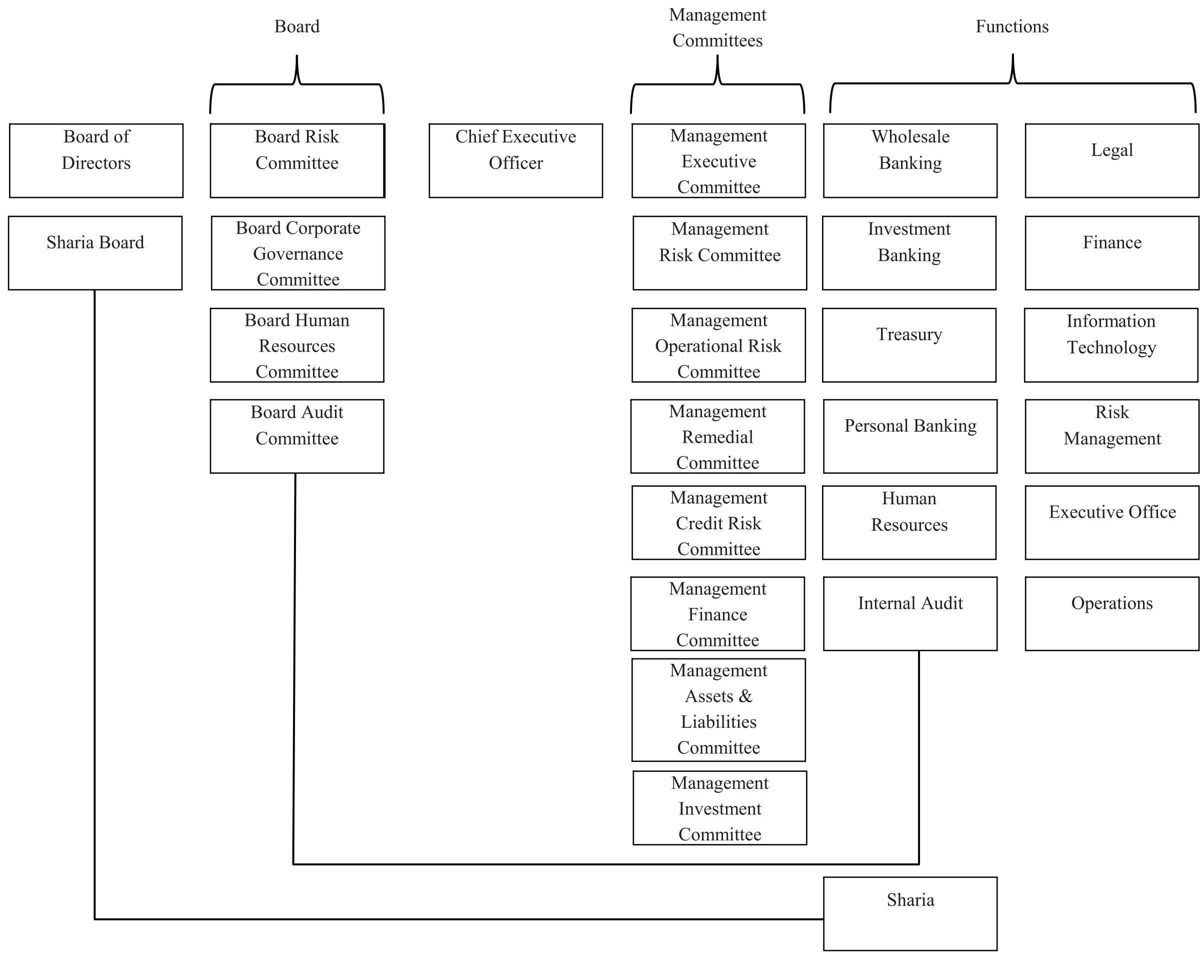
Credit Ratings

As at the date of this Base Prospectus, the Bank’s long-term corporate ratings were assessed by Moody’s as “A1” (stable) and by Fitch as “A+” (stable).

MANAGEMENT AND EMPLOYEES

Management

The organisational chart of the Bank is as follows:



The Board

The management of the Bank is vested in the Board. In September 2010, a new Board was appointed by the Abu Dhabi Investment Council for a period of three years and the Bank expects the Board's appointment to be renewed in October 2013. The Board comprises four non-executive directors, of whom two are independent (including the Deputy Chairman), and met six times in each of 2012 and 2011.

The following table sets out the names of the current members of the Board:

Name	Position	Date joined
H.E. Ahmed Ateeq Al Mazrouei	Chairman	2010
H.E. Jassim Ahmed Al Meraikhi	Deputy Chairman	2010
H.E. Ali Majid Al Mansoori.................................	Board Member	2010
H.E. Jamal Sultan Al Hameli	Board Member	2010

The address of each Board member is c/o Al Hilal Bank, Head Office, P.O. Box 63111, Abu Dhabi, UAE. There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Bank.

Detailed below is brief biographical information on the Board members:

H.E. Ahmed Ateeq Al Mazrouei

Mr Al Mazrouei has served as chairman of the Abu Dhabi Securities Market and as a board member of several financial institutions, including NBAD, Arab Banking Corporation, Arab International Bank and Tunis Emirates Bank. Mr Al Mazrouei started his career with the Abu Dhabi Investment Authority and is currently the head of the Infrastructure Department at Abu Dhabi Investment Council.

H.E. Jassim Ahmed Al Meraikhi

Mr Al Meraikhi has served as a board member of several financial institutions, including Abu Dhabi Commercial Bank, Abu Dhabi Retirement and Pension Benefits Fund, Oman & Emirates Investment Company, Abu Dhabi Holding, Delma Brokerage and United Brokerage. Mr Al Meraikhi is currently a director of Abu Dhabi Investment Authority.

H.E. Ali Majid Al Mansoori

Mr Al Mansoori has served as chairman of Injaz Mena and Morganti, deputy chairman of Essdar Capital and board member of Abu Dhabi Holding, PIVOT and other companies. Mr Al Mansoori has held positions at Abu Dhabi Investment Authority and is currently the Executive Director in the Office of the Vice Chairman of the Executive Council in the UAE.

H.E. Jamal Sultan Al Hameli

Mr Al Hameli has held various positions at Abu Dhabi Investment Authority after initially commencing his career in the aviation engineering industry. Mr Al Hameli is the Director of Corporate and Business Communication at Abu Dhabi Investment Council and is a member of the Council's two main Governance committees.

Board Committees

The Bank has four Board committees:

The Board Risk Committee

The BRC advises the Board on the Bank's overall current and future risk tolerance and strategy and oversees the Bank's implementation of that strategy. The BRC is responsible for monitoring the Bank's credit, operational and market risks. It monitors the concentration and diversification of the Bank's asset portfolios and is also responsible for establishing a business continuity plan and a disaster recovery plan. See also "—*Risk Management*" above. The BRC's members currently comprise H.E. Ahmed Ateeq Al Mazrouie (Chairman) and H.E. Ali Majid Al Mansoori.

The Board Audit Committee

The Board Audit Committee is responsible for ensuring that the overall control environment of the Bank is functioning correctly and that the Bank is acting in compliance with applicable governing laws and regulations. The Board Audit Committee also oversees the financial reporting processes of the Bank and assesses the effectiveness of internal controls. The Board Audit Committee further ensures the independence of internal and external audits of the Bank, reviews and recommends internal audit policies and procedures to the Board for approval, reviews internal audit reports and oversees the audit functions. As part of its function, the Board Audit Committee maintains regular interaction with the external auditor so that any relevant issues are discussed and addressed. The Board Audit Committee's members currently comprise H.E. Jassim Ahmed Al Meraikhi (Chairman), H.E. Jamal Sultan Al Hameli and Mr. Taha Al Bahrawi (who was appointed as a member of the Board Audit Committee in 2011 as a financial reporting and audit expert and non-Board member in accordance with generally accepted governance practices).

The Board Human Resources Committee

The Board Human Resources Committee is responsible for reviewing and approving the Bank's human resources policies and procedures and ensuring that the policy is in compliance with all applicable laws and regulations. The Board Human Resources Committee is also responsible for reviewing, amending and approving the overall remuneration systems, packages and grading structure of the Bank. The Board Human Resources Committee further ensures that the Bank's training, career development and succession programmes are effective in promoting the skills required by the Bank and securing adequate succession at the top management level. The Board Human Resources Committee's members currently comprise H.E. Jamal Sultan Al Hameli (Chairman), H.E. Jassim Ahmed Al Meraikhi and H.E. Ali Majid Al Mansoori.

The Board Corporate Governance Committee

The Board Corporate Governance Committee is responsible for the development and regular update of corporate governance procedures and "best practices" within the Bank. It monitors their implementation, ensures compliance with the guidelines and regulatory requirements and performs public reporting on corporate governance matters. The Board Corporate Governance Committee is also accountable for reporting material concerns and violations committed during the year to the Board in addition to proposing developments in and improvements to the corporate governance procedures and structures. The Board Corporate Governance Committee's members currently comprise H.E. Jamal Sultan Al Hameli (Chairman), Dr. Assem Safieddine and Mr. Shawqi Ali Taleb. Dr. Safieddine was appointed as a member of the Board Corporate Governance Committee as a recognised corporate governance expert in the MENA region as well as internationally. Dr Safieddine is Director of the Finance and Corporate Governance Programme at the Olayan School of Business at the American University of Beirut. Mr. Shawqi Taleb was appointed as a member of the Board Corporate Governance Committee due to his corporate governance experience. Mr. Taleb is a CFA charterholder of the CFA Institute and is an investment manager at the Abu Dhabi Fund for Development.

Management Committees

To ensure that the Bank conducts its affairs with integrity and in line with best corporate practices, on the authority of the Board, the CEO has established eight executive level management committees, which are as follows:

- Management Executive Committee;
- Management Risk Committee;
- Management Operational Risk Committee;
- Management Remedial Committee;
- Management Credit Risk Committee;
- Management Investment Committee;
- Finance Committee; and
- Assets and Liabilities Committee,

each of which is described above under "—*Risk Management*" save for the Management Executive Committee which is described below.

Management Executive Committee

The Management Executive Committee ("**MEC**") is responsible for supporting the CEO in the day-to-day management of the Bank through the implementation of the strategies and plans approved by the Board from time to time. The MEC meets at least once a month and its membership comprises the executive management of the Bank as further described under "—*Executive Management*" below, together with the Head of Personal Banking and the Head of Sharia Coordination.

Fatwa and Sharia Supervisory Board

The *Sharia* Board is appointed by the Board. The *Sharia* Board comprises of Islamic scholars with strong reputations and with extensive experience in *Sharia* rules and principles, economics and banking systems. The *Sharia* Board's responsibilities include directing, reviewing and supervising the activities of the Bank in order to ensure that they are in compliance with Islamic *Sharia* rules and principles including, but not limited to, supervising the development and creation of innovative *Sharia*-compliant products, issuing *fatwas* on any matter proposed to it by business units of the Bank, ensuring (via *Sharia* auditors) that transactions are carried out in compliance with Islamic *Sharia* principles and analysing contracts and agreements concerning the Bank's transactions.

The following table sets out the names of the current members of the *Sharia* Board:

Name	Position	Date joined
Sheikh Dr. Abdussattar Abu Ghuddah	Chairman	2008
Sheikh Nizam M.S.Yaquby	Vice Chairman	2008
Sheikh Esam M. Ishaq	Sharia Board Member	2008
Dr. Mohammad Abdul Rahim Sultan Al Olama	Sharia Board Member	2010

Detailed below is brief biographical information on the members of the *Sharia* Board:

Sheikh Dr. Abdussattar Abu Ghuddah

Dr. Abu Ghuddah holds a PhD in *Sharia* from Al-Azhar University. Dr. Abu Ghuddah is a member of several *Fatwa* & *Sharia* boards, including those of UBS, Standard Chartered Bank, Dow Jones, Calyon Bank, SAMBA Financial Group, Qatar Islamic Bank, Jordan Islamic and Noor Islamic Bank.

Sheikh Nizam M. S. Yaquby

Sheikh Yaquby holds a BA in Economics and Comparative Religion from McGill University in Canada and is currently a candidate for a PhD in Islamic Law at the University of Wales. Sheikh Yaquby is a member of several *Fatwa* & *Sharia* boards, including those of UBS, Standard Chartered Bank, HSBC, Lloyds, BNP Paribas, Dow Jones, Abu Dhabi Islamic Bank and Samba Financial Group.

Sheikh Esam M. Ishaq

Sheikh Esam teaches Fiqh, Aqeeda, and Tafseer courses in Bahrain and holds a BA in Political Science from McGill University in Canada. Sheikh Esam is a member of several *Fatwa* and *Sharia* boards, including those of Al Meezan Investment Management Limited, Al Ritaj Investment Company, Al Baraka Islamic Bank, Bahrain Development Bank and Tadhamon Capital B.S.C. Sheikh Esam is also a member of the Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain.

Dr. Mohammad Abdul Rahim Sultan Al Olama

Dr. Al Olama holds a Bachelors degree in *Sharia* from the Islamic University in Al Madina Al Munawarrah and a Masters and Doctorate of Jurisprudence from the University of Umm Al-Qura in Makkah Al Mukarramah. Currently, Dr. Al Olama is an Associate Professor at the Emirates University where he teaches Islamic Studies. Dr. Al Olama is also a member of several *Fatwa* & *Sharia* boards, including those of Takaful House, Zakat Fund, Mawarid Finance, Tabarak, Noor Islamic Bank, AlJazira Capital, Minhaj, Awqaf and Islamic Affairs. Dr. Al Olama is also a member of the Accounting and Auditing Organization at Islamic Financial Institutions, Bahrain.

Executive Management

The following table sets out the names of the current members of the Bank's executive management:

Name	Position	Date joined
Mohamed Jamil Berro	Chief Executive Officer	2008
Nabil Mushahwar	EVP – Finance and Strategic Planning	2010
Saif Al Dhaheri	Chief Operating Officer	2007
Sarie Arar	EVP – Wholesale Banking	2008
Aladin Al Khatib	EVP – Treasury	2008
Lim Say Cheong	EVP – Investment Banking	2008
Giuseppe Gianpaulo Montalto	Chief Risk Officer	2011
Hussam Abu Aisheh	EVP – Internal Audit	2012
Prasad Abraham	Chief Executive Officer – Al Hilal Bank Kazakhstan	2007
Khaled Atwan	Senior Vice President – Legal Counsel	2008

The address of each of the members of the executive management is c/o Al Hilal Bank, Head Office, P.O. Box 63111, Abu Dhabi, UAE. There are no potential conflicts of interest between the private interests or other duties of the executive management listed above and their duties to the Bank.

Detailed below is brief biographical information on the members of the executive management:

Mohamed Jamil Berro

Mr Mohamad Jamil Berro was appointed to the position of Chief Executive Officer of the Bank in February 2008. Prior to this, Mr Berro served as Global Head of the Personal Banking Group at Arab Bank. Mr Berro completed his post-graduate studies receiving a Master of Sciences, began his career with Arthur Andersen in Kuwait and held various senior positions in National Bank of Kuwait before joining Crédit Agricole in Egypt. Mr Berro is board member for Arabian Insurance (Lebanon), Islamic International Arab Bank (Jordan), Al Nisr Insurance (Jordan), Visa (Jordan), Al Hilal Kazakhstan and Al Hilal Takaful.

Nabil Mushahwar

Mr Nabil Mushahwar joined the Bank in January 2010 as Executive Vice President, Head of Executive Office. In his current role Mr Mushahwar has responsibility for overseeing business development and strategy relating to all segments of the Bank's business along with business intelligence, enterprise project management, office, branding and corporate communications.

Mr Mushahwar has 25 years of banking and business experience, including nine years with Arab Bank prior to joining the Bank in various roles including Head of Elite Banking, Head of Strategic Planning and Business Development and Head of Retail Banking – Levant region. He also served as a board member representing Arab Bank in various subsidiaries and partnerships. Mr Mushahwar holds a Bachelors degree in Computer Science from Utah State University in the United States and holds various certificates in management, strategic planning, retail banking and management information systems.

Saif Al Dhaheri

Mr Saif Al Dhaheri has been with the Bank since November 2007 and has more than eight years of human resources and administrative experience. Mr Al Dhaheri started his career with Takreer, Abu Dhabi, as a senior officer in public relations and held several senior positions in Takreer prior to joining the Bank. Mr Al Dhaheri has an MBA in general management from Zayed University, UAE and completed his political science degree at California State University, United States.

Sarie Arar

Mr Sarie Arar joined the Bank in 2008 as Executive Vice President and Head of Wholesale Banking Group focused on domestic and international businesses. He possesses more than 22 years of broad banking experience with major financial institutions in the UAE. He serves as a member of several management committees of the Bank and a board member of various subsidiaries of the Group. Mr Arar holds a Masters in Business Administration ("**MBA**") from Aspen University and attended various leading business schools for executive management and leadership programmes.

Aladin Al Khatib

Mr Aladin Al Khatib joined the Bank in April 2008 and has over 19 years of experience in treasury and investment banking across different types of markets, products, asset classes, structuring and hedging techniques both regionally and internationally. He was previously with Arab Bank in its London office as head of business development in the global treasury business. He began his career with Bank of Jordan, in the dealing room and moved on to Arab Bank, holding several senior positions in treasury and capital markets. Mr Al Khatib has extensive knowledge of conventional and Islamic treasury products and policies and holds a Bachelors degree in Accounting from Mutah University in Jordan and an MBA in Accounting from Al Urdunia University in Jordan and is a Certified Investment Manager from SSI, London and is the only executive member of the Arabic traders in the International Islamic ISDA committee in London. He is also a senior executive board member at the International Committee for Professionalism of the Financial Markets.

Lim Say Cheong

Mr Lim Say Cheong joined the Bank in July 2008. Before joining the Bank he worked for Credit Lyonnais Singapore where he spent a number of years advising and executing investment banking and trading strategies for institutional and private banking clients across the Asia Pacific region. Mr Say Cheong then joined Bank of America as head of trading and investments. In 2003, Mr Say Cheong joined EON Bank Malaysia where he was involved in risk analytics. Mr Say Cheong's last position before joining the Bank was with Noor Islamic Bank as Director of Global Markets. Mr Say Cheong holds a BSc. with a double major in Mathematics and Economics from the University of Sydney. Mr Say Cheong is also a qualified financial planner holding the Certified Financial Planner (CFP) designation and Masters in Financial Planning from the University of Sunshine Coast, Australia. He also holds the ACI Certificate from the Financial Market Association (UK) and Islamic Finance Diploma from CIMA, UK.

Giuseppe Gianpaolo Montalto

Mr Giuseppe Gianpaolo Montalto was appointed Chief Risk Officer of the Bank in August 2011 and has almost 25 years of experience working in both credit and risk management. He has extensive experience in both Islamic and conventional banking, having worked for a number of global banking institutions, including Al Rajhi Bank where he was Chief Risk Officer and prior to that as Senior Vice President Credit and Risk Management for JP Morgan. Mr Montalto has managed a number of risk transformation exercises, in some cases building credit and risk management frameworks from their infancy to best-in-class both from a regional and international perspective. Mr Montalto holds a B.A. (Hons) in Political Sciences/Economics from the University of Melbourne as well as several certificates specialised in banking and risk.

Hussam Abdel Ghaffar B. Abu Aisheh

Mr Hussam Abu Aisheh joined the Bank in May 2012 as EVP – Head of Internal Audit. Mr Hussam Abu Aisheh previously worked in Sharjah Islamic Bank as EVP-Chief of Internal Audit. Prior to that, he worked for KPMG and Arthur Andersen in the fields of statutory auditing and forensic accounting. Mr Hussam Abu Aisheh is also qualified and holds a Certified Public Accountant certificate, and is a Certified Internal Auditor, Certified Information Systems Auditor, as well as holding a Certification in Control Self-Assessment. He attained a BSc. degree in Accountancy from Amman Private University.

Prasad Abraham

Mr Prasad Abraham joined the Bank as EVP – Support Services in December 2007. In 2007 Mr Abraham was involved in the coordination and the start up efforts to establish Al Hilal Bank in Abu Dhabi. When the Bank was launched in June 2008, Mr Abraham was appointed as the Chief Operating Officer. When the Bank was granted permission to open a subsidiary in Kazakhstan in 2010, Mr Abraham was appointed as Chairman of Management Board – CEO of Al Hilal Kazakhstan. Mr Abraham's career began at Citibank in 1977 and he subsequently joined Arab Banking Corporation ("**ABC**") in Bahrain in 1983 (where he was Group Chief Auditor until 2003), serving on the Audit Committee of the parent company and also the audit committees of Banco Atlantico in Spain, ABC Daus in Frankfurt and ABC International Bank in the UK. In 2004, Mr Abraham was appointed as Deputy CEO of ABC International Bank in London with responsibility for all of ABC's European operations including Germany, France and Italy. Mr Abraham has a Bachelors degree in Chemistry from the University of Calicut in India. He also has a diploma in Business Studies and is a Certified Information Systems Auditor.

Khaled Atwan

Mr Khaled Atwan has been with the Bank since May 2008 as Senior Vice President, General Legal Counsel / Head of Legal Division and has over 12 years of banking and finance experience and private and in-house legal experience. He is also the secretariat of the Board. Prior to joining the Bank, Mr Atwan acted as legal counsel to Arab Bank, was a partner and Head of Finance and Privatisation at IBLAW (Jordan) and was a senior associate with Trowers & Hamlins (Riyadh). Khaled obtained his LLB from Jordan University in 1995 and followed with a Master of Law from Case Western Reserve University, Cleveland, Ohio, United States.

Employees

As at 30 June 2013, the Bank had 758 full time staff, compared with 754 as at 31 December 2012 and 699 as at 31 December 2011.

The percentage of UAE nationals (as a percentage of total Group full time staff) has also grown from 21 per cent. in 2008 to 31 per cent. in 2012.

The Bank offers its employees a range of benefits, including education allowances, air fare and vacation allowances, health club memberships and health insurance. It pays staff performance bonuses and runs short and long term staff incentive schemes, as well as paying end of service benefits.

The Bank is committed to the development of its employees and has developed a robust framework to facilitate this process. The Bank employs various training and development initiatives and provides a number of training programmes, the highlight of which is the "Boot Camp Programme", which is available to all employees up to senior office level. The Boot Camp Programme is designed to last two years and is comprised of 13 modules which include, amongst others, Islamic Banking, Financial Accounting, Financial Statement Analysis and Investment Banking.

OVERVIEW OF THE UAE AND ABU DHABI

The UAE 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-Qaiwain, Fujairah and Ras Al Khaimah – has a local government headed by the Ruler of the relevant Emirate. There is a federal government which is headed by the President of the UAE. The federal budget is principally funded by Abu Dhabi.

According to International Monetary Fund ("**IMF**") data published in April 2013, the UAE is the second-largest economy in the GCC region after the Kingdom of Saudi Arabia. It has a more diversified economy than most of the other countries in the GCC region. According to data gathered by the Organisation of Petroleum Exporting Countries ("**OPEC**"), at 31 December 2011, the UAE had approximately 6.6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world), generating, according to estimated data produced by the UAE National Bureau of Statistics, 38.4 per cent. of the UAE's GDP in 2011. The UAE National Bureau of Statistics has estimated on a preliminary basis that real GDP in the UAE for 2011 was AED 981.7 billion, reflecting the general economic recovery in the wake of the global economic crisis. Based on IMF data (extracted from the World Economic Outlook (April 2013)) real GDP growth in the UAE increased by 3.9 per cent. in 2012, 5.2 per cent. in 2011 and 1.3 per cent. in 2010, having decreased by 4.8 per cent. in 2009.

On 28 January 2012, Moody's Investor Service Singapore Pte. Ltd. reaffirmed the UAE's long-term credit rating of Aa2 with a stable outlook. The principal reason cited for this high investment grade rating is the assumption that the obligations of the UAE Federal Government will be fully supported by Abu Dhabi. The UAE is not rated by the other rating agencies. The UAE population was estimated to have reached almost 8.3 million people in mid-2010 according to data released on 31 March 2011 by the UAE National Bureau of Statistics. The current census for 2011 is underway but, as at the date of this Base Prospectus, census records have not been published.

The UAE enjoys good relations with the other states in the GCC and its regional neighbours. The UAE does have, however, a long-standing territorial dispute with Iran over three islands in the Gulf and is in continuing discussions with the Kingdom of Saudi Arabia over border issues, each of which it is seeking to resolve through negotiation. Accordingly, the UAE is not immune to the political risks and volatility that have over-shadowed the region, particularly in the last few years. The economy remains heavily protected and nearly all utilities and most major industries are state-controlled. However, tight restrictions placed on foreign investment are gradually being relaxed. For example, while foreigners are not permitted to have a controlling interest in UAE businesses and corporates, many of the Emirates have established trade and industry freezones as a means of attracting overseas investment and diversifying the economy. Despite the UAE's membership in the World Trade Organisation (the "**WTO**"), progress towards economic liberalisation has been slow, but trade agreements with Europe and the United States are being negotiated.

Legal Environment

There are three primary sources of law in the UAE: federal laws and decrees, local laws and Shari'a law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government will apply his or its own rules, regulations and practices.

UAE Constitution

The original constitution of the UAE (the "**Constitution**") was initially provisional and provided the legal framework for the UAE. The Constitution was made permanent pursuant to a constitutional amendment in December 1996.

The Constitution apportions powers between the UAE Federal Government (based in Abu Dhabi) and the governments of the constituent Emirates. The UAE Federal Government is entrusted with the task of promulgating substantive legislation concerning and regulating the principal and central aspects of the UAE. The local governments of each Emirate are authorised to regulate local matters not confined to the UAE Federal Government. Articles 120 and 121 of the Constitution specifically state that certain matters, such as foreign affairs, security and defence and public health must be governed by federal law. All other matters not specifically assigned to the exclusive jurisdiction of the UAE Federal Government may be regulated by the local government of each Emirate.

The Constitution also states that the UAE shall form a single economic and customs entity with free movement of capital and goods between the Emirates. The natural resources and wealth in each Emirate shall be considered to be the public property of that Emirate.

Governance of the UAE

The governance of the UAE at the federal level is divided between the Federal Supreme Council (the "**Supreme Council**"), the Federal Council of Ministers (the "**Cabinet**") and the Federal National Council.

The Supreme Council is the highest federal governing body and consists of the rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President of the UAE (for renewable five year terms). Decisions relating to substantive matters are decided by a majority vote of five Emirates, provided that the votes of both Dubai and Abu Dhabi are included in that majority, but matters which are purely procedural are decided by a simple majority vote. The Supreme Council is vested with legislative as well as executive powers. It ratifies federal laws and decrees and sets federal policies.

The Cabinet is described in the Constitution as the executive authority of the UAE and is responsible for implementing policy decisions of the Supreme Council. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft legislation and the drawing up of the annual federal budget.

The Federal National Council is a parliamentary body and has both a legislative and supervisory role under the Constitution. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation itself.

Legal and Court System

There are three primary sources of law in the UAE, namely: (i) federal laws and decrees (applicable in all seven Emirates); (ii) local laws and decrees (i.e. laws and regulations enacted by the Emirates individually and which, when issued, have full legal effect and operation in such Emirate); and (iii) the *Sharia* (Islamic law). The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government of each Emirate can apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter Emirate disputes and disputes between the UAE Federal Government and individual Emirates.

In accordance with the Constitution, three of the seven Emirates (Abu Dhabi, Dubai and Ras Al Khaimah) have elected to maintain their own court system, separate from that of the UAE and these courts have sole jurisdiction to hear cases brought in those respective Emirates.

Abu Dhabi

Abu Dhabi is the wealthiest and largest of the seven Emirates and the city of Abu Dhabi is also the capital of the UAE.

Abu Dhabi, with proven crude oil reserves estimated to be in excess of 95 billion barrels, has approximately 94 per cent. of the UAE's total oil reserves and approximately 6.6 per cent. of the world's proven oil reserves (which were 1,481 billion barrels according to OPEC at 31 December 2011). In recent years, Abu Dhabi has produced between 2.2 and 2.5 million barrels of oil per day, which is just over 95 per cent. of total UAE production. At this rate of production, Abu Dhabi's oil reserves would last over 100 years. In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest. In total, the UAE has approximately 6,091 billion standard cubic metres of natural gas reserves, representing approximately 3.1 per cent. of the world's natural gas reserves of 196,163 billion standard cubic metres (according to OPEC at 31 December 2011).

The table below shows Abu Dhabi's crude oil production (excluding condensates), exports and average selling prices for each of the years indicated:

	2005	2009	2010	2011
Crude oil production (million b/d)	2.2	2.2	2.3	2.5
Crude oil exports (million b/d)	2.1	2.0	2.0	2.3*
Crude oil exports (U.S.$ per barrel)	38.9	44.7	58.4	91.5*
Average selling price (U.S.$ per barrel)	51.9	62.7	78.5	109.5

*Source: The Statistics Centre (as defined below). Figures marked * are preliminary estimates.*

The population of the UAE, based on a census carried out in 2005 and according to the UAE National Bureau of Statistics, was approximately 4.1 million, of whom approximately 1.4 million resided in Abu Dhabi. The UAE National Bureau of Statistics estimated the population of the UAE to be approximately 8.2 million in 2009 and 8.3 million in mid-2010 according to data released on 31 March 2010. The current census for 2011 is underway but, as at the date of this Base Prospectus, census records have not been published.

The populations of both the UAE and Abu Dhabi have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed.

The table below illustrates this growth using official census data since 1975:

	1975	1980	1985	1995	2001	2005
Abu Dhabi population	211,812	451,848	566,036	942,463	1,170,254	1,399,484
Total UAE population	557,887	1,042,099	1,379,303	2,411,041	N/A	4,106,427

Sources: Official census data published by the UAE National Bureau of Statistics, except 2001 figure for Abu Dhabi which is sourced from data published by the Statistics Centre.

Since 2005, the Abu Dhabi Statistics Centre (the "**Statistics Centre**") has estimated the Emirate's population to have grown by 40.6 per cent. to 1,967,659 in 2010.

In 2010 and based on the Statistics Centre's mid-year estimates, Abu Dhabi had a predominantly young population with 0.8 per cent. being 65 and over and 21.1 per cent. being under the age of 15.

According to the same data, between 2005 and 2010, Abu Dhabi's average annual population growth rate was 7.7 per cent. The Government of Abu Dhabi expects the population to grow at an approximate rate of 5 per cent. per annum for the foreseeable future, a level which it believes should not require any major short-term infrastructure expansion. The population mix in mid-2010 is estimated by the Statistics Centre to have comprised 22.0 per cent. UAE nationals and 78.0 per cent. non-nationals.

According to the Statistics Centre, Abu Dhabi's nominal gross domestic product ("**GDP**") per capita was approximately U.S.$103,513 in 2011 which makes it one of the highest in the Gulf region. The oil and gas industry dominates Abu Dhabi's economy and contributed approximately U.S.$128.4 billion, or 58.5 per cent., of nominal GDP in 2011. Oil prices declined significantly in the second half of 2008 and this fact was the principal reason for the decline in Abu Dhabi's nominal GDP in 2009. Increases in oil and gas production rates combined with increases in oil prices contributed significantly to the growth in Abu Dhabi's GDP from 2004 to 2008 and again in 2010. Abu Dhabi's growing non-oil sector, which in 2010 accounted for over 50.0 per cent. of Abu Dhabi's GDP, in comparison to 2008, where it accounted for just over 41.4 per cent., contributed to Abu Dhabi's increase in GDP in 2010, despite the continuing economic financial crisis and declining oil prices. In 2011, the non-oil sector accounted for approximately 41.5 per cent. of Abu Dhabi's GDP.

No meaningful real GDP information is currently available for Abu Dhabi as a result of historic uncertainties surrounding the calculation of inflation for the Emirate. It is anticipated that real GDP data may become available later in 2013.

The tables below show Abu Dhabi's nominal GDP, its percentage growth rate, the UAE's nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the UAE's nominal GDP for each of the years indicated:

	2011	2010	2009
Abu Dhabi nominal GDP (current price)	806.0	620.3	535.3
Percentage change in Abu Dhabi nominal GDP	29.9	15.9	(24.1)
UAE nominal GDP (current prices)	1,243.8	1,042.7*	953.9**
Abu Dhabi as a percentage of UAE	64.8	59.5	56.1

Notes:
* Estimated Figures.
** Preliminary Figures.
Sources: Statistics Centre (for Abu Dhabi nominal GDP) and UAE National Bureau of Statistics (for UAE nominal GDP only).

Abu Dhabi's GDP is dominated by the oil and gas sector, which contributed 44.6 per cent. of nominal GDP in 2009, 49.7 per cent. in 2010 and 58.5 per cent. in 2011. Preliminary estimates published by the Statistics Centre indicate that, outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2009, 2010 and 2011 have been: construction; real estate and business services; manufacturing; transport, storage and communications; the financial corporations sector; and wholesale, retail trade and repairing services, which together accounted for 48.2 per cent. of nominal GDP in 2009, per cent. in 2010 and 32.7 per cent. in 2011.

In terms of growth, the fastest growing sectors between 2005 and 2011 were construction; public administration and defence; real estate and business services; the financial corporations sector and crude oil and natural gas, with compound annual growth rates of 20.6 per cent., 18.2 per cent., 16.2 per cent., 14.0 per cent. and 13.9 per cent., respectively.

Preliminary estimates published by the Statistics Centre indicate that public administration and defence accounted for 3.1 per cent. of GDP in 2011.

The following table shows Abu Dhabi's nominal GDP by economic activity and by percentage contribution, as well as the year on year growth rate, for each of the years indicated:

	2011**			2010*			2009		
	(AED millions)	(%)	(2011 compared to 2010,% change)	(AED millions)	(%)	(2010 compared to 2009, % change)	(AED millions)	(%)	(2009 compared to 2008, % change)
Sector									
Crude oil and natural gas ..	471,775	58.5	53.2	308,022	49.7	28.9	239,006	44.6	(42.1)
Manufacturing....................	40,499	5.0	19.6	33,860	5.5	10.8	30,560	5.7	(22.1)
Public administration and defence	25,385	3.1	9.3	23,231	3.7	13.0	20,559	3.8	10.2
Construction.......................	81,067	10.1	0.2	80,925	13.0	2.0	79,310	14.8	20.8
Real estate and business services............................	28,188	3.5	(47.2)	53,414	8.6	6.4	50,223	9.4	7.4
Wholesale, retail trade and repairing services	.30,893	3.8	3.0	29,999	4.8	5.3	28,484	5.3	(12.3)
Financial corporations sector...............................	39,202	4.9	13.6	34,498	5.6	14.4	30,154	5.6	2.0
Transport, storage and telecommunications	43,547	5.4	9.8	39,661	6.4	1.3	39,134	7.3	(2.0)
Agriculture, livestock and fishing	4,837	0.6	(20.8)	6,111	1.0	2.1	5,988	1.1	3.5
Electricity, gas and water ...	16,139	2.0	12.3	14,366	2.3	(0.6)	14,458	2.7	3.2
Hotels and restaurants	6,799	0.8	3.5	6,572	1.1	4.6	6,283	1.2	(7.1)
Other	48,132	6.0	207.6	15,648	2.6	14.0	13,728	2.6	2.4
Less Imputed Bank Service Charge	(30,431)	(3.8)	17.1	(25,990)	(4.2)	15.1	(22,575)	(4.2)	13.9
Total GDP..........................	**806,031**	**100**		**620,316**	**100**		**535,311**	**100**	

Notes:

* Preliminary estimates.

** The Statistics Centre amended the line item descriptions reflected above in respect of industry types in the Abu Dhabi Statistical Yearbook for 2012 as follows mining and quarrying (includes crude oil and natural gas); manufacturing; public administration and defence (compulsory social security); construction; real estate; wholesale and retail trade (repair of motor vehicles and motorcycles); financial and insurance, transportation and storage; information and communication, agriculture, forestry and fishing, electricity, gas and water supply (waste management), accommodation and food services and imputed bank services. "Other" comprises professional, scientific and technical; administrative and support services; education; human health and social work; arts, recreation and other services and activities of households as employers.

Sources: Statistics Centre.

The Government of Abu Dhabi's long-term foreign and local currency issuer ratings were affirmed at Aa2 and its short-term foreign and local currency issuer ratings at Prime-1 by Moody's Investors Service Singapore Pte. Ltd. on 8 August 2012. The reasons cited for these high investment grade ratings include a very strong government balance sheet, abundant hydrocarbon resources, very high GDP per capita, domestic political stability and strong international relations. On the other hand, Moody's Investors Service Singapore Pte. Ltd. also noted the troubled regional political environment, lower World Bank governance scores than other highly rated sovereigns, volatile GDP caused by a concentration on hydrocarbons and the substantial amount of debt of its government related issuers.

The Government of Abu Dhabi's long-term foreign and local currency issuer default ratings were affirmed at AA and its short-term foreign currency issuer default ratings at F1+ by Fitch on 22 August 2013. Fitch commented that the affirmation reflected the strong sovereign balance sheet, foreign assets continuing to grow and the continuation of hydrocarbon surpluses and the bolstering of oil security. On the other hand, Fitch noted that contingent liabilities constrain the rating as well as some structural factors.

The Government of Abu Dhabi's long-term sovereign credit ratings were affirmed at AA long-term and A-1+ short-term by Standard & Poor's on 26 November 2012. Standard & Poor's commented that the ratings on Abu Dhabi are anchored by the emirate's strong fiscal and external positions. With its large financial assets and sizeable fiscal surpluses, Standard & Poor's noted that Abu Dhabi has a considerable buffer to support its economy and mitigate the risks from external vulnerabilities. Standard & Poor's further commented that, in addition to providing fiscal flexibility, the exceptional strength of the Government's net asset position provides a buffer against the effect of oil price volatility on economic growth and Government revenues, as well as on the external account. On the other hand, Standard & Poor's highlighted the fact that Abu Dhabi has underdeveloped political institutions, limited availability of timely financial and economic data and that it has limited monetary policy flexibility.

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan, and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan. The Crown Prince is also the chairman of the Abu Dhabi Executive Council (the "**Executive Council**"), which is the principal executive authority below the Ruler and the Crown Prince. The Executive Council currently comprises 14 members appointed by Emiri Decree issued on 14 December 2010.

Departments, authorities and councils are established by Emiri Decree and are subject to the authority of the Executive Council. Departments manage administration within the Emirate and manage specific portfolios, including, for example, the Department of Finance, the Department of Transport, the Department of Municipal Affairs, the Department of Economy and Planning and the Judicial Department. Authorities manage the Emirate's resources and strategies and include the Executive Affairs Authority, the Abu Dhabi Accountability Authority, the Abu Dhabi Tourism and Culture Authority, the Abu Dhabi Water and Electricity Authority and the Health Authority. Councils act as controlling bodies for certain government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards, and include the Council for Economic Development, the Education Council, the Urban Planning Council, the Civil Service Council and the Supreme Petroleum Council.

The Government of Abu Dhabi owns or has significant shareholdings in a number of significant companies and institutions, including: Mubadala Development Company P.J.S.C. (which is a business development and investment company mandated by the Government of Abu Dhabi to act as a catalyst in the implementation of the Emirate's development strategy), ADNOC (which manages all aspects of the Emirate's oil and gas industry), International Petroleum Investment Company P.J.S.C. (which principally invests in the Emirate's international oil and gas interests), Tourism Development and Investment Company P.J.S.C. (which as a developer of tourism and real estate assets in Abu Dhabi is charged with fulfilling the Emirate's ambition to become a leading global tourist destination), the Abu Dhabi Investment Authority ("**ADIA**") and ADIC (both vehicles through which the Government of Abu Dhabi has historically invested its surplus hydrocarbon revenues and, in the case of ADIA, through which the Government of Abu Dhabi has funded budget deficits when they have arisen in the past). Each of these companies and institutions are wholly-owned by the Government of Abu Dhabi and one or more members of the Executive Council sit on the board of each company and/or institution.

THE UAE BANKING SECTOR AND REGULATIONS

Summary

The global financial crisis has had an effect on the UAE banking sector and the key concerns that have recently faced the sector include a liquidity shortage and a fall in real estate and equities prices. Although the UAE could be viewed as an over-banked market, even by regional standards, there has traditionally been little impetus for consolidation. The UAE is a member of the WTO and accordingly greater economic liberalisation is required in the UAE. It is unclear, however, the extent to which WTO liberalisation 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 UAE and across the region generally.

As a banking regulator, the UAE Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the UAE Central Bank.

Historically, the UAE Central Bank has not acted as a "lender of last resort"; instead this role tends to fall on the individual Emirs of each Emirate.

Characteristics of the Banking System

The table below provides a statistical analysis of the UAE banking sector as at 31 December in each of 2010, 2011 and 2012:

	2010	2011	2012
Total number of banks	51	51	51
Total number of branches(1)	815	851	890
Total number of employees(2)	37,403	37,499	36,246
Total credit facilities(3) (*AED billion*)	1,031	1,071	1,099
Total deposits (*AED billion*)	1,050	1,070	1,168
Total assets(3) (*AED billion*)	1,606	1,662	1,792

Notes:

(1) Excluding pay offices and electronic banking service units.

(2) Excluding auxiliary staff.

(3) Net of provisions and interest in suspense.

Source: UAE Central Bank

Lack of Consolidation

The UAE may be seen as being "over-banked" with 51 different banks (comprised of 23 locally incorporated banks and 28 foreign banks) licensed to operate inside the UAE (excluding the Dubai International Financial Centre (the "**DIFC**")) as at 31 December 2012 (source: the UAE Central Bank), serving a population estimated to be in the region of approximately 8.3 million people. Traditionally there has been little impetus for consolidation. However, mergers in the past have tended to come as a result of banks facing financial difficulties. The federal structure of the UAE 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 UAE's second and fourth largest banks at the time, Emirates Bank International P.J.S.C. and National Bank of Dubai, merged.

In addition, in May 2011, Dubai Bank PJSC was taken over by the Government of Dubai. The objective of this was to ensure the preservation of all of Dubai Bank's depositors' interests and the takeover was designed to ensure that Dubai Bank's business continued uninterrupted while options for the bank's future, whether to be run on a standalone basis or to be potentially merged with another Government of Dubai-owned bank, were assessed. In December 2012, Emirates Islamic Bank ("**EIB**"), a subsidiary of ENBD, completed its acquisition of Dubai Bank, and Dubai Bank is now a fully-owned subsidiary of EIB.

The relatively small size of most UAE banks has occasionally 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 information technology 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, with the possibility of creating banks with pan-Gulf franchises.

Domestic Focus

The UAE-incorporated banks are predominantly focused on the domestic market but a number of these banks 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 the retail banking sector, 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, information technology costs have been a prominent feature of many UAE banks' expenses.

Limited Foreign Ownership

In 1987, the UAE Federal Government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, since the freeze was put in place, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, have been awarded licences to operate in the UAE by the UAE 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, UAE 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 UAE 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 UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates Islamic Bank, Dubai Bank, Noor Islamic Bank, Sharjah Islamic Bank, Osool Finance 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.

Supervision of Banks

Banking and financial institutions established or operating in the UAE are subject to supervision and regulation by the competent federal authorities, principally the UAE 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 UAE Central Bank was established under Union Law No. (10) of 1980 Concerning the UAE Central Bank, the Monetary System and Organization of Banking (the "**Union Law**"), and the SCA was established by UAE Federal Law No. 4 of 2000.

While the responsibility for regulating and exercising oversight of banks and financial institutions in the UAE has historically rested primarily with the UAE Central Bank, the UAE has begun to transition towards a "twin peaks" regulatory model, with the UAE Central Bank and SCA discharging different responsibilities. Under this model, the UAE Central Bank will continue to be responsible for monetary policy, macro-economic stability, systemic risk management and the licensing of local banks and branches of foreign banks operating in the UAE. In particular, the UAE Central Bank will remain the principal authority responsible for setting and supervising bank capital adequacy requirements.

The SCA, whose role has historically been limited to being the UAE's federal securities regulator, is expected to become increasingly active in more commercial and consumer-oriented areas previously regulated by the UAE 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 UAE. The SCA also has responsibility for oversight of certain day-to-day corporate law matters affecting public joint stock companies incorporated in the UAE, such as the conduct of general assembly meetings and the passing of shareholder resolutions.

The UAE Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the UAE, although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the 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 UAE Central Bank to issue government debt. However, the UAE Central Bank does issue certificates of deposit ("**CDs**") to the banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the UAE Central Bank at any time. In 2007, the UAE Central Bank introduced an auction system and allowed U.S. dollars drawings against UAE dirham CD holdings.

The UAE dirham is linked to the IMF's "Special Drawing Right". However, the U.S. dollar is the intervention currency and, in practice, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices.

The UAE Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering. It has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

The UAE further strengthened its legal authority to combat terrorism and terrorist financing by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the "**NATC**"). The NATC serves as a UAE inter-agency liaison.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. The UAE Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

Lack of Developed Capital Markets

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets in the UAE (other than the DIFC), the Dubai Financial Market and the Abu Dhabi Securities Exchange (both of which were established in 2000), have grown rapidly over recent years, such growth has been affected by the recent global financial crisis.

The NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In 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 the NASDAQ Dubai's Official List of securities was transferred to the Dubai Financial Services Authority with effect from 1 October 2011.

Government Involvement

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to 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 UAE economy is its reliance on overseas labour, with expatriates making up approximately 80 per cent. of the workforce. The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the UAE has been an increasing concern for the UAE Federal Government and as part of a policy of "Emiratisation" banks were instructed, in 1999, to increase UAE 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 UAE nationals.

Accounting Standards

Since 1 January 1999 all UAE banks have been required to prepare their financial statements in accordance with International Financial Reporting Standards (formerly International Accounting Standards (IAS)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

Structure of the Banking System

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as "National" banks, of which there were 23 as at 31 December 2012 (source: the UAE Central Bank), are required to be public shareholding companies with a minimum share capital of AED 40 million and must be majority owned by UAE nationals. Licensed foreign banks, of which there were 28 as at 31 December 2012 (source: the UAE Central Bank), need to demonstrate that at least AED 40 million has been allocated as capital funds for their operations in the UAE. The Union Law also licenses "financial institutions" (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable proper and other activities, but which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

Recent Trends in Banking

Profitability

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008, and again in 2010, allowed UAE banks to expand significantly.

However, the UAE economy has been negatively impacted by the global economic downturn and, in particular, by the sharp correction in the price of oil, which has also 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, which has constrained lending, has resulted in the majority of UAE banks being less profitable during 2008 to 2010 than in previous years.

Furthermore, much of the growth between 2004 and 2008 focused on the real estate sector and equity financing which, in the context of the global financial crisis, represented a significant risk to the UAE banking system. Equity prices declined generally in the UAE in 2008 but, more recently, have rebounded with the Abu Dhabi Securities Exchange's Abu Dhabi index rising from 2,390.0 at 31 December 2008 to 2,743.6 at 31 December 2011, before falling to 2,630.9 at 31 December 2012. The Dubai Financial Market index has shown greater volatility rising from 1,636.3 at 31 December 2008 to 1,803.6 at 31 December 2009 before falling to 1,630.5 at 31 December 2010 and 1,353.4 at 31 December 2011, then rising to 1,622.5 at 31 December 2012. During 2008 to 2010, a number of banks have also been affected by the impact of mark to market accounting rules on their international investment portfolios. However, according to the IMF country report for the UAE in 2012, profitability of UAE banks, in terms of return on assets, remained stable at around 1.5 per cent. between 2007 and 2011. Furthermore, return on equity for most UAE banks compares well internationally, reflecting the high margins that can be earned, particularly on retail lending and low cost income ratios.

In addition, towards the end of 2008, rents and property values fell significantly. This is expected to put pressure on the asset quality and profitability of banks going forward. These factors may adversely impact the UAE banking sector through 2013 and in later years.

Liquidity

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. Together, these deposits constituted approximately 60 per cent. of total deposits of the UAE banking sector as at 31 December 2012. The UAE Federal Government and the public sector contributed approximately 25 per cent. as at 31 December 2012. Non-residents and other sources contributed approximately 15 per cent. as at the same date (source: UAE Central Bank Statistical Bulletin).

In response to the global financial crisis, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The UAE Central Bank also established a CD repo facility (which also includes an Islamic-compliant version) under which banks can use CDs as collateral for dirham or U.S. dollar funding from the UAE Central Bank.

In addition to these measures, the UAE Federal Government also provided AED 50 billion in deposits to UAE banks (as part of a larger AED 70 billion package) which, at the option of the banks, can be converted into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE have exercised this option and converted the UAE Federal Government deposits made with them into Tier II 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 billion in subordinated Tier I capital notes issued by the five largest Abu Dhabi banks: NBAD, ADCB, First Gulf Bank P.J.S.C., Union National Bank P.J.S.C. and ADIB.

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 billion funding programme and that the first tranche, valued at U.S.$10 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 UAE Central Bank. In November 2009, the Department of Finance of the Government of Dubai announced that a second U.S.$5 billion tranche was fully subscribed equally by NBAD and the Bank and has been divided according to a specified drawdown schedule. The first amount that was utilised in November 2009 was a U.S.$1 billion issuance that was split equally by: (i) a U.S.$500 million conventional bond issuance that was fully subscribed by NBAD; and (ii) a U.S.$500 million *sukuk* that was fully subscribed by the Bank. As at the date of this Base Prospectus, no further draw-downs have been made under this U.S.$5 billion tranche.

Position of Depositors

There is no formal deposit protection scheme in the UAE. While no UAE bank has, so far, been permitted to fail, during the 1980s and early 1990s a number of banks were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE Federal Government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits. There can, however, be no assurance that any draft law will subsequently be passed and until such time as the law is passed, there is no guaranteed government support.

Prudential Regulations

The UAE Central Bank has supervisory responsibility for banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the UAE Central Bank with more up to date information on credit, market and operational risks within the banking sector.

Capital Adequacy

All banks are required to follow the framework of the Basel Committee on Banking Supervision (the "**BCBS**") in calculating their capital adequacy ratios, as implemented by the UAE Central Bank.

Basel Framework

The Basel II Accord ("**Basel II**") is an international capital adequacy framework, originally issued by the BCBS in June 2004, with the objective of strengthening the soundness and stability of the international banking system and providing a baseline of capital adequacy regulation among international banks. Basel II comprises risk-based guidelines on capital adequacy requirements and regulatory standards and are a progression of the original 1988 Basel I Global Capital Adequacy Rules for Banks and Financial Institutions. Basel II is based on three "pillars": minimum capital requirements, supervisory review process and market discipline.

- *Pillar I*

  The minimum capital requirements pillar was based on market, credit and operational risk and was designed to reduce the risk of failure by providing sufficient regulatory capital to enable continued access to financial markets for meeting the banks' liquidity needs as well as providing incentives for prudent risk management through allowing some discretion on the part of banks to utilise their own risk assessment as part of the minimum capital calculations.

- *Pillar II*

  The supervisory review pillar provided national regulators with increased tools to monitor internal bank risk control and capital assessment, and in certain instances, oblige banks to increase their regulatory capital beyond the minimum requirements under Pillar I.

- *Pillar III*

  The market discipline pillar implemented new and improved disclosure requirements with respect to capital adequacy in order to improve the effectiveness of the other two pillars.

Basel II requires banks to maintain a minimum capital adequacy ratio of 8 per cent. calculated as the percentage of total eligible regulatory capital to total risk-weighted assets for credit risks, operational and market risks. In July 2009, BCBS revised the Basel II Accord with respect to trading book capital and market risk framework, informally known as "Basel 2.5" in response to the initial dislocations caused by the financial crisis originating in the internal valuation and classification of re-securitisations such as collateralised debt obligations of asset-backed securities. Basel 2.5 obliged banks to implement more risk and stress-sensitive methodologies in the internal models utilised for calculating trading book and counterparty risk.

The Basel Committee has approved significant changes to Basel II, known as the Basel III Framework which was published by BCBS in December 2010 and January 2011, including new capital and liquidity standards for credit institutions, in response to the global financial crisis (the "**Basel III Framework**"). The Basel III Framework does not replace Basel II, rather, it implements a series of modifications to the existing regulatory structure.

The Basel III Framework increases the quantity and quality of the regulatory capital banks are required to hold. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit and market exposures arising from certain assets and transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity. The most significant features of the reforms introduced by the Basel III Framework are as follows:

- *Capital base*

  Between 2013 and 2019, the common equity component of capital (known as Core Tier 1) will increase from 2 per cent. of a bank's risk-weighted assets before certain regulatory deductions to 4.5 per cent. after such deductions. In addition, a new capital conservation buffer will be introduced, as well as a zero to 2.5 per cent. countercyclical capital buffer. As a result, the overall capital requirement (Tier I and Tier II) will increase from 8 per cent. at the Basel II baseline to 10.5 per cent. by 2019 with full Basel III Framework implementation.

- *Common equity*

  Common equity will continue to form the basis of Tier I capital, but other hybrid capital instruments permitted under Basel II will be replaced with instruments that are more loss absorbing and do not have incentives to redeem. Non-qualifying instruments issued on or after 12 September 2010 will be derecognised in full from 1 January 2013; certain other instruments issued prior to 12 September 2010 which qualified as Tier 1 capital under Basel II but do not so qualify under Basel III, consisting of, among other instruments, perpetual non-cumulative preference shares, will be gradually derecognised at a rate of 10 per cent. per year from 2013 to 2023.

- *Capital charges*

  Increased capital charges will be introduced with respect to re-securitisation exposures and certain liquidity commitments held in the banking book will require more capital. With respect to a banks' trading books, more robust risk assessment methodologies will be utilised to value assets and increased counterparty and market risk charges will be assessed for exposure to other financial institutions and securitised assets.

- *Leverage ratio*

  A minimum 3 per cent. leverage ratio, measured against a bank's gross (and not riskweighted) balance sheet, will be adopted on a trial basis until 2018 and definitively adopted in 2019.

- *Liquidity standards*

  A "liquidity coverage ratio" requiring high quality liquid assets to equal or exceed certain cash outflows is expected to be adopted from 2015, thereby ensuring that a bank has sufficient high quality liquid assets to survive a one-month period of market stress. In addition, a "net stable funding ratio" requiring "available" stable funding sources to equal or exceed "required" stable funding will be adopted from 2018, thereby ensuring that a bank has access to capital or high quality funding to survive a one-year period of market stress.

The UAE Central Bank issued guidelines on the implementation of the Basel III Framework in July 2012 under the heading "Liquidity Regulations at Banks" (see "—*Liquidity*" for further details). Since then, the UAE Central Bank has been preparing local institutions for the implementation of the Basel III standards.

UAE

Since 1993, the UAE Central Bank has imposed a 10 per cent. minimum total capital ratio. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements stating that UAE banks were required to have total capital adequacy ratios of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009 and at least 12 per cent., with a Tier 1 ratio of not less than 8 per cent., by 30 June 2010. The circular stated that the new requirements, which were effective on 31 August 2009, apply to national and foreign banks. As at the date of this Base Prospectus, no further developments have been announced. 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 UAE follows the BCBS guidelines, claims on or guaranteed by GCC central governments and UAE central banks are risk-weighted at zero per cent.; claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent.; and GCC sovereign debt is risk-weighted at zero per cent.

All UAE banks were required to implement the standardised approach for credit risk proposed under the Basel II Accord by 31 December 2007 and were required to be internal risk-based compliant for credit risk by 1 January 2011.

Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank.

Reserve Requirements

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

Credit Controls

Banks are required by the UAE Central Bank to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

By a circular dated 23 February 2011 on retail banking, the UAE Central Bank introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. These regulations may be amended in the future in accordance with notice no. 3871/2012 dated 30 December 2012 (which, as at the date of this Base Prospectus, has not come into effect), which specifies that the amount of mortgage loans for non-nationals should not exceed 50 per cent. of the property value for a first purchase of a home, and 40 per cent, for second and subsequent homes (with the limits for UAE nationals being set at 70 per cent. and 60 per cent., respectively).

Large Exposures

The UAE Central Bank defines large exposures as any funded on-or-off balance sheet exposure to a single borrower or group of related borrowers exceeding prescribed limits. Prior to April 2012, the large exposure limits (defined as a percentage of the bank's capital base) were as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);

- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and
- to board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

Exposures above these limits are subject to approval by the UAE Central Bank. Exposures to the Government and sovereign risk are exempt from the regulations.

On 4 April 2012, the UAE Central Bank published the 2012 Large Exposure Limits Circular (the "**2012 Circular**") amending certain of the large exposure limits set out above. As at the date of this Base Prospectus, the 2012 Circular has yet to come into effect and the proposals of the UAE Central Bank put forward in the 2012 Circular are undergoing review.

Provisions for Loan Losses

Since 2009, a number of UAE banks have announced exposures to well known GCC-based companies which have become insolvent or have been or are being restructured. These include the Saad and Algosaibi groups of the Kingdom of Saudi Arabia and Tabreed and the Dubai World Group in the UAE. As a result of declining economic conditions since late 2008 and the increasing number of insolvencies and restructurings, the amount of non-performing loans in the UAE banking system has increased steadily, with the UAE Central Bank, in its September 2012 Financial Stability Review, estimating non-performing loans of approximately AED 50 billion at 31 December 2009, approximately AED 65 billion at 31 December 2010 and approximately 82 billion at 31 December 2011. According to the Financial Stability Review, the total specific provisions and interest in suspense of banks in the UAE amounted to approximately AED 55 billion at 31 December 2011, giving rise to a specific provision coverage ratio at that date of approximately 67 per cent.

The UAE Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent., respectively. Any retail and consumer loans with either profit 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 nonaccrual basis as soon as their recovery is in doubt.

In November 2010, the UAE Central Bank published a new set of rules making it mandatory for banks and financial institutions to make provisions for their impaired loans on a quarterly basis (banks had previously written-off non-performing/impaired loans from their books after all legal options for recovery have been exhausted). The new guidelines also prescribe specific provisions for three categories of impaired loans and stipulate that lenders should build up general provisions equal to 1.5 per cent. of customer credit risk-weighted assets over a period of four years through to December 2014 and are intended to improve transparency within the banking industry in accordance with Basel Committee standards.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans carried on the balance sheets of UAE banks when compared to banks operating in other economies.

Federal Debt Management

In December 2010, the Council approved a draft federal law on public debt (the "**Public Debt Law**") under which the total value of UAE's public debt should not be more than 25 per cent. of its GDP or AED 200 billion, whichever is lower at the time of issuing public debt. The Public Debt Law is awaiting the approval of the President of the UAE and is therefore yet to be enacted. The Public Debt Law could therefore change before it is enacted.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).

Master Purchase Agreement

The Master Purchase Agreement will be entered into on 23 September 2013 between AHB Sukuk Company Ltd. (in its capacities as Trustee and as Purchaser) and the Bank (in its capacity as Seller) and will be governed by the laws of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of each Series and will also be governed by the laws of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE (the Master Purchase Agreement as supplemented by the relevant Supplemental Purchase Agreement for each Series, the "**Purchase Agreement**").

Pursuant to the Purchase Agreement, the Seller will sell, transfer and assign to the Purchaser, and the Purchaser will purchase and accept the transfer and assignment from the Seller, of the Initial Wakala Portfolio together with all of the Seller's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprising the Initial Wakala Portfolio for an amount equal to the Wakala Percentage of the Issue Proceeds (the "**Purchase Price**"), which will be payable on the Issue Date of the relevant Series. The Wakala Assets the subject of the Purchase Agreement will consist of Non-Real Estate Ijara Assets, Murabaha Receivables and Other Sharia Compliant Assets, which in each case must be non-real estate related. The details of the Initial Wakala Portfolio purchased pursuant to the Purchase Agreement will be set out in the schedule to the relevant Supplemental Purchase Agreement.

The proportion of the Purchase Price payable in respect of each such Non-Real Estate Ijara Asset, Murabaha Receivable or Other Sharia Compliant Asset shall be an amount in the Specified Currency equal to the Value of such asset.

For the purposes of the Purchase Agreement, the "**Value**" of a Wakala Asset means the amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the applicable Wakala Exchange Rate) determined by the Seller on the relevant date as being equal to:

(i) in the case of a Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset, the aggregate of all outstanding rental instalment amounts payable by the relevant lessee or other equivalent instalment amounts payable by the relevant obligor, in each case in the nature of capital or principal payments in respect of the relevant asset (and in each case whether then due and unpaid or due and payable on or after such date) each of which is payable to the Bank under the relevant contract, agreement or other document related to or otherwise in respect of that Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset; and

(ii) in the case of a Murabaha Receivable or Other Sharia Compliant Asset that does not have associated with it underlying tangible assets (an "**Other Intangible Sharia Compliant Asset**"), the aggregate of the outstanding amounts payable in respect of such Murabaha Receivable or Other Intangible Sharia Compliant Asset, provided that for the purposes of: (A) the consideration payable in connection with (x) the purchase of the Initial Wakala Portfolio and each Murabaha Receivable or Other Intangible Sharia Compliant Asset subsequently originated and comprising part of the Wakala Portfolio from time to time, (y) the substitution of any Murabaha Receivable or Other Intangible Sharia Compliant Asset in accordance with the Master Purchase Agreement or the Management Agreement and (z) the sale and purchase or (as applicable) assignment, transfer and/or conveyance of any Murabaha Receivable or Other Intangible Sharia Compliant Asset pursuant to the Purchase Undertaking or (as applicable) the Sale Undertaking; and (B) any representations and warranties given in respect of the Value of a Mudaraba Receivable or Other Intangible Sharia Compliant Asset and the requirement to maintain the Value of the Wakala Portfolio from time to time, in each case of (A) and (B) in accordance with the applicable provisions of the relevant Transaction Documents, the Value shall mean the aggregate of the outstanding amounts payable in respect of such Murabaha Receivable or Other Intangible Sharia Compliant Asset in the nature of capital or principal payments; and

(iii) in respect of an Initial Wakala Portfolio, the aggregate of the amounts determined under paragraphs (i) and (ii) above in respect of the Wakala Assets comprising the Initial Wakala Portfolio on such date.

The Seller will provide limited representations and warranties to the Trustee (as Purchaser) on the date of the Master Purchase Agreement, including in respect of its power to enter into the transactions contemplated by the Master Purchase Agreement. In addition, on each Issue Date, the Seller will represent and warrant to the Trustee (as Purchaser) that:

(a) each Wakala Asset, immediately prior to its sale, assignment and/or transfer, as applicable, to the Purchaser, is owned by the Seller free and clear of any adverse claim (subject to certain limited exceptions) and upon the payment by or on behalf of the Purchaser of the Purchase Price therefor, the Purchaser will acquire such Wakala Asset, together with all the rights, title, interests, benefits and entitlements in, to and under such Wakala Asset, free and clear of any adverse claim (subject as aforesaid);

(b) that each Wakala Asset is an Eligible Wakala Asset;

(c) the Value of each Wakala Asset ascribed by the Seller is true, accurate and correct as at such date; and

(d) that each Wakala Asset complies in all material respects with *Sharia* principles as laid down by the Bank's *Fatwa* and *Sharia* Supervisory Board.

If the Seller is in breach of any of the representations and warranties listed above, it shall be required to substitute the Wakala Asset(s) in respect of which the representations and warranties are inaccurate for new Wakala Assets in respect of which the representations and warranties can be given whereupon the Seller shall be required to deliver a substitution instruction to the Purchaser in respect of such Wakala Assets and upon delivery thereof the Trustee shall be deemed to exercise its right under the Purchase Undertaking to require the substitution of such Wakala Assets with new Wakala Assets in respect of which such representations and warranties can be given by the Seller, subject to and in accordance with the Purchase Agreement and the Purchase Undertaking.

For these purposes:

"**applicable Wakala Exchange Rate**" means, in the case of any amount paid or payable in respect, or any face amount, principal amount or par value, of a Wakala Asset that is in a currency (the "**Wakala Currency**") other than the Specified Currency, the spot rate of exchange at which the Seller is able to purchase the Specified Currency with such amount of the Wakala Currency on the date on which the Wakala Currency is required to be exchanged into the Specified Currency in accordance with the Master Purchase Agreement (or if it is not practicable to make such purchase on such date, on the immediately preceding date on which it is so practicable), without taking into account any premium or other costs of exchange; and

"**Eligible Wakala Asset**" means an income generating Non-Real Estate Ijara Asset, a Murabaha Receivable or an Other Intangible Sharia Compliant Asset:

(i) in respect of which the lessee in respect of the related Non-Real Estate Ijara Asset or other obligor in the case of any other income generating Wakala Asset is not in breach of its payment obligations in respect of that Non-Real Estate Ijara Asset or in respect of that other income generating Wakala Asset;

(ii) which has been originated or is held or owned by the Seller in a manner consistent with its usual credit and origination and/or investment policies;

(iii) which constitutes legal, valid, binding and (subject to the laws of bankruptcy and other laws affecting the rights of creditors generally) enforceable obligations of the relevant obligor in the jurisdiction in which it is located and the jurisdiction in which any related asset is located;

(iv) in respect of which (i) all obligations to advance moneys (howsoever described) other than in connection with the maintenance and/or insurance of the relevant Wakala Asset have been discharged in full and (ii) the Seller or the Managing Agent (as applicable) is entitled to receive all payments due or proceeds of sale (as the case may be);

(v) which is free and clear of any adverse claim (subject to certain limited exceptions);

(vi) in respect of which there has not occurred any event of default (howsoever described) which is subsisting nor any acceleration or analogous event nor is the Seller or the Managing Agent (as applicable) aware of any event which is subsisting and which, following the giving of any originally applicable notice and/or the lapse of any originally applicable grace period and/or the making of any determination and/or the giving of any certificate, would constitute an event of default or analogous event under any relevant documentation; and

(vii) which is capable of being sold, assigned and/or transferred, as applicable, by the Seller to the Purchaser in accordance with the terms set out in the Purchase Agreement or (as applicable) capable of being acquired and/or originated by the Managing Agent in accordance with the terms set out in the Management Agreement.

Management Agreement

The Management Agreement will be entered into on 23 September 2013 between the Trustee and the Bank (in its capacity as Managing Agent) and will be governed by English law.

Pursuant to the Management Agreement, the Trustee will appoint the Managing Agent to provide certain services in respect of the Wakala Portfolio relating to each Series. In particular, the Managing Agent, in relation to each Series:

(i) shall manage the Wakala Portfolio in accordance with the investment plan for such Series which shall be in the form set out in the schedule to the Management Agreement and scheduled to the relevant Supplemental Purchase Agreement (the "**Wakala Investment Plan**", which will include an expected return to be generated by the Wakala Portfolio on a periodic basis (the "**Expected Wakala Portfolio Return**");

(ii) shall, in conjunction with the Mudarib in the case of any Wakala/Mudaraba Series, ensure that, on the Issue Date of a Series (but not necessarily thereafter) at least 51 per cent. of (i) in the case of a Wakala Series, the Wakala Portfolio Value on such Issue Date or, (ii) in the case of a Wakala/Mudaraba Series, the aggregate of the Wakala Portfolio Value and the Mudaraba Portfolio Value on such Issue Date, is derived from Tangible Wakala Assets and, in the case of a Wakala/Mudaraba Series, Tangible Mudaraba Assets;

(iii) shall use all reasonable endeavours to procure that, at all times, at least 33 per cent. of the Wakala Portfolio Value is derived from Tangible Wakala Assets (the "**Minimum Tangible Assets Requirements**") and if, at any time, the Minimum Tangible Assets Requirement is not satisfied, the Managing Agent shall use all reasonable endeavours to acquire as soon as reasonably practicable thereafter (whether through the substitution, in accordance with the Management Agreement and the Purchase Undertaking, of Intangible Wakala Assets for Tangible Wakala Assets or the acquisition, for and on behalf of the Trustee pursuant to paragraph (v) below, of further Tangible Wakala Assets through the utilisation of Wakala Portfolio Principal Revenues) sufficient Tangible Wakala Assets to satisfy the Minimum Tangible Assets Requirement;

(iv) shall use all reasonable endeavours to manage the Wakala Portfolio to ensure that the Wakala Portfolio Value is at all times at least equal to the Purchase Price paid by the Trustee (in its capacity as Purchaser) under the relevant Purchase Agreement less the Wakala Percentage of any relevant Surrender Amount;

(v) shall use all reasonable endeavours to reinvest all Wakala Portfolio Principal Revenues in acquiring or originating (as applicable), further Eligible Wakala Assets such that the further Eligible Wakala Assets so acquired or originated are included in the Wakala Portfolio, subject to (i) the Value of such further Eligible Wakala Assets being (A) in the case of Tangible Wakala Assets, not less than and (B) in the case of Intangible Wakala Assets, equal to, the consideration given as the purchase price of or the amounts otherwise applied in the acquisition of such assets; (ii) in any case where the further Eligible Wakala Assets comprise Intangible Wakala Assets, the Managing Agent shall be obliged to originate new Intangible Wakala Assets and (iii) such further Eligible Wakala Assets being Eligible Wakala Assets in respect of which the Managing Agent shall represent and warrant on the date of such acquisition or origination (as the case may be) as follows:

   (a) each Eligible Wakala Asset being acquired, immediately prior to its acquisition, by the Managing Agent on behalf of the Trustee, is owned by the Bank free and clear of any adverse claim (subject to certain limited exceptions) and upon the utilisation of Wakala

Portfolio Principal Revenues in respect thereof, the Managing Agent will, on behalf of the Trustee, acquire such Eligible Wakala Asset, together with all the rights, title, interests, benefits and entitlements in, to and under such Eligible Wakala Asset, free and clear of any adverse claim (subject as aforesaid);

(b) that each Wakala Asset in which Wakala Portfolio Principal Revenues are being reinvested is an Eligible Wakala Asset;

(c) the Value of each Eligible Wakala Asset ascribed by the Managing Agent is true, accurate and correct as of such date;

(d) that it has the power and capacity to originate new Eligible Wakala Assets or (as applicable) to acquire the applicable Eligible Wakala Assets in the manner specified by the Management Agreement; and

(e) that each such Eligible Wakala Asset complies in all material respects with *Sharia* principles as laid down by the Bank's *Fatwa* and *Sharia* Supervisory Board;

(vi) shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers reasonably necessary to ensure the assumption of, and compliance by each Wakala Asset obligor with its covenants, undertakings or other obligations in respect of the Wakala Assets in accordance with the relevant contractual terms;

(vii) shall discharge or procure the discharge of all obligations to be discharged by the Bank (in whatever capacity) in respect of any of the Wakala Assets under all related contracts, it being acknowledged that the Managing Agent may appoint one or more agents to discharge these obligations on its behalf;

(viii) shall pay on behalf of the Trustee any actual costs, expenses, losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Portfolio;

(ix) shall use all reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues, investigate non-payment of Wakala Portfolio Revenues and generally make all reasonable endeavours to collect or enforce the collection of such Wakala Portfolio Revenues under all related contracts as and when the same shall become due;

(x) shall use all reasonable endeavours to ensure that the Wakala Portfolio Income Revenues are at least equal to the Expected Wakala Portfolio Return (together with any additional amounts to be paid pursuant to the Management Agreement), provided that such Expected Wakala Portfolio Return shall be reduced from time upon any redemption and/or cancellation of any of the Certificates of the relevant Series in accordance with the Conditions such that the Expected Wakala Portfolio Return shall be determined by reference to the then outstanding Certificates of such Series;

(xi) shall maintain the Collection Accounts in accordance with the terms of the Management Agreement;

(xii) shall obtain all necessary authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Management Agreement;

(xiii) shall use all reasonable endeavours to ensure all Wakala Asset obligors in respect of the Tangible Wakala Assets maintain industry standard insurances, and fulfil all structural repair and major maintenance obligations, in respect of the relevant Tangible Wakala Assets in accordance with their applicable contractual terms;

(xiv) may provide (or may procure the provision of, as applicable) a Liquidity Facility in the circumstances and on the terms described below; and

(xv) will carry out any incidental matters relating to any of the above.

The Managing Agent shall perform its duties under the Management Agreement in accordance with all applicable laws and regulations, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that complies in all material respects with the *Sharia* principles laid down by the Bank's *Fatwa* and *Sharia* Supervisory Board.

The Bank shall be entitled to receive a fee for acting as Managing Agent which will comprise a fixed fee of U.S.$100 and may also receive incentive payments as described below.

In the Management Agreement, the Trustee and the Managing Agent agree that, in relation to each Series, (a) (provided that no Dissolution Event has occurred and is continuing) the Managing Agent may on behalf of the Trustee at any time; and (b) (whether or not a Dissolution Event has occurred and is continuing) upon becoming aware of any default or potential default (howsoever described) in respect of any Wakala Asset shall use its best endeavours to, substitute any one or more Wakala Assets (the "**Substituted Wakala Assets**") as the Managing Agent may in its absolute discretion select (subject to any Wakala Asset(s) to be substituted being the Wakala Asset(s) in respect of which a default or potential default (howsoever described) has occurred, if applicable) by delivering to the Trustee a substitution instruction in accordance with the Management Agreement whereupon the Trustee shall be deemed to have exercised its right under the Purchase Undertaking. The substitute Wakala Asset(s) for these purposes (the "**New Wakala Assets**") shall be Eligible Wakala Asset(s) of a Value not less than the value of the consideration paid for the Substituted Wakala Assets when they first became part of the Wakala Portfolio after deduction of all Wakala Portfolio Principal Revenues relating to such Substituted Wakala Assets which have been credited to the Principal Collection Account in accordance with the Management Agreement, and provided further that each New Wakala Assets is a Tangible Wakala Asset. In addition, the Managing Agent shall represent and warrant on the date on which the relevant substitution is effected that:

(i) the New Wakala Assets, immediately prior to their assignment, transfer and/or conveyance (as applicable) in accordance with the Purchase Undertaking, are owned by the Bank free and clear of any adverse claim (subject to certain limited exceptions) and upon the assignment, transfer and/or conveyance (as applicable) of the applicable Substituted Wakala Assets therefor the Trustee will acquire such New Wakala Assets, together with all the rights, title, interests, benefits and entitlements in, to and under such New Wakala Asset, free and clear of any adverse claim (subject as aforesaid) pursuant to the provisions of the Purchase Undertaking;

(ii) each New Wakala Asset is an Eligible Wakala Asset;

(iii) the Value of each New Wakala Asset ascribed by the Managing Agent is true, accurate and correct as of such date; and

(iv) each New Wakala Asset complies in all material respects with *Sharia* principles as laid down by the Bank's *Fatwa* and *Sharia* Supervisory Board,

and any such substitution shall otherwise be undertaken on the terms and subject to the conditions of the Management Agreement and the Purchase Undertaking.

The Managing Agent will maintain, in relation to each Series, three separate book-entry ledger accounts (referred to as the "**Principal Collection Account**", the "**Income Collection Account**" and the "**Wakala Reserve Collection Account**", respectively, and, together, the "**Collection Accounts**") in which all revenues from the Wakala Assets (the "**Wakala Portfolio Revenues**") will be recorded.

All Wakala Portfolio Revenues relating to a Series in the nature of capital or principal payments in respect of the relevant Wakala Assets (which, in the case of any Murabaha Receivable, means all amounts received in respect of that Murabaha Receivable, including any proceeds from its assignment or transfer, to the extent such amounts correspond to the Value of the Murabaha Receivable other than any Murabaha profit) (the "**Wakala Portfolio Principal Revenues**"), shall be credited to the applicable Principal Collection Account and reinvested by the Managing Agent in acquiring or originating further Eligible Wakala Assets. All Wakala Portfolio Revenues other than Wakala Portfolio Principal Revenues (the "**Wakala Portfolio Income Revenues**") for that Series shall be credited to the applicable Income Collection Account.

In relation to each Series, amounts standing to the credit of the Income Collection Account will be applied by the Managing Agent on the Business Day immediately preceding each Periodic Distribution Date in the following order of priority:

(i) *first*, in repayment to the Managing Agent of any amounts advanced by way of a Liquidity Facility;

(ii) *second*, in payment to the Managing Agent on behalf of the Trustee of any Management Liabilities Amounts for the period corresponding to the Return Accumulation Period ending on that Periodic Distribution Date or any Management Liabilities Amounts for any previous periods that remain unpaid;

(iii) *third*, to pay into the Transaction Account an amount equal to the lesser of (i) the Wakala Percentage of the Required Amount payable on the immediately following Periodic Distribution Date and (ii) the balance of the Income Collection Account; and

(iv) *fourth*, any amounts still standing to the credit of the Income Collection Account immediately following payment of all of the above amounts shall be debited from the Income Collection Account and credited to the Wakala Reserve Collection Account.

On the Business Day immediately preceding any Dissolution Date which is not a Dissolution Event Redemption Date or (in the case of a Dissolution Date which is a Dissolution Event Redemption Date) on the applicable Dissolution Event Redemption Date, the Managing Agent shall be obliged to pay an amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the applicable Wakala Exchange Rate) equal to the amount of any Wakala Portfolio Principal Revenues standing to the credit of the Principal Collection Account (or in the case of a redemption of some but not all of the Certificates, a corresponding portion thereof) into the Transaction Account.

If there is a shortfall at any relevant time in relation to a Series between the amounts standing to the credit of the Transaction Account and the Required Amount payable on the immediately following Periodic Distribution Date, amounts standing to the credit of the Wakala Reserve Collection Account may be applied towards such shortfall. If a shortfall remains following such application, together with the corresponding application of any amounts standing to the credit of the Mudaraba Reserve Account in the case of a Wakala/Mudaraba Series as described below, the Managing Agent may also advance (or may procure the advance of, as applicable) amounts to the Trustee by way of a Liquidity Facility to ensure the Trustee receives the Required Amount on such Periodic Distribution Date to pay the relevant Periodic Distribution Amount, by paying the amounts so advanced into the Transaction Account on the Business Day immediately preceding the relevant Periodic Distribution Date. Any Liquidity Facility shall be provided on terms that it is repayable from Wakala Portfolio Income Revenues in accordance with the Management Agreement or on the Dissolution Date.

The Managing Agent will be entitled to deduct amounts standing to the credit of the Wakala Reserve Collection Account at any time and use such amounts for its own account, provided that such amounts shall be repaid by it if so required to fund any shortfall as described above.

The Managing Agent shall keep detailed records of all movements in the Collection Accounts for each Series and, if so requested, provide the Trustee with copies of such records and any other information or details in relation to the Collection Accounts as the Trustee may reasonably request. Following payment of all amounts due and payable under the Certificates of a Series on its Dissolution Date, the Managing Agent shall be entitled to retain any amounts that remain standing to the credit of the Wakala Reserve Collection Account for that Series for its own account as an incentive payment for acting as Managing Agent.

The Managing Agent will agree in the Management Agreement that all payments by it under the Management Agreement will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind. If there is any deduction or withholding, the Managing Agent shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. The payment obligations of the Managing Agent under the Management Agreement in relation to a Series will be direct, unconditional, unsecured and general obligations of the Bank which rank (save for such exceptions as may be provided by applicable legislation) at least *pari passu* with all other unsecured, unsubordinated monetary obligations of the Bank, present and future.

For these purposes:

"**applicable Wakala Exchange Rate**" means, in the case of any amount paid or payable in respect, or any face amount, principal amount or par value, of a Wakala Asset (including any amount of Wakala Portfolio Principal Revenues) that is in a currency (the "**Wakala Currency**") other than the Specified Currency, the spot rate of exchange at which the Managing Agent is able to purchase the Specified Currency with such amount of the Wakala Currency on the date on which the Wakala

Currency is required to be exchanged into the Specified Currency in accordance with the Management Agreement (or if it is not practicable to make such purchase on such date, on the immediately preceding date on which it is so practicable), without taking into account any premium or other costs of exchange;

"**Intangible Wakala Assets**" means a Murabaha Receivable of Other Intangible Sharia Compliant Asset that is an Eligible Wakala Asset;

"**Management Liabilities Amount**" means, in relation to each Series, the amount of any claims, losses, costs and expenses properly incurred or suffered by the Managing Agent or other payments made by the Managing Agent on behalf of the Trustee as may from time to time be notified in writing by the Managing Agent to the Trustee, in each case in providing the relevant services during the relevant period but does not include any amount due to the Managing Agent under the Management Agreement in respect of any Liquidity Facility;

"**Required Amount**" means, in relation to each Series:

(i) in respect of an amount payable on a Periodic Distribution Date, an amount equal to the aggregate of all Periodic Distribution Amounts payable on each such Periodic Distribution Date in respect of the Certificates of such Series; or

(ii) in respect of an amount payable on a Dissolution Date (other than a Certificateholder Put Right Date, a Change of Control Put Right Date or an Optional Dissolution Date), an amount equal to the aggregate of all accrued and unpaid Periodic Distribution Amounts payable on such Dissolution Date in respect of the Certificates of such Series; or

(iii) in relation to an amount payable on a Certificateholder Put Right Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Certificateholder Put Right Date in respect of the Certificates to be redeemed on such Certificateholder Put Right Date; or

(iv) in relation to an amount payable on a Change of Control Put Right Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Change of Control Put Right Date in respect of the Certificates to be redeemed on such Change of Control Put Right Date; or

(v) in relation to an amount payable on an Optional Dissolution Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Optional Dissolution Date in respect of the Certificates to be redeemed on such Optional Dissolution Date,

together with, in each case, an amount equal to the amounts payable pursuant to Conditions 5(b)(i) and 5(b)(ii) (as the case may be), in each case provided that the Bank has received notification from the relevant party by the date specified for such purpose in the Management Agreement;

"**Surrender Amount**" means, in relation to a Series, the aggregate face amount of any Certificates cancelled by the Trustee pursuant to Condition 8;

"**Tangible Wakala Asset**" means a Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset that is an Eligible Wakala Asset;

"**Value**" means:

(i) in respect of any Wakala Asset, the amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the applicable Wakala Exchange Rate) determined by the Managing Agent on the relevant date as being equal to:

    (a) in the case of a Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset, the aggregate of all outstanding rental instalment amounts payable by the relevant lessee or other equivalent instalment amounts payable by the relevant obligor, in each case in the nature of capital or principal payments in respect of the relevant asset (in each case whether then due and unpaid or due and payable on or after such date), each of which is payable to the Bank under or in respect of the contract relating to the relevant Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset, as applicable;

(b) in the case of a Murabaha Receivable or Other Intangible Sharia Compliant Asset, the aggregate of the outstanding amounts payable in respect of such Murabaha Receivable or Other Intangible Sharia Compliant Asset, provided that for the purposes of: (A) the consideration payable in connection with (x) the purchase of the Initial Wakala Portfolio and each Murabaha Receivable or Other Intangible Sharia Compliant Asset subsequently originated and comprising part of the Wakala Portfolio from time to time, (y) the substitution of any Murabaha Receivable or Other Intangible Sharia Compliant Asset in accordance with the Management Agreement or the Master Purchase Agreement and (z) the sale and purchase or (as applicable) assignment, transfer and/or conveyance of any Murabaha Receivable or Other Intangible Sharia Compliant Asset pursuant to the Purchase Undertaking or (as applicable) the Sale Undertaking; and (B) any representations and warranties given in respect of the Value of a Murabaha Receivable or Other Intangible Sharia Compliant Asset and the requirement to maintain the Value of the Wakala Portfolio from time to time in each case of (A) and (B) in accordance with the applicable provisions of the relevant Transaction Documents, the "**Value**" shall mean the aggregate of the outstanding amounts payable in respect of such Murabaha Receivable or Other Intangible Sharia Compliant Asset in the nature of capital or principal payments;

(ii) in the case of any Wakala Portfolio Principal Revenues, the amount of such Wakala Portfolio Principal Revenues standing to the credit of the Principal Collection Account on such date; and

(iii) in respect of the relevant Wakala Portfolio, the aggregate of the amounts determined under paragraphs (i) and (ii) above in respect of the Wakala Assets and the Wakala Portfolio Principal Revenues so comprising the Wakala Portfolio on such date;

"**Wakala Portfolio**" means, in relation to each Series (i) the Initial Wakala Portfolio related to that Series, (ii) from the time of any acquisition or origination of a Wakala Asset by the Managing Agent in accordance with the Management Agreement or substitution of a Wakala Asset in accordance with the Master Purchase Agreement or the Management Agreement (as applicable) and in each case the Purchase Undertaking, shall include the Eligible Wakala Asset(s) so acquired or originated (as applicable) or substituted for the relevant Wakala Asset and cease to include the Wakala Asset so substituted (but shall not include in the case of (i) or (ii) above any obligations or liabilities of the Bank in respect of any such assets accruing prior to the date upon which the relevant Wakala Asset became part of the Wakala Portfolio (other than in its capacity as Managing Agent)), (iii) from the time of any other sale or transfer of a Wakala Asset to the Bank in accordance with the Sale Undertaking or purchase or transfer of a Wakala Asset by the Bank pursuant to the Purchase Undertaking, shall cease to include the Wakala Asset so sold, transferred or purchased and (iv) at any time, the Wakala Portfolio Principal Revenues standing to the credit of the Principal Collection Account on the relevant date; and

"**Wakala Portfolio Value**" means the Value of a Wakala Portfolio.

Master Restricted Mudaraba Agreement

The Master Restricted Mudaraba Agreement will be entered into on 23 September 2013 between the Trustee (in its capacity as Trustee and as Rabb-al-Maal) and the Bank (in its capacity as Mudarib) and will be governed by English law. A Supplemental Restricted Mudaraba Agreement between the same parties will be entered into on the Issue Date of each Wakala/Mudaraba Series which will also be governed by English law (the Master Restricted Mudaraba Agreement as supplemented by the relevant Supplemental Restricted Mudaraba Agreement for each Series, the "**Restricted Mudaraba Agreement**").

Pursuant to the Restricted Mudaraba Agreement, the Rabb-al-Maal will agree that, on the Issue Date of each Wakala/Mudaraba Series, it shall invest the Mudaraba Percentage of the Issue Proceeds as the initial Mudaraba Capital relating to that Series with the Mudarib and the Mudarib agrees to invest and manage the Mudaraba Capital, in each case, in accordance with the relevant Restricted Mudaraba Agreement (which shall include the relevant Mudaraba Investment Plan). The Mudaraba Investment Plan, in relation to each Wakala/Mudaraba Series, will specify, among other things, the expected return from the Mudaraba Assets which the parties commercially intend to achieve during the term of the Mudaraba (the "**Expected Mudaraba Return**").

Pursuant to the Mudaraba Agreement, the Mudarib will unconditionally and irrevocably undertake, in relation to each Wakala/Mudaraba Series, to:

(i) on each Issue Date of a Wakala/Mudaraba Series, invest the Mudaraba Capital of the relevant Mudaraba in accordance with the terms of the relevant Restricted Mudaraba Agreement, including the relevant Mudaraba Investment Plan solely in Eligible Mudaraba Assets (including an undivided ownership interest in such assets) the Value of which is (a) in the case of Tangible Mudaraba Assets, not less than and (b) in the case of Sharia Compliant Investments, equal to, the value of the consideration given for each such asset as at the date upon which it becomes part of the Mudaraba Portfolio;

(ii) in conjunction with the Managing Agent, ensure that, on the Issue Date of a Wakala/Mudaraba Series (but not necessarily thereafter) at least 51 per cent. of the aggregate of the relevant Mudaraba Portfolio Value and Wakala Portfolio Value on such Issue Date is derived from Tangible Mudaraba Assets and Tangible Wakala Assets;

(iii) use all reasonable endeavours to procure that, at all times, at least 33 per cent. of the Mudaraba Portfolio Value of each Mudaraba is derived from Tangible Mudaraba Assets (the "**Minimum Tangible Assets Requirement**") and if, at any time, the Minimum Tangible Asset Requirement is not satisfied, the Mudarib shall use all reasonable endeavours to identify for investment as soon as reasonably practicable thereafter sufficient Tangible Mudaraba Assets to satisfy the Minimum Tangible Asset Requirement and on such identification shall promptly reinvest in the Tangible Mudaraba Assets it has so identified an amount of Mudaraba Portfolio Principal Revenues and/or to the extent that insufficient Mudaraba Portfolio Principal Revenues are then held by the Mudarib, the Sharia Compliant Investments comprised within the Mudaraba Portfolio equal to the Value of such Tangible Mudaraba Assets;

(iv) to the extent and as soon as reasonably practicable, reinvest all Mudaraba Portfolio Principal Revenues received in relation to the Mudaraba in additional Eligible Mudaraba Assets in each case in accordance with the terms of the relevant Restricted Mudaraba Agreement, including the relevant Mudaraba Investment Plan. Such additional Eligible Mudaraba Assets will form part of the Mudaraba Portfolio of the relevant Mudaraba from the date of such investment and the value of the consideration given for such assets shall be (a) in the case of any Tangible Mudaraba Assets, not less than and (b) in the case of any Sharia Compliant Investments, equal to the Value of such assets;

(v) in relation to each Mudaraba, monitor, subject to and in accordance with the usual and standard practices of the Bank from time to time, the Value and income generating properties of the Mudaraba Assets and use all reasonable endeavours to manage the Mudaraba Portfolio to ensure that the Mudaraba Portfolio Value is at all times at least equal to the Mudaraba Capital less the Mudaraba Percentage of any relevant Surrender Amount;

(vi) use all reasonable endeavours to ensure that lessees in respect of the Real Estate Ijara Assets and the Non-Real Estate Ijara Assets and other obligors in respect of Other Tangible Sharia Compliant Assets maintain industry standard insurances in respect of Tangible Mudaraba Assets comprised within the Mudaraba Portfolio and fulfil all structural repair and major maintenance obligations in respect of such Tangible Mudaraba Assets (each in accordance with the relevant contractual terms);

(vii) use all reasonable endeavours to ensure the timely receipt of all Mudaraba Portfolio Principal Revenues and Mudaraba Profit, investigate non-payment of the same and generally make all reasonable efforts to collect or enforce the collection of such amounts in respect of all Non-Real Estate Ijara Assets, Real Estate Ijara Assets and Other Tangible Sharia Compliant Assets as and when the same shall become due;

(viii) it shall use all reasonable endeavours to ensure that the Mudaraba Profit received in respect of each profit distribution period is at least equal to the Expected Mudaraba Return (together with any additional amounts to be paid pursuant to the Restricted Mudaraba Agreement), provided that such Expected Mudaraba Return shall be reduced from time upon any redemption and/or cancellation of any of the Certificates of the relevant Series in accordance with the Conditions such that the Expected Mudaraba Return shall be determined by reference to the then outstanding Certificates of such Series;

(ix) exercise such rights, powers and discretions as arise under any Restricted Mudaraba Agreement (together with any other incidental rights, powers, authorities and discretions), and take such action as it deems appropriate, in each case:

(a) in accordance with applicable laws and regulations;

(b) with the degree of skill and care that it would exercise in respect of its own assets; and

(c) in a manner that complies in all material respects with the *Sharia* principles laid down by the Bank's *Fatwa* and *Sharia* Supervisory Board

(x) in relation to each Mudaraba, maintain separate ledger accounts (the "**Mudaraba Accounts**") to record:

(a) any amounts received in the nature of capital or principal payments in respect of the Mudaraba Assets ("**Mudaraba Portfolio Principal Revenues**");

(b) the amount of Mudaraba Profit for each period corresponding to a Return Accumulation Period; and

(c) any amount of Mudaraba Profit remaining on the Business Day immediately preceding each Periodic Distribution Date after deducting amounts payable to the Rabb-al-Maal.

In each Restricted Mudaraba Agreement, the Mudarib and the Rabb-al-Maal will acknowledge and agree in relation to each Mudaraba (a) (provided that no Dissolution Event has occurred and is continuing in respect of the relevant Wakala/Mudaraba Series) the Bank may at any time request the Mudarib to substitute and (b) (whether or not a Dissolution Event has occurred and is continuing) upon any breach of the representations and warranties given in relation to a Mudaraba Asset) the Mudarib shall so substitute and upon any default or potential default (howsoever described) in respect of any Mudaraba Asset shall use its best endeavours to so substitute, any one or more of the Mudaraba Assets as the Mudarib may select (subject to any Mudaraba Asset(s) to be substituted being the Mudaraba Asset(s) in respect of which such default or potential default has occurred or the Mudaraba Asset not in compliance with such representations and warranties, if applicable). The substitute Mudaraba Asset(s) for these purposes shall be Eligible Mudaraba Assets that are Tangible Mudaraba Assets of a Value not less than the value of the consideration paid for such substituted Mudaraba Asset(s) when it or they (as applicable) first became part of the Mudaraba Portfolio, after deduction of all Mudaraba Portfolio Principal Revenues relating to such Mudaraba Asset(s) which have been credited to the relevant Mudaraba Account in accordance with the Master Restricted Mudaraba Agreement) and any such substitution shall otherwise be undertaken on the terms and subject to the conditions of the relevant Restricted Mudaraba Agreement.

In relation to each Wakala/Mudaraba Series, the amount of any profit earned from the investment of the Mudaraba Capital by the Mudarib during the relevant profit distribution period (being an amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the applicable Mudaraba Exchange Rate) equal to all revenues earned and received in respect of the Mudaraba Assets during such profit distribution period, minus the aggregate of (a) any Mudaraba Portfolio Principal Revenues received in respect of the Mudaraba Assets during the relevant profit distribution period; (b) any costs (consisting of direct costs and allocated costs) and/or specific provisions associated with the Mudaraba Assets during the relevant profit distribution period; and (c) any taxes incurred in connection with the Restricted Mudaraba Agreement (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the relevant profit distribution period) but excluding the Mudarib's obligations (if any) to pay any taxes or additional amounts under, or in connection with, the Conditions, in each case as reflected in the Mudaraba Accounts shall constitute the "**Mudaraba Profit**".

Any Mudaraba Profit in respect of a profit distribution period will be allocated between the Rabb-al-Maal and the Mudarib in accordance with a profit sharing ratio of 99 per cent. for the Rabb-al-Maal and one per cent. for the Mudarib. The Mudarib will distribute the Rabb-al-Maal's share of such Mudaraba Profit by payment of the same into the relevant Transaction Account on the date of its determination.

If, in relation to a Wakala/Mudaraba Series, the Rabb-al-Maal's share of any Mudaraba Profit to be paid by the Mudarib into the Transaction Account on any relevant determination date is greater than the Mudaraba Percentage of the Required Amount for that Series on the immediately following Periodic Distribution Date, the amount of any excess shall be retained by the Mudarib as a reserve and credited to a reserve book-entry ledger account (the "**Mudaraba Reserve Account**") and the amount payable to the Transaction Account in respect of such Mudaraba Profit shall be reduced accordingly. If there is a shortfall on such date or on a Dissolution Date between the amounts standing to the credit of the Transaction Account (after payment into the Transaction Account of the Rabb-al-Maal's share of any Mudaraba Profit and any other amounts to be paid into the Transaction Account on such date in accordance with the other Transaction Documents) and the Required Amount payable on the immediately following Periodic Distribution Date or the Dissolution Date, as the case may be, amounts standing to the credit of the applicable Mudaraba Reserve Account (or a portion thereof where some only of the Certificates of a Series are to be redeemed on a Dissolution Date) may be applied towards such shortfall.

The Mudarib will be entitled to deduct amounts standing to the credit of any Mudaraba Reserve Account at any time and use such amounts for its own account, provided that such amounts shall be repaid by it if so required to fund a shortfall as described above. After all amounts due and payable under the Certificates of the relevant Wakala/Mudaraba Series have been paid in full, the Mudarib shall be entitled to retain the remaining balance (if any) of the Mudaraba Reserve Account for its own account as an incentive payment for its performance as Mudarib.

In relation to each Wakala/Mudaraba Series, where all Certificates of a Series are to be redeemed on a Dissolution Date, the relevant Mudaraba, or where some only of the Certificates of a Series are to be redeemed on a Dissolution Date, a portion of the Mudaraba Portfolio will be liquidated on the Business Day immediately preceding the relevant Dissolution Date or, where the Dissolution Date is a Dissolution Event Redemption Date, on such Dissolution Event Redemption Date by the Mudarib, and through such liquidation the Mudarib will (i) return to the Rabb-al-Maal an amount in the Specified Currency equal to the Mudaraba Portfolio Value for that Mudaraba (or the Value of the relevant portion of the Mudaraba Portfolio that is liquidated where some only of the Certificates of a Series are to be redeemed on a Dissolution Date) (provided that the Rabb-al-Maal's share of the final liquidation proceeds shall not exceed the Mudaraba Capital) and (ii) pay to the Rabb-al-Maal its share of any Mudaraba Profit realised upon such liquidation (provided that the Rabb-al-Maal's share of such Mudaraba Profit to be paid into the Transaction Account shall not be greater than the Mudaraba Percentage of the Required Amount on such date as described above) by payment of the same into the Transaction Account on the Business Day immediately preceding the Dissolution Date or, where the Dissolution Date is a Dissolution Event Redemption Date, on such Dissolution Event Redemption Date.

Following any purchase of Certificates of a Series by the Bank or any Subsidiary of the Bank pursuant to Condition 8(g), if the Bank elects to cancel such Certificates in accordance with Condition 8(h), the Mudarib shall also liquidate a portion Mudaraba Portfolio in the manner described above and release to the Rabb-al-Maal a corresponding portion of the relevant Mudaraba Assets the Value of which shall be equal to the cancellation percentage (being the aggregate face amount of the Certificates to be cancelled divided by the aggregate face amount of the Certificates then outstanding, expressed as a percentage) of the aggregate Value of the Mudaraba Assets as the relevant Cancellation Date against the cancellation of the applicable Certificates of that Series so purchased.

The Mudarib will agree in the Restricted Mudaraba Agreement that all payments by it under the Restricted Mudaraba Agreement will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind. If there is any deduction or withholding, the Mudarib shall pay all additional amounts as will result in the receipt by the Rabb-al-Maal of such net amounts as would have been received by it if no deduction or withholding had been made. Further, the obligations of the Mudarib in relation to a Series shall be direct, unconditional, unsubordinated and unsecured obligations of the Bank which rank (save for such exceptions as may be provided by applicable legislation) at all times at least *pari passu* with all other unsecured, unsubordinated monetary obligations of the Mudarib, present and future.

For these purposes:

"**applicable Mudaraba Exchange Rate**" means, in the case of any amount payable in respect, or any face amount or par value, of a Mudaraba Asset (including any amount of Mudaraba Portfolio Principal Revenues) that is in a currency (the "**Mudaraba Currency**") other than the Specified Currency, the spot rate of exchange at which the Mudarib is able to purchase the Specified Currency with such amount of the Mudaraba Currency on the date on which the Mudaraba Currency is required to be exchanged into the Specified Currency in accordance with this Agreement, without taking into account any premium or other costs of exchange;

"**Eligible Mudaraba Asset**" means:

(i) a Real Estate Ijara Asset, a Non-Real Estate Ijara Asset and/or any Other Tangible Sharia Compliant Asset:

  (a) in respect of which the relevant lessee or other obligor is not in breach of its payment obligations in respect of the relevant Real Estate Ijara Asset, Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset;

  (b) which has been acquired or originated or is held or owned by the Bank in a manner consistent with its usual credit and origination and/or investment policies;

  (c) which constitutes legal, valid, binding and (subject to the laws of bankruptcy and other laws affecting the rights of creditors generally) enforceable obligations of the relevant lessee and/or obligor (as applicable) thereof in the jurisdiction in which it is located and the jurisdiction in which any related asset is located;

  (d) in respect of which the Bank is entitled to receive all payments due or proceeds of sale (as the case may be);

  (e) which is free and clear of any adverse claim (subject to limited exceptions); and

  (f) in respect of which there has not occurred any event of default (howsoever described) which is subsisting, acceleration or analogous event nor is the Bank aware of any event which is subsisting and which, following the giving of any originally applicable notice and/or the lapse of any originally applicable grace period and/or the making of any determination and/or the giving of any certificate, would constitute an event of default or analogous event under any relevant documentation; or

(ii) a Sharia Compliant Investment;

"**Mudaraba Portfolio**" means, in relation to a Mudaraba (i) the Initial Mudaraba Portfolio, (ii) from the time of any substitution of a Mudaraba Asset or investment in further Mudaraba Assets in accordance with the Restricted Mudaraba Agreement and the Mudaraba Investment Plan, shall include the Eligible Mudaraba Asset(s) substituted for the relevant Mudaraba Asset or in which the Mudarib further invests and cease to include the Mudaraba Asset so substituted, (iii) from the time of any release of Mudaraba Assets from, or liquidation of, the Mudaraba, in each case in accordance with the Restricted Mudaraba Agreement, shall cease to include any assets released or liquidated from time to time as a result of an early redemption of the Certificates or cancellation of Certificates in accordance with the Conditions and (iv) the Mudaraba Portfolio Principal Revenues then held by the Mudarib;

"**Required Amount**" means, in relation to each Wakala/Mudaraba Series:

(i) in respect of an amount payable on a Periodic Distribution Date, an amount equal to the aggregate of all Periodic Distribution Amounts payable on each such Periodic Distribution Date in respect of the Certificates of such Series; or

(ii) in respect of an amount payable on a Dissolution Date (other than a Certificateholder Put Right Date, a Change of Control Put Right Date or an Optional Dissolution Date), an amount equal to the aggregate of all accrued and unpaid Periodic Distribution Amounts payable on such Dissolution Date in respect of the Certificates of such Series; or

(iii) in relation to an amount payable on a Certificateholder Put Right Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Certificateholder Put Right Date in respect of the Certificates to be redeemed on such Certificateholder Put Right Date; or

(iv) in relation to an amount payable on a Change of Control Put Right Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Change of Control Put Right Date in respect of the Certificates to be redeemed on such Change of Control Put Right Date; or

(v) in relation to an amount payable on an Optional Dissolution Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Optional Dissolution Date in respect of the Certificates to be redeemed on such Optional Dissolution Date,

together with, in each case, an amount equal to the amounts payable pursuant to Conditions 5(b)(i) and 5(b)(ii) (as the case may be), in each case provided that the Bank has received notification from the relevant party by the date specified for such purpose in the Master Restricted Mudaraba Agreement;

"**Tangible Mudaraba Asset**" means a Real Estate Ijara Asset, Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset that is an Eligible Mudaraba Asset; and

"**Value**" means:

(i) in respect of any Mudaraba Asset, the amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the applicable Mudaraba Exchange Rate) determined by the Mudarib on the relevant date as being equal to:

  (a) in the case of a Real Estate Ijara Asset, Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset, the aggregate of all outstanding rental instalment amounts payable by the relevant lessee or other equivalent amounts payable by the relevant obligor, in each case in the nature of capital or principal payments in respect of the relevant asset (whether then due and unpaid or due and payable on or after such date), each of which is payable to the Bank under or in respect of the relevant contracts relating to the Real Estate Ijara Asset, Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset, as applicable;

  (b) in the case of a Sharia Compliant Investment, its then outstanding face amount or par value; or

  (c) in the case of any Mudaraba Portfolio Principal Revenues, the amount of such Mudaraba Portfolio Principal Revenues then recorded in the Mudaraba Accounts; and

(ii) in respect of the relevant Mudaraba Portfolio, the aggregate of the amounts determined under paragraph (i) above in respect of the Mudaraba Assets comprising the Mudaraba Portfolio on such date;

The Purchase Undertaking

The Purchase Undertaking will be executed as a deed on 23 September 2013 by the Bank in favour of the Trustee and the Delegate and will be governed by English law.

Pursuant to the Purchase Undertaking, the Bank will, in relation to each Series, irrevocably undertake in favour of the Trustee and the Delegate the right to require the Bank to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under:

(i) the Wakala Assets on the Scheduled Dissolution Date, a Dissolution Event Redemption Date, each Change of Control Put Right Date and each Certificateholder Put Right Date, in each case provided that all Certificates of the relevant Series are to be redeemed in full on such date; or

(ii) a proportion of the Wakala Assets on each Change of Control Put Right Date and each Certificateholder Put Right Date on which some but not all of the Certificates a Series are to be redeemed, where such proportion of Wakala Assets to be so purchased will be equal to the proportion that the Certificates to be redeemed on the relevant Change of Control Put Right Date or Certificateholder Put Right Date, as the case may be, bear to the aggregate of all such Certificates outstanding in respect of the relevant Series on such date,

in each case in consideration for payment by the Bank of the relevant Exercise Price.

For these purposes:

"**Exercise Price**" means, in relation to each Series, the price payable by the Bank to the Trustee in respect of the purchase by the Bank of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets (or the relevant proportion thereof), which shall be an amount in the Specified Currency equal to the aggregate of:

(i) the Value of the Wakala Assets (or the relevant proportion thereof) on the relevant Dissolution Event Redemption Date (in respect of the exercise of the right following the occurrence of a Dissolution Event) or the Business Day immediately preceding the Scheduled Dissolution Date, the Change of Control Put Right Date or the Certificateholder Put Right Date, as the case may be;

(ii) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates to be redeemed on such date;

(iii) (provided that all Certificates of the relevant Series are to be redeemed on such date and only to the extent not previously satisfied in accordance with the Management Agreement) an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility and (ii) Management Liabilities Amounts payable in respect of any distribution period (or part thereof, as applicable);

(iv) an amount equal to the amounts payable pursuant to Conditions 5(b)(i) and 5(b)(ii) (as the case may be), in each case provided that the Bank has received notification from the relevant party by the date specified for such purpose in the Purchase Undertaking;

(v) an amount equal to:

(a) (in the case of a Wakala Series) any decrease in the Value (as defined in the Management Agreement) of the Wakala Assets (or the relevant proportion thereof) between the date on which such Wakala Asset(s) became part of the Wakala Portfolio and (in respect of a redemption on a Scheduled Dissolution Date, a Change of Control Put Right Date or a Certificateholder Put Right Date) the Business Day immediately preceding such Scheduled Dissolution Date, Change of Control Put Right Date or Certificateholder Put Right Date or (in respect of a redemption following the occurrence of a Dissolution Event) the Dissolution Event Redemption Date, in either case as a result of (x) the application thereto of the applicable Wakala Exchange Rate on (in respect of a redemption on a Scheduled Dissolution Date, a Change of Control Put Right Date or a Certificateholder Put Right Date) the Business Day immediately preceding the Scheduled Dissolution Date, Change of Control Put Right Date or Certificateholder Put Right Date or (in respect of a redemption following the occurrence of a Dissolution Event) the Dissolution Event Redemption Date and/or (y) any failure by the Managing Agent to substitute any Wakala Assets to be purchased pursuant to an exercise of the Purchase Undertaking in accordance with the Management Agreement (in each case whether or not the Managing Agent has used its best endeavours to do so as provided therein) and/or (without double counting) any failure by the Seller to substitute any Wakala Assets to be purchased pursuant to an exercise of the Purchase Undertaking which are comprised in the Initial Wakala Portfolio in accordance with the Master Purchase Agreement, in each case (in respect of a redemption following the occurrence of a Dissolution Event) on or before the Dissolution Event Redemption Date or (in respect of a redemption on a Scheduled Dissolution Date, a Change of Control Put Right Date or a Certificateholder Put Right Date) on or before the Business Day immediately preceding such Scheduled Dissolution Date, Change of Control Put Right Date or Certificateholder Put Right Date; or

(b) (in the case of a Wakala/Mudaraba Series) the aggregate of:

A. any decrease in the Value (as defined in the Management Agreement) of the Wakala Assets (or the relevant portion thereof) between the date on which such Wakala Asset(s) became part of the Wakala Portfolio and (in respect of a redemption on a Scheduled Dissolution Date, a Change of Control Put Right Date or a Certificateholder Put Right Date) the Business Day immediately preceding such Scheduled Dissolution Date, Change of Control Put Right Date or Certificateholder Put Right Date or (in respect of a redemption following the occurrence of a Dissolution Event) the Dissolution Event Redemption Date, in either case as a result of (x) the application thereto of the applicable Wakala Exchange Rate on (in respect of a redemption on a Scheduled Dissolution Date, a Change of Control Put Right Date or a Certificateholder Put Right Date) the Business Day immediately preceding the Scheduled Dissolution Date, Change of Control Put Right Date or Certificateholder Put Right Date or (in respect of a redemption following the occurrence of a Dissolution Event) the Dissolution Event Redemption Date and/or

(y) any failure by the Managing Agent to substitute any Wakala Assets to be purchased pursuant to an exercise of the Purchase Undertaking in accordance with the Management Agreement (in each case whether or not the Managing Agent has used its best endeavours to do so as provided therein) and/or (without double counting) any failure by the Seller to substitute any Wakala Assets to be purchased pursuant to an exercise of the Purchase Undertaking which are comprised in the Initial Wakala Portfolio in accordance with the Master Purchase Agreement, in each case (in respect of a redemption following the occurrence of a Dissolution Event) on or before the Dissolution Event Redemption Date or (in respect of a redemption on a Scheduled Dissolution Date, a Change of Control Put Right Date or a Certificateholder Put Right Date) on or before the Business Day immediately preceding such Scheduled Dissolution Date, Change of Control Put Right Date or Certificateholder Put Right Date; and

B. any decrease in the Value (as defined in the Master Restricted Mudaraba Agreement) of the Mudaraba Assets to be liquidated pursuant to the Restricted Mudaraba Agreement (or the relevant portion thereof) between the date on which such Mudaraba Asset(s) became part of the Mudaraba Portfolio and (in respect of a redemption on a Scheduled Dissolution Date, a Change of Control Put Right Date or a Certificateholder Put Right Date) the Business Day immediately preceding the Scheduled Dissolution Date, Change of Control Put Right Date or a Certificateholder Put Right Date, as the case may be or (in respect of a redemption following the occurrence of a Dissolution Event) the Dissolution Event Redemption Date, in either case as a result of (x) the application thereto of the applicable Mudaraba Exchange Rate (in respect of a redemption on a Scheduled Dissolution Date, a Change of Control Put Right Date or a Certificateholder Put Right Date) on the Business Day immediately preceding the Scheduled Dissolution Date Change of Control Put Right Date or a Certificateholder Put Right Date, as the case may be, or (in respect of a redemption following the occurrence of a Dissolution Event) on the Dissolution Event Redemption Date and/or (y) any failure by the Mudarib to substitute any Mudaraba Assets subject to liquidation in connection with a redemption of Certificates on a Scheduled Dissolution Date, a Dissolution Event Redemption Date, a Change of Control Put Right Date or a Certificateholder Put Right Date, in accordance with the Master Restricted Mudaraba Agreement (in respect of a redemption on a Scheduled Dissolution Date, a Change of Control Put Right Date or a Certificateholder Put Right Date) on the Business Day immediately preceding the Scheduled Dissolution Date, Change of Control Put Right Date or Certificateholder Put Right Date, as the case may be, or (in respect of a redemption following the occurrence of a Dissolution Event) on the Dissolution Event Redemption Date (whether or not the Mudarib has used its best endeavours to do so as provided therein); and

(vi) any other amounts payable in relation to the Certificates on the relevant Dissolution Event Redemption Date, Scheduled Dissolution Date, Change of Control Put Right Date or Certificateholder Put Right Date (as applicable) as specified in the applicable Final Terms,

less any amount (other than an amount of Wakala Portfolio Principal Revenues paid pursuant to the Management Agreement) in the Specified Currency standing to the credit of the Transaction Account on the date on which payment of the Exercise Price is made in accordance with the Purchase Undertaking whereby such amount has been so credited pursuant to any other Transaction Document (including but not limited to as a result of the payment of any Wakala Portfolio Income Revenues and/or any amounts standing to the credit of the Wakala Reserve Collection Account in each case pursuant to the Management Agreement and (in the case of a Wakala/Mudaraba Series) the payment of any Mudaraba Profit and/or amounts standing to the credit of the Mudaraba Reserve Account in each case pursuant to the Master Restricted Mudaraba Agreement).

If the Trustee or the Delegate exercises its option prior to the Scheduled Dissolution Date of the relevant Series, an exercise notice will be required to be delivered by the Trustee or the Delegate under the Purchase Undertaking.

Pursuant to the Management Agreement, the Managing Agent may, from time to time, and shall in certain circumstances substitute Substituted Wakala Assets for New Wakala Assets, as more particularly described above. In addition, pursuant to the Master Purchase Agreement, the Seller shall in certain circumstances substitute Substituted Wakala Assets for New Wakala Assets, as more particularly described above. To effect such substitution, the Bank shall irrevocably grant the right to the Trustee and the Delegate to require the Bank to purchase the New Wakala Assets against the assignment, transfer and or conveyance of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Substituted Wakala Assets pursuant to the Purchase Undertaking, provided that certain conditions are satisfied. This right shall be deemed to have been exercised by the Trustee upon delivery by the Managing Agent to the Trustee of a substitution instruction in accordance with the Management Agreement.

The Bank will undertake in the Purchase Undertaking that, to the extent that any sale and purchase or transfer and/or assignment of any interest in the Bank's rights, title, interests, benefits and entitlements in, to and under any of the Wakala Assets in respect of which the rights under the Purchase Undertaking are to be exercised is not effective in any jurisdiction for any reason, it will agree in consideration for the payment to it by the Trustee of the purchase price for its interests in such Wakala Assets to make payment of an amount equal to the purchase price for such Wakala Assets by way of restitution to the Trustee immediately upon request.

The Bank will undertake in the Purchase Undertaking that if it fails to pay all or part of any Exercise Price when due (the "**Outstanding Exercise Price**"), it will automatically continue to act as Managing Agent in respect of the relevant Wakala Assets in accordance with the terms of the Management Agreement until payment of the Exercise Price in full is made by it.

The Bank will further undertake that if it breaches any declaration or undertaking in the Purchase Undertaking or if it or any administrator, liquidator or receiver of it disputes or challenges the rights, title, interests, benefits and entitlements of the Trustee in, to and under the Wakala Assets in respect of which the Purchase Undertaking is exercised, or if the sale and purchase or transfer of any of the Trustee's rights, title, interests, benefits and entitlements in, to and under any part of the Wakala Assets in respect of which the Purchase Undertaking is exercised is not (or is alleged not to be) effective in any jurisdiction for any reason, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Certificates and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price.

The Bank will agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind. If there is any deduction or withholding, the Bank shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 10, the Bank will undertake in the Purchase Undertaking to pay to the Trustee an amount equal to such additional amounts so that the full amount which would otherwise have been due and payable under the Certificates is received by the Trustee.

Without prejudice to the negative pledge provisions contained in Condition 6(b), the payment obligations of the Bank under the Purchase Undertaking in relation to a Series will be direct, unconditional, unsubordinated and unsecured obligations of the Bank which rank (save for such exceptions as may be provided by applicable legislation) at least *pari passu* with all other unsecured, unsubordinated monetary obligations of the Bank, present and future.

In the Purchase Undertaking, the Bank will undertake to comply with Condition 6(b) and will agree that the Obligor Events applicable to it will be set out in full in the Conditions, and that the occurrence and continuation thereof shall constitute a Dissolution Event for the purposes of the Conditions and the Purchase Undertaking. In addition, the Bank will undertake to (a) forthwith notify the Trustee and the Delegate of any Change of Control and (b) promptly upon becoming aware of its occurrence, notify the Trustee and the Delegate of any Obligor Event (and the steps, if any, being taken to remedy it) or of any Potential Obligor Event.

If a right granted pursuant to the Purchase Undertaking is exercised in accordance with its terms, the Trustee and the Bank will be required to enter into a sale or transfer agreement to give effect to the sale or transfer of the Wakala Assets in respect of which the Purchase Undertaking has been exercised to the Bank, substantially in the form set out as a schedule to the Purchase Undertaking.

Sale Undertaking

The Sale Undertaking will be executed as a deed on 23 September 2013 by the Trustee in favour of the Bank and will be governed by English law.

Pursuant to the Sale Undertaking, the Trustee will grant the right to the Bank to oblige the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under:

(i) the Wakala Assets on the Early Tax Redemption Date or on an Optional Dissolution Date, in each case provided that all Certificates of the relevant Series are to be redeemed in full on such date; or

(ii) a proportion of the Wakala Assets on each Optional Dissolution Date on which some but not all of the Certificates a Series are to be redeemed, where such proportion of Wakala Assets to be so purchased will be equal to the proportion that the Certificates to be redeemed on the relevant Optional Dissolution Date bears to the aggregate of all such Certificates outstanding in respect of the relevant Series on such date,

in each case in consideration for payment by the Bank of the relevant Exercise Price.

For these purposes:

"**Exercise Price**" means, in relation to each Series (if applicable), the price payable by the Bank to the Trustee in respect of the purchase by the Bank of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets (or the relevant portion thereof), which shall be an amount in the Specified Currency equal to the aggregate of:

(i) the Value of the Wakala Assets (or the relevant proportion thereof) on Business Day immediately preceding the Early Tax Redemption Date or the Optional Dissolution Date, as the case may be;

(ii) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates to be redeemed on the Early Tax Redemption Date or the Optional Dissolution Date, as the case may be;

(iii) (only where no Certificate of the relevant Series remains outstanding following the exercise of the Optional Dissolution Right or following an early redemption of Certificates for tax reasons and to the extent not previously satisfied in accordance with the Management Agreement) an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility and (ii) Management Liabilities Amounts payable in respect of any relevant distribution period (or part thereof, as applicable) in respect of the Wakala Portfolio;

(iv) an amount equal to the amounts payable pursuant to Conditions 5(b)(i) and 5(b)(ii) (as the case may be), in each case provided that the Bank has received notification from the relevant party by the date specified for such purpose in the Sale Undertaking;

(v) an amount equal to:

  (a) (in the case of a Wakala Series) any decrease in the Value (as defined in the Management Agreement) of the Wakala Assets (or the relevant portion thereof) between the date on which the relevant Wakala Asset(s) became part of the Wakala Portfolio and the Business Day immediately preceding the relevant Early Tax Redemption Date or Optional Dissolution Date, as the case may be, as a result of (x) the application thereto of the applicable Wakala Exchange Rate on the Business Day immediately preceding the relevant Early Tax Redemption Date or Optional Dissolution Date, as the case may be and/or (y) any failure by the Managing Agent to substitute any Wakala Assets in respect of which the Sale Undertaking is exercised in accordance with the Management Agreement (whether or not the Managing Agent has used its best endeavours to do so as provided therein) and/or (without double counting) any failure by the Seller to substitute any Wakala Assets in respect of which the Sale Undertaking is exercised which are comprised in the Initial Wakala Portfolio in accordance with the Master Purchase Agreement, in each case on or before the Business Day immediately preceding the relevant Early Tax Redemption Date or Optional Dissolution Date, as the case may be; or

  (b) (in the case of a Wakala/Mudaraba Series) any decrease in the aggregate of:

A. in the Value (as defined in the Management Agreement) of the Wakala Assets (or the relevant portion thereof) between the date on which the relevant Wakala Asset(s) became part of the Wakala Portfolio and the Business Day immediately preceding the relevant Early Tax Redemption Date or Optional Dissolution Date, as the case may be, as a result of (x) the application thereto of the applicable Wakala Exchange Rate on the Business Day immediately preceding the relevant Early Tax Redemption Date or Optional Dissolution Date, as the case may be and/or (y) any failure by the Managing Agent to substitute any Wakala Assets in respect of which the Sale Undertaking is exercised in accordance with the Management Agreement (whether or not the Managing Agent has used its best endeavours to do so as provided therein) and/or (without double counting) any failure by the Seller to substitute any Wakala Assets in respect of which the Sale Undertaking is exercised which are comprised in the Initial Wakala Portfolio in accordance with the Master Purchase Agreement, in each case on or before the Business Day immediately preceding the relevant Early Tax Redemption Date or Optional Dissolution Date, as the case may be; and

B. any decrease in the Value (as defined in the Master Restricted Mudaraba Agreement) of the Mudaraba Assets (or the relevant portion thereof) between the date on which the relevant Mudaraba Asset(s) became part of the Mudaraba Portfolio and the Business Day immediately preceding the relevant Early Tax Redemption Date or Optional Dissolution Date, as the case may be, as a result of (x) the application thereto of the applicable Mudaraba Exchange Rate on the Business Day immediately preceding the relevant Early Tax Redemption Date or Optional Dissolution Date, as the case may be, and/or (y) any failure by the Mudarib to substitute any Mudaraba Assets subject to liquidation in connection with a redemption of Certificates on an Early Tax Redemption Date, or an Optional Dissolution Date in accordance with the Master Restricted Mudaraba Agreement on or before Business Day immediately preceding the relevant Early Tax Redemption Date or Optional Dissolution Date, as the case may be, (whether or not the Mudarib has used its best endeavours to do so as provided therein); and

(vi) any other amounts payable in relation to the Certificates as specified in the applicable Final Terms,

less any amount (other than an amount of Wakala Portfolio Principal Revenues paid pursuant to the Management Agreement) in the Specified Currency standing to the credit of the Transaction Account on the date on which payment of the Exercise Price is made in accordance with the Sale Undertaking whereby such amount has been so credited pursuant to any other Transaction Document (including but not limited to as a result of the payment of any Wakala Portfolio Income Revenues and/or any amounts standing to the credit of the Wakala Reserve Collection Account in each case pursuant to the Management Agreement and (in the case of a Wakala/Mudaraba Series) the payment of any Mudaraba Profit and/or amounts standing to the credit of the Mudaraba Reserve Account in each case pursuant to the Master Restricted Mudaraba Agreement);

The rights granted under the Sale Undertaking may be exercised by serving notice on the Trustee:

(i) following the occurrence of a Tax Event and upon satisfaction of the conditions precedent relating thereto set out in Condition 8(b), by the Obligor delivering an exercise notice to the Trustee specifying the Early Tax Redemption Date, which must be (a) not less than 30 nor more than 60 days after the date on which the exercise notice is given and (b) if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable to the relevant Series, a Periodic Distribution Date, provided that no such exercise notice may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay the additional amounts referred to in Condition 8(b) were a payment in respect of the Certificates (in the case of the Trustee) or to the Trustee pursuant to any Transaction Document (in the case of the Obligor) then due; and

(ii) if Optional Dissolution Right is specified in the applicable Final Terms as being applicable, by the Bank delivering an exercise notice to the Trustee specifying the Optional Dissolution Date which must be (a) not less than 30 nor more than 60 days after the date on which the exercise notice is given and (b) an Optional Dissolution Date.

For the purposes of the foregoing, "**Tax Event**" means either (i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or (ii) (A) the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates, the Emirate of Abu Dhabi or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it.

Pursuant to Condition 8(g) and 8(h), the Bank and its subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank chooses to cancel any Certificates so purchased, the Bank will also have the right under the Sale Undertaking to require the Trustee to transfer all of its rights, title, interests, benefits and entitlements in, to and under a portion of the Wakala Assets comprising the Wakala Portfolio to the Bank in consideration for cancellation of the relevant Certificates provided that certain conditions are satisfied, as more particularly described in the Sale Undertaking.

If a right granted pursuant to the Sale Undertaking is exercised in accordance with its terms, the Trustee and the Bank will be required to enter into a sale or transfer agreement to give effect to the sale or transfer of the Wakala Assets in respect of which the Sale Undertaking has been exercised to the Bank, substantially in the form set out as a schedule to the Sale Undertaking.

The Declaration of Trust

The Master Declaration of Trust will be entered into on 23 September 2013 between the Bank, the Trustee, and the Delegate and will be governed by English law. A Supplemental Declaration of Trust between the same parties shall be entered into on the Issue Date of each Series of Certificates and shall also be governed by English law.

Upon issue of a Series of Certificates, the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust shall together constitute the Trust declared by the Trustee in relation to such Series (the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust for each Series being referred to herein as the "**Declaration of Trust**").

The Trust Assets in respect of each Series shall comprise:

(i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(ii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio and, in the case of a Wakala/Mudaraba Series, the Mudaraba Portfolio;

(iii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (excluding the Excluded Representations (as defined in the Conditions) and the covenant given to the Trustee pursuant to Clause 16.1 of the Master Declaration of Trust);

(iv) all moneys standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing.

Pursuant to the relevant Declaration of Trust, the Trustee will, in relation to each Series of Certificates, amongst other things, hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficiaries *pro rata* according to the face amount of Certificates of that Series held by each Certificateholder and act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the relevant Declaration of Trust. Pursuant to the Master Declaration of Trust, the Trustee will irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed to:

(i) execute, deliver and perfect all documents; and

(ii) exercise all of the present and future duties, powers (including the power to sub-delegate), trusts, rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust and the Certificates,

that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Conditions and the Declaration of Trust (together the "**Delegation**" of the "**Relevant Powers**"), provided that (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation); (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, authority or discretion to dissolve the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee will undertake in the Master Declaration of Trust to ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of its powers pursuant to the Delegation.

The Delegation is to be made by the Trustee to the Delegate for the benefit of the Delegate and the Certificateholders, subject to the terms of the Conditions and the Declaration of Trust. Each of the Obligor and the Trustee will confirm in the Master Declaration of Trust that the Delegate may consult with or request and rely on (without liability to any person for so doing) the advice of any lawyer, valuer, banker, broker, accountant or other expert in exercising the rights, powers or actions delegated to it under the Master Declaration of Trust.

In addition to the Delegation of the Relevant Powers, certain powers under the Master Declaration of Trust will be been vested solely in the Delegate, including, amongst other things, the power to call and conduct meetings at the request of Certificateholders, to determine the occurrence of a Dissolution Event or a Potential Dissolution Event, to waive or authorise a breach of an obligation or determine that a Dissolution Event or Potential Dissolution Event shall not be treated as such, and the power to consent to certain types of amendments to any Transaction Document or the memorandum and articles of association of the Trustee, in each case as more particularly described in the Master Declaration of Trust.

Pursuant to the Master Declaration of Trust, the Bank will agree to pay certain fees and expenses incurred by the Trustee and/or the Delegate and will grant certain indemnities in favour of the Trustee and the Delegate in respect of any liabilities incurred in connection with their involvement in the Programme.

Agency Agreement

The Agency Agreement will be entered into on 23 September 2013 in relation to the Certificates between, amongst others, the Trustee, the Bank, the Delegate, the Principal Paying Agent and the Registrar. The Agency Agreement will govern the arrangements between the Trustee and the agents named therein for the issuance of Certificates and the making of payments in respect thereof. The Agency Agreement will be governed by English law.

TAXATION

The following is a general description of certain UAE, Cayman Islands and European Union tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has 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 grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision). No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. However, an instrument transferring title to such Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.$855. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

United Arab Emirates

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of profit and principal to any holder of the Certificates or any payments to be made by the Bank to the Trustee pursuant to the Transaction Documents. If any such withholding or deduction is required to be made in respect of payments due by the Bank under any Transaction Document to which it is party, the Bank has undertaken to gross-up the payment(s) due by it accordingly. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates, (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions) and (ii) the Bank has undertaken to pay such additional amounts to the Trustee to enable it to discharge such obligation.

The Constitution of the UAE specifically reserves to the UAE federal government the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

EU Directive on the Taxation of Savings Income

Under the EU Savings Directive, Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within its jurisdiction or to (or for the benefit of) an individual or certain other persons resident in that other Member State. However, for a transitional period, Austria and Luxembourg will instead impose a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

A number of non-EU countries and territories have adopted similar measures to the EU Savings Directive.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

The Proposed Financial Transactions Tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Trustee (a "**Recalcitrant Holder**"). The Trustee may be classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "grandfathering date", which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Certificates characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have announced their intention to negotiate and has recently concluded several intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The U.S. Treasury has announced that it is actively engaged in a dialogue towards concluding an intergovernmental agreement with the Cayman Islands.

If the Trustee becomes a Participating FFI under FATCA, the Trustee and financial institutions through which payments on the Certificates are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Certificates is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from profit, principal or other payments made in respect of the Certificates, neither the Trustee, the Obligor, the Principal Paying Agent nor any other person would, pursuant to the conditions of the Certificates, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Certificates are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Certificates by the Trustee, the Obligor, the Principal Paying Agent and the Common Depositary, given that each of the entities in the payment chain between the Trustee and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Certificates. The documentation in respect of the Certificates expressly contemplates the possibility that the Certificates may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive Certificates will only be printed in remote circumstances.

The Cayman Islands Government has agreed a Model 1 IGA with the United States. The terms of such IGA have not yet been published, but are expected to be broadly similar to those agreed with the United Kingdom and the Republic of Ireland, taking into account the nature of the Cayman Islands' financial services. Under such IGA (which has yet to be formally signed by both parties), the Trustee will not be required to enter an agreement with the IRS, but would instead be required to register with the IRS to obtain a Global Intermediary Identification Number and then comply with Cayman Islands legislation that would be implemented to give effect to such IGA. The terms of such legislation are at this stage still uncertain and it is not yet clear whether the Trustee will be a certified deemed compliant entity with no reporting required or a registered deemed compliant entity which would require the Trustee to report to the Cayman Islands Tax Information Authority , which will exchange such information with the IRS under the terms of the IGA. It is also anticipated that, under the terms of the IGA, withholding will not be imposed on payments made to the Trustee, or on payments made by the Trustee to the Certificateholders, unless the IRS has specifically listed the Trustee as a non-participating financial institution, or the Trustee has otherwise assumed responsibility for withholding under United States tax law.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Trustee and to payments they may receive in connection with the Certificates.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement (the "**Dealer Agreement**") dated 23 September 2013, agreed with the Trustee and the Bank a basis upon which they or any of them may from time to time agree to purchase Certificates. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Certificates*".

In accordance with the terms of the Dealer Agreement, each of the Trustee and the Bank has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The Trustee and the Bank will pay each relevant Dealer a commission as agreed between them in respect of Certificates subscribed by it.

The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Certificates in certain circumstances prior to payment for such Certificates being made to the Trustee.

Certain of the Dealers and their respective affiliates have from time to time performed, and may perform in the future, investment banking, commercial banking and various financial and advisory services for, and have from time to time provided, or may provide, credit facilities to the Bank for which they have received, or may in the future receive, customary fees and expenses. Each of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Bank in the ordinary course of their respective businesses.

General

Neither the Trustee, nor the Bank nor any Dealer has made any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Certificates, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it shall, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Certificates or has in its possession or distributes the Base Prospectus or any other offering material or any Final Terms, in all cases at its own expense.

United States

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Certificates (i) as part of their distribution at any time or (ii) otherwise until expiration of 40 days after the completion of the distribution of all Certificates of the Series of which such Certificates are a part, as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of a Series of Certificates sold to or through more than one Dealer, by each of such Dealers with respect to Certificates of a Series purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Certificates during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until the expiration of 40 days after the commencement of the offering of any Series of Certificates, an offer or sale of Certificates within the United States by any dealer (whether or not participating in the offering of such Series of Certificates) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Trustee for use in connection with the offer and sale of the Certificates outside the United States. The Trustee and the Dealers reserve the right to reject any offer to purchase the Certificates, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Trustee of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and the Bank for any such offer;

(iii) at any time if the denomination per Certificate being offered amounts to at least €100,000 (or equivalent); or

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to in paragraphs (i) to (iv) (inclusive) above shall require the Trustee, the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Certificates to the public**" in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Certificates which have a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Bank; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to the public in the Cayman Islands.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(i) an ''Exempt Offer'' in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the ''**DFSA**''); and

(ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of 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:

(i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the 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 ''Offer of Securities Regulations'' as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the ''**KSA Regulations**''), through a person authorised by the Capital Market Authority (the ''**CMA**'') to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates to a Saudi Investor will comply with the KSA Regulations.

The offer of Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (i) the Certificates are offered or sold to a "sophisticated investor" (as defined in Article 10 of the KSA Regulations; (ii) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (iii) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

State of Qatar

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, any Certificates in the State of Qatar, 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.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (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 Certificates, 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, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws and regulations of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**Securities and Futures Ordinance**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Malaysia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the CSMA; and

(ii) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates have been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 9 (or Section 257(3)) of the CSMA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Singapore

This Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offer of Investments)(Shares and Debentures) Regulations 2005 of Singapore.

GENERAL INFORMATION

(1) This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. Such approval relates only to the Certificates which are to be admitted to trading on the Regulated Market or any other MiFID regulated markets or which are to be offered to the public in any Member State. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

(2) Application has been made to the Irish Stock Exchange for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to the Official List and admitted to trading on the Regulated Market. The approval of the Certificates to be issued under the Programme is expected to be granted on or around 23 September 2013. 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 representing the Certificates of such Series. Prior to official listing and admission to trading, however, dealings will be permitted by the Irish Stock Exchange in accordance with its rules. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Certificates may be issued pursuant to the Programme.

(3) Each of the Trustee and the Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the entry into and performance of the Transaction Documents to which it is a party. The establishment of the Programme was authorised by a Resolution of the Board of Directors of the Trustee dated 18 September 2013 and by a written resolution of the Board of Directors of the Bank dated 11 September 2013.

(4) There has been no significant change in the financial or trading position, or material adverse change in the financial position or prospects, of the Trustee since the date of its incorporation.

There has been no significant change in the financial or trading position of the Bank or the Group since 30 June 2013 and there has been no material adverse change in the financial position or prospects of the Bank or the Group since 31 December 2012.

(5) Neither the Trustee nor the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee or the Bank is aware) in the twelve months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Trustee, the Bank or the Group.

(6) Certificates have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Certificates will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(7) Where information in this Base Prospectus has been sourced from third parties this information has been accurately reproduced and as far as each of the Trustee and the Bank is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

(8) The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, the Bank and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

(9) For so long as Certificates may be issued pursuant to this Base Prospectus, physical copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Paying Agents:

(i) each Final Terms and the other Transaction Documents in relation to each Series (save that such documents relating to a Series 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 the relevant Certificate and identity);

(ii) the constitutional documents of the Trustee and the Bank;

(iii) the consolidated audited financial statements of the Bank in respect of the two financial years ended 31 December 2011 and 31 December 2012, in each case together with the audit reports prepared in connection therewith and the unaudited consolidated interim financial statements of the Bank for the six-months ended 30 June 2013, together with the review report prepared in connection therewith;

(iv) the most recently published consolidated audited financial statements of the Bank and unaudited consolidated interim financial statements of the Bank together with any audit or review reports prepared in connection therewith;

(v) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus; and

(vi) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Base Prospectus.

The Final Terms for Certificates that are listed on the Official List and admitted to trading on the Regulated Market and, for a period of 12 months only from the date hereof, this Base Prospectus will be published on the website of the Central Bank of Ireland (www.centralbank.ie).

(10) KPMG Lower Gulf Limited, Abu Dhabi Branch ("**KPMG Lower Gulf**"), of P.O. Box 7613, Abu Dhabi, UAE, is regulated in the UAE by the UAE Ministry of Economy which has issued KPMG Lower Gulf with a licence to practice as auditors. There is no professional institute of auditors in the UAE and, accordingly, KPMG Lower Gulf is not a member of a professional body in the UAE. All of KPMG Lower Gulf's audit professionals and partners are members of the institutes from which they received their professional qualification. KPMG Lower Gulf have audited, and delivered unqualified audit reports on, the consolidated financial statements of the Bank and its subsidiaries as of and for the years ended 31 December 2012 and 2011 included in this Base Prospectus. The unaudited interim condensed consolidated financial statements of the Bank as at 30 June 2013 have been reviewed by KPMG Lower Gulf, as stated in their review report included in this Base Prospectus.

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.

(11) There are no material contracts entered into other than in the ordinary course of the Trustee's or the Obligor's respective business, which could result in any member of the Group being under an obligation or entitlement that is material to the Trustee's or the Obligor's ability to meet its obligations to Certificateholders in respect of the Certificates being issued.

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Independent Auditors' Report on Review of interim condensed consolidated financial statement

The Shareholder
Al Hilal Bank PJSC

Introduction

We have reviewed the accompanying 30 June 2013 condensed consolidated interim financial information of Al Hilal Bank PJSC ("the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2013;
- the condensed consolidated statements of comprehensive income for the three month and six month periods ended 30 June 2013;
- the condensed consolidated statements of changes in equity for the six month period ended 30 June 2013;
- the condensed consolidated statements of cash flows for the six month period ended 30 June 2013; and
- notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying June 30, 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

M Dajani

Munther Dajani
Registration No.: 268

4 August 2013

Al Hilal Bank PJSC

Interim condensed consolidated statement of financial position
as at 30 June 2013

	Note	*(Reviewed)* **30 June 13 AED'000**	*(Audited)* 31 Dec 12 AED'000
ASSETS			
Cash and balances with banks	5	**1,317,408**	1,437,223
Murabaha and Wakala deposits with banks and other financial institutions		**3,765,615**	2,805,778
Receivables from Islamic financing activities	6	**18,928,982**	17,859,889
Ijara	7	**5,150,769**	5,050,982
Investment securities	8	**2,653,259**	2,799,619
Property and equipment		**1,410,703**	1,369,741
Other assets	9	**1,017,421**	798,676
Total assets		**34,244,157**	32,121,908
LIABILITIES AND EQUITY			
Liabilities			
Customers' accounts	10	**26,685,314**	24,956,664
Wakala deposits from banks		**2,361,062**	2,491,598
Other liabilities	11	**1,488,182**	1,178,004
Total liabilities		**30,534,558**	28,626,266
Equity			
Share capital	12	**3,090,000**	3,090,000
Statutory reserve		**69,410**	69,410
Other reserves		**(13,469)**	(11,452)
Retained earnings		**537,378**	321,404
Total equity attributable to the equity holder of the Bank		**3,683,319**	3,469,362
Non – controlling interest		**26,280**	26,280
Total equity		**3,709,599**	3,495,642
Total liabilities and equity		**34,244,157**	32,121,908

Ahmed Ateeq Al Mazrouei
Chairman

Mohamed Jamil Berro
Chief Executive Officer

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.
The independent auditors' report on review of interim condensed consolidated financial information is set out on page 1.

Al Hilal Bank PJSC

Interim condensed consolidated statement of income
for the six month period ended 30 June 2013

	Note	Reviewed Six month period ended 30 June 13 AED'000	Reviewed Six month period ended 30 June 12 AED'000	Reviewed Three month period ended 30 June 13 AED'000	Reviewed Three month period ended 30 June 12 AED'000
Income					
Income from Ijara and Islamic financing activities, net	13	**750,868**	726,152	**372,170**	367,322
Income from Wakala investments		**50,532**	30,716	**23,684**	20,040
Investment income, net		**76,316**	37,780	**30,211**	19,197
Commission, fees and foreign exchange income, net	14	**79,037**	76,672	**39,881**	31,067
		956,753	871,320	**465,946**	437,626
Expenses					
Personnel costs		**(206,788)**	(186,285)	**(104,804)**	(98,794)
General and administrative expenses	15	**(153,281)**	(131,670)	**(78,472)**	(57,314)
Provision for impairment, net of recoveries		**(94,220)**	(126,013)	**(37,021)**	(61,654)
Depreciation		**(29,574)**	(35,033)	**(14,929)**	(17,523)
		(483,863)	(479,001)	**(235,226)**	(235,285)
Profit before depositors' share of profits		**472,890**	392,319	**230,720**	202,341
Depositors' share of profits	16	**(255,466)**	(298,703)	**(117,618)**	(155,538)
Profit for the period		**217,424**	93,616	**113,102**	46,803
Attributable to:					
Equity holder of the Bank		**217,424**	124,895	**113,102**	61,325
Attributable to:					
Non-controlling interest		**-**	(31,279)	**-**	(14,522)

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.
The independent auditors' report on review of interim condensed consolidated financial information is set out on page 1.

Al Hilal Bank PJSC

Interim condensed consolidated statement of comprehensive income
for the six month period ended 30 June 2013

	Note	**Reviewed**	Reviewed	**Reviewed**	Reviewed
		Six month period ended		**Three month period ended**	
		30 June 13	30 June 12	**30 June 13**	30 June 12
		AED'000	AED'000	**AED'000**	AED'000
Profit for the period		**217,424**	93,616	**113,102**	46,803
Other comprehensive income/(expenses)					
Items that will not be reclassified to profit or loss					
Unrealised valuation gain/(loss) on investment securities		**2,369**	9,453	**2,653**	(860)
Gain on sale of investments carried at fair value through OCI		**1,381**	-	**259**	-
		3,750	9,453	**2,912**	(860)
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translation of foreign operation		**(4,386)**	(8,295)	**(3,030)**	(3,144)
Other comprehensive income/(expenses) for the period		**(636)**	1,158	**(118)**	(4,004)
Total comprehensive income for the period		**216,788**	94,774	**112,984**	42,799
Attributable to:					
Equity holder of the Bank		**216,788**	126,053	**112,984**	57,321
Attributable to:					
Non-controlling interest		-	(31,279)	-	(14,522)

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.
The independent auditors' report on review of interim condensed consolidated financial information is set out on page 1.

Interim condensed consolidated statement of changes in equity
for the six month period ended 30 June 2013

(Reviewed)	Share capital AED'000	Statutory reserve AED'000	Translation reserve AED'000	Revaluation reserve AED'000	Retained earnings AED'000	**Total equity attributable to equity holder of the Bank AED'000**	Non-controlling interest AED'000	**Total equity AED'000**
At 1 January 2013	3,090,000	69,410	(6,747)	(4,705)	321,404	**3,469,362**	26,280	**3,495,642**
Total Comprehensive income for the period:								
Profit for the period	-	-	-	-	217,424	**217,424**	-	**217,424**
Other Comprehensive income	-	-	(4,386)	2,369	1,381	**(636)**	-	**(636)**
Total Comprehensive income for the period	-	-	(4,386)	2,369	218,805	**216,788**	-	**216,788**
Transaction with Owners recorded directly in equity								
Directors Remuneration	-	-	-	-	(2,831)	**(2,831)**	-	**(2,831)**
Total transaction with Owners recorded directly in equity	-	-	-	-	(2,831)	**(2,831)**	-	**(2,831)**
At 30 June 2013	3,090,000	69,410	(11,133)	(2,336)	537,378	**3,683,319**	26,280	**3,709,599**

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.
The independent auditors' report on review of interim condensed consolidated financial information is set out on page 1.

Interim condensed consolidated statement of changes in equity *(continued)*
for the six month period ended 30 June 2012

(Reviewed)	Share capital AED'000	Statutory reserve AED'000	Translation reserve AED'000	Revaluation reserve AED'000	(Accumulated losses)/ Retained earnings AED'000	**Total equity attributable to equity holder of the Bank AED'000**	Non-controlling interest AED'000	**Total equity AED'000**
At 1 January 2012	2,590,000	34,252	3,310	(20,326)	45,441	**2,652,677**	70,881	**2,723,558**
Total Comprehensive income for the period:								
Profit for the period	-	-	-	-	124,895	**124,895**	-	**124,895**
Other Comprehensive income	-	-	(8,295)	9,453	-	**1,158**	(31,279)	**(30,121)**
Total Comprehensive income for the period	-	-	(8,295)	9,453	124,895	**126,053**	(31,279)	**94,774**
Transaction with Owners recorded directly in equity								
Issuance of share capital	250,000	-	-	-	-	**250,000**	-	**250,000**
Directors Remunerations & Others	-	-	-	-	821	**821**	-	**821**
Total transaction with Owners recorded directly in equity	250,000	-	-	-	821	**250,821**	-	**250,821**
At 30 June 2012	2,840,000	34,252	(4,985)	(10,873)	171,157	**3,029,551**	39,602	**3,069,153**

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.
The independent auditors' report on review of interim condensed consolidated financial information is set out on page 1.

Al Hilal Bank PJSC

Interim condensed consolidated statement of cash flows

for the six month period ended 30 June 2013

	(Reviewed) Six month period ended 30 June 13 AED'000	(Reviewed) Six month period ended 30 June 12 AED'000
Cash flow from operating activities		
Profit for the period	**217,424**	93,616
Adjustment for:		
Depreciation	**29,574**	35,033
Impairment charges on financial assets	**96,039**	127,095
Unrealised valuation loss on investments	**19,999**	9,453
Unwinding of impairment charge	**(3,922)**	(1,541)
	359,114	263,656
Changes in:		
Murabaha and Wakala deposits with banks	**(2,681,169)**	(69,235)
Receivables from Islamic financing activities	**(1,148,665)**	(1,506,048)
Ijara	**(109,032)**	(795,691)
Other assets	**(218,745)**	(114,478)
Customers' accounts	**1,728,650**	4,845,212
Other liabilities	**310,179**	123,574
Net cash provided by operating activities	**(1,759,668)**	2,746,990
Cash flows from investing activities		
Property and equipment	**(70,535)**	(158,192)
Investment securities, net	**127,220**	(72,843)
Net cash provided by/ (used in) investing activities	**56,685**	(231,035)
Cash flow from financing activities		
Issue of share capital	**-**	250,000
Wakala deposits from banks	**(163,240)**	(362,636)
Directors' remuneration and others	**(2,831)**	821
Net cash used in financing activities	**(166,071)**	(111,815)
Net (decrease) /increase in cash and cash equivalents	**(1,869,054)**	2,404,140
Cash and cash equivalents, beginning of the period (note 17)	**1,912,875**	(1,427,467)
Cash and cash equivalents, end of the period (note 17)	**43,821**	976,673

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.
The independent auditors' report on review of interim condensed consolidated financial information is set out on page 1.

Notes to the interim condensed consolidated financial statements

1 Legal status and principal activities

Al Hilal Bank PJSC (the "Bank") was incorporated in Abu Dhabi, United Arab Emirates ("UAE") on 18 June 2007 by virtue of Amiri Decree number 21 of 2007, with limited liability, and is registered as a public joint stock company in accordance with the United Arab Emirates Federal Law number 8 of 1984 (as amended), United Arab Emirates Federal Law number 10 of 1980 (as amended) and United Arab Emirates Federal Law number 6 of 1985 regarding Islamic banks, financial institutions and investment companies.

The registered office address of the Bank is P.O. Box 63111, Abu Dhabi, UAE. The consolidated financial statements of the Group for the six months ended 30 June 2013 comprise the Bank and its subsidiaries set-out below (together referred to as the "Group").

Subsidiaries	**Domicile**	**Ownership 2013**	Ownership 2012
Al Hilal Takaful PSC	UAE	**100%**	100%
Al Hilal Auto LLC	UAE	**100%**	100%
Al Hilal Islamic Bank PJSC	Kazakhstan	**100%**	100%
Al Hilal Leasing LLP	Kazakhstan	**100%**	100%
Al Wataniya Development Fund Limited	Cayman	**47%**	47%

The Group is primarily involved in Islamic corporate and retail banking activities, sales and purchase of automobiles and Islamic insurance ("Takaful"). The Group carries out its operations in the United Arab Emirates and Kazakhstan.

2 Statement of compliance

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Re3
porting Standard ("IFRS"), International Accounting Standard 34, 'Interim Financial Reporting'. Accordingly they do not include all the information required for full annual consolidated financial statements and therefore should be read in conjunction with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

These financial statements have been prepared in United Arab Emirates Dirhams (AED) rounded to the nearest thousand, which is the Group's functional currency.

The consolidated financial statements of the Group as at and for the year ended 31 December 2012 are available upon request from the Bank's registered office, P.O. Box 63111, Abu Dhabi, United Arab Emirates or at http://www.alhilalbank.ae.

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30th July 2013.

3 Significant accounting policies

The accounting policies applied by the Group in the presentation of these interim condensed consolidated financial statements are consistent with those applied by the Group in its audited consolidated financial statements as at and for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

New standards, interpretations and amendments adopted by the Group

The Group applies, for the first time, certain standards and amendments that require amendments in accounting policies as described in annual consolidated financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment are described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations) now have to be presented separately from items that will never be reclassified (e.g., gain or loss on investments carried at fair value through other comprehensive income). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

3 Significant accounting policies (continued)

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee;

(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and

(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the consolidation of investments held by the Group.

3 Significant accounting policies (continued)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34. 16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 4 and Note 21.

4 Estimates

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements of the Group as at and for the year ended 31 December 2012.

4 Estimates (continued)

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Equity and other investments	**133,553**	**-**	**-**	**133,553**
Other assets	**-**	**39,700**	**-**	**39,700**
Islamic derivatives(positive value)	**-**	**101,942**	**-**	**101,942**
Islamic derivatives(negative value)	**-**	**(101,942)**	**-**	**(101,942)**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Equity and other investments	374,820	-	-	374,820
Other assets	-	39,700	-	39,700
Islamic derivatives(positive value)	-	148,033	-	-
Islamic derivatives(negative value)	-	(148,033)	-	-

Al Hilal Bank PJSC

Notes to the interim condensed consolidated financial statements

5 Cash and balances with banks

	(Reviewed) **30 June 13** **AED'000**	*(Audited)* 31 Dec 12 AED'000
Cash in hand	**187,613**	202,984
Cash reserve deposits with the Central Bank	**969,034**	846,257
Current account with the Central Bank	**105,715**	336,632
Due from banks	**55,046**	51,350
	1,317,408	1,437,223

Cash reserve deposits with the Central Bank are not available for the operations of the Group.

6 Receivables from Islamic financing activities

	(Reviewed) **30 June 13** **AED'000**	*(Audited)* 31 Dec 12 AED'000
Corporate commodity Murabaha	**11,665,373**	11,680,851
Retail commodity Murabaha	**12,256,685**	10,624,964
Islamic credit card receivable	**76,182**	77,530
Murabaha deferred profit	**(4,394,646)**	(3,922,280)
Allowance for impairment		
Specific	**(162,651)**	(105,124)
Collective	**(511,961)**	(496,052)
	18,928,982	17,859,889

Movement in allowance for impairment on receivables from Islamic financing activities, during the period / year:

	(Reviewed) **30 June 13** **AED'000**	*(Audited)* 31 Dec 12 AED'000
At the beginning of the period / year	**601,176**	405,387
Net charge of the period / year	**73,436**	195,789
At the end of the period / year	**674,612**	601,176

7 Ijara

	(Reviewed) 30 June 13 AED'000	(Audited) 31 Dec 12 AED'000
Corporate Ijara Mowsufa Fidhimah	**103,148**	288,486
Corporate standard Ijara	**2,830,805**	2,692,517
Retail Ijara Mowsufa Fidhimah	**183,070**	220,484
Retail standard Ijara	**2,154,326**	1,960,831
Allowance for impairment		
Specific	**(44,630)**	(51,881)
Collective	**(75,950)**	(59,455)
	5,150,769	5,050,982

Movement in allowance for impairment on Ijara during the period / year:

	(Reviewed) 30 June 13 AED'000	(Audited) 31 Dec 12 AED'000
At the beginning of the period / year	**111,336**	80,480
Charge for the period / year	**9,244**	30,856
At the end of the period / year	**120,580**	111,336

Notes to the interim condensed consolidated financial statements

8 Investment securities

	(Reviewed) 30 June 13 AED'000	(Audited) 31 Dec 12 AED'000
Financial assets at fair value through profit and loss		
- Quoted equity securities	**42,819**	53,462
- Sukuk securities	**-**	218,287
- Commodity linked securities	**36,336**	37,151
Other comprehensive income		
- Sukuk fund	**36,357**	39,075
- Quoted equity securities	**18,041**	26,845
Financial assets at amortised cost		
- Sukuk securities	**2,525,534**	2,427,737
- Allowance for impairment	**(5,828)**	(2,938)
Total investment securities	**2,653,259**	2,799,619

Cash deposits held against investments are presented on gross basis under customers' account.

Allowance for impairment against financial assets of amortised cost represents collective provision against performing securities.

9 Other assets

	(Reviewed) 30 June 13 AED'000	(Audited) 31 Dec 12 AED'000
Prepaid expenses	**61,409**	38,756
Income receivable	**23,417**	71,683
Takaful receivable	**121,931**	96,399
Murabaha inventory	**82,767**	83,188
Prepaid staff allowances	**35,320**	22,347
Investment property	**39,700**	39,700
Others	**139,833**	169,161
Acceptances	**513,044**	277,442
	1,017,421	798,676

10 Customers' accounts

	(Reviewed) 30 June 13 AED'000	*(Audited)* 31 Dec 12 AED'000
Current accounts	**2,964,021**	2,143,557
Savings accounts	**4,300,972**	2,461,420
Time deposits	**1,897,850**	1,666,802
Wakala deposits	**17,522,471**	18,684,885
	26,685,314	24,956,664

11 Other liabilities

	(Reviewed) 30 June 13 AED'000	*(Audited)* 31 Dec 12 AED'000
Accounts payable	**247,249**	268,964
Accrued expenses	**273,356**	328,099
Charity payable	**3,303**	2,896
Advance fees	**73,316**	75,005
Takaful liabilities	**135,312**	105,618
Others	**242,602**	119,980
Acceptances	**513,044**	277,442
	1,488,182	1,178,004

12 Share capital

Share capital

The authorised share capital of the Bank is comprised of 4 billion ordinary shares of AED 1 each. The issued and fully paid up share capital at 30 June 2013 comprise 3.09 billion ordinary shares (31 December 2012: 3.09 billion ordinary shares).

The Abu Dhabi Investment Council holds 100% of the issued and fully paid share capital. The Bank's shares are not listed on a recognised stock exchange.

Statutory reserve

The UAE Commercial Companies Law No. (8) of 1984 (as amended) and the Bank's Articles of Association require that 10% of the annual net profit to be transferred to a statutory reserve until it equals 50% of the paid-up share capital. Transfers to the statutory reserve, if any, are made at year end.

Notes to the interim condensed consolidated financial statements

13 Income from Ijara and Islamic financing activities, net

	(Reviewed) Six month ended		(Reviewed) Three month ended	
	30 June 2013 AED'000	30 June 2012 AED'000	**30 June 2013 AED'000**	30 June 2012 AED'000
Income from Murabaha - corporate	**313,084**	265,880	**167,517**	131,349
Income from Murabaha - retail	**314,810**	325,050	**150,169**	166,198
Income from Ijara - corporate	**46,935**	62,312	**15,424**	32,099
Income from Ijara - retail	**76,039**	72,910	**39,060**	37,676
	750,868	726,152	**372,170**	367,322

14 Commission, fees and foreign exchange income, net

	(Reviewed) Six month ended		(Reviewed) Three month ended	
	30 June 2013 AED'000	30 June 2012 AED'000	**30 June 2013 AED'000**	30 June 2012 AED'000
Fee, commission and other income, net	**76,847**	72,974	**38,884**	28,760
Foreign exchange gains, net	**2,190**	3,698	**997**	2,307
	79,037	76,672	**39,881**	31,067

15 General and administrative expenses

	(Reviewed) Six month ended		(Reviewed) Three month ended	
	30 June 2013 AED'000	30 June 2012 AED'000	**30 June 2013 AED'000**	30 June 2012 AED'000
Rent expense	**42,318**	39,301	**21,085**	19,428
Marketing and advertising expense	**16,725**	12,225	**9,212**	3,685
Consultancy fees	**8,116**	28,463	**4,309**	13,996
Repair and maintenance	**16,378**	9,984	**14,806**	6,676
Communication	**7,149**	6,221	**3,640**	3,331
Other expenses	**62,595**	35,476	**25,420**	10,198
	153,281	131,670	**78,472**	57,314

16 Depositors' share of profits

The depositors' share of profits for Six month period ended 30 June 2013 and 30 June 2012 have been authorised by the Bank's Fatwa and Sharia Supervisory Board.

	(Reviewed) Six month ended		(Reviewed) Three month ended	
	30 June 2013 AED'000	30 June 2012 AED'000	**30 June 2013 AED'000**	30 June 2012 AED'000
Mudaraba	**19,829**	29,905	**10,045**	12,583
Wakala	**235,637**	268,798	**107,573**	142,955
	255,466	298,703	**117,618**	155,538

17 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts with original contractual maturities of less than one month.

	(Reviewed) 30 June 2013 AED'000	*(Audited)* 31 Dec 2012 AED'000
Cash and balances with banks (note 5)	**1,317,408**	1,437,223
Murabaha and Wakala deposits with banks and other financial institutions	**1,065,000**	2,781,535
Wakala deposits from banks	**(2,338,587)**	(2,305,883)
	43,821	1,912,875

18 Commitments and contingencies

The Group, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn commitments.

Undrawn commitments to extend credit amounted to AED 6,243 million (31 December 2012: AED 4,442 million).

There were no other significant changes in other contingent liabilities and commitments during the period.

19 Islamic derivative financial instruments

In the ordinary course of business, the Group enters into various types of transactions that involve Islamic derivative financial instruments. Islamic derivative financial instruments include Islamic promises to exchange currency and / or cash flows.

Islamic derivatives are measured at fair value by reference to published price quotations in an active market, counterparty prices or valuation techniques such as discounted cash flows.

The table below shows the positive and negative fair values of Islamic derivative financial instruments together with the notional amounts.

The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

30 June 2013	**Positive market value AED'000**	**Negative market value AED'000**	**Notional amount AED'000**
Profit rate swaps	**91,393**	**(91,393)**	**1,810,137**
Promises to sell foreign currencies	-	-	-
	91,393	**(91,393)**	**1,810,137**
Held as fair value hedges:			
Profit rate swaps	**10,549**	**(10,549)**	**2,033,351**
	10,549	**(10,549)**	**2,033,351**
	101,942	**(101,942)**	**3,843,488**

31 December 2012	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000
Profit rate swaps	109,259	(109,259)	1,808,420
Promises to sell foreign currencies	646	(646)	110,175
	109,905	(109,905)	1,918,595
Held as fair value hedges:			
Profit rate swaps	38,128	(38,128)	3,672,500
	38,128	(38,128)	3,672,500
	148,033	(148,033)	5,591,095

20 Related parties

Identity of related parties

In the normal course of business, the Bank enters into various transactions with the related parties including key management personnel and their related companies. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any directors, executive or otherwise, of the Group. The related party transactions are executed at the terms agreed between the parties, which in opinion of the management are not significantly different from those that could have been obtained from third parties.

Parent and ultimate controlling party

Al Hilal Bank is wholly owned by the Abu Dhabi Investment Council, an investment arm of the Government of Abu Dhabi.

Terms and conditions

	(Reviewed) **30 June 13 annualised**	*(Audited)* 31 Dec 12 annualised
Murabaha financing rates	**0.3%-7.0%**	1.5% - 6.5%
Profit distribution rates	**0.3%-4.0%**	0.5% - 3.8%
Fees and commissions rates	**0.2%-1.2%**	0.2% - 1.2%

Transactions and balances

Transactions and balances with related parties at the reporting date comprise:

	(Reviewed) **30 June 13 AED'000**	*(Audited)* 31 Dec 12 AED'000
Balances		
Recievables from Islamic financing activities and ijara	**3,592,206**	2,467,734
Investment securities	**55,088**	55,088
Customers' accounts	**12,007,037**	11,837,120
Contingent liabilities	**6,563**	14,561

20 Related parties *(continued)*

	***(Reviewed)* six month period ended 30 June 13 AED'000**	*(Reviewed)* six month period ended 30 June 12 AED'000
Transactions		
Fee and commission income	**456**	102
Financing income	**13,153**	8,033
Depositors' share of profits	**119,528**	119,320

Compensation of key management personal and directors' remuneration

Compensation of key management personal and directors' remuneration at the reporting date comprise:

	***(Reviewed)* six month period ended 30 June 13 AED'000**	*(Reviewed)* six month period ended 30 June 12 AED'000
Directors' remuneration	**2,831**	2,647
Key management employment benefits	**8,348**	8,845
Key management termination benefits	**28**	605

Due to the pervasiveness of the ultimate controlling party and related concerns, it is impractical to fully disclose related party transactions as described by International Accounting Standard 24.

Notes to the interim condensed consolidated financial statements

21 Accounting classification and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values

		2013
	Carrying value AED'000	Fair value AED'000
Financial assets		
Cash and balances with banks	1,317,408	1,317,408
Murabaha and wakala deposits with banks and other financial institutions	3,765,615	3,765,615
Receivables from islamic financing activities	18,928,982	18,928,982
Ijara	5,150,769	5,150,769
Investment securities	2,653,259	2,652,609
Other assets	837,925	837,925
	32,653,958	**32,653,308**
Financial liabilities		
Customers' accounts	26,685,314	26,685,314
Wakala deposits from banks	2,361,062	2,361,062
Other liabilities	1,414,866	1,414,866
	30,461,242	**30,461,242**

21 Accounting classification and fair values (continued)

		2012
	Carrying value AED'000	Fair value AED'000
Financial assets		
Cash and balances with banks	1,437,223	1,437,223
Murabaha and wakala deposits with banks and other financial institutions	2,805,778	2,805,778
Receivables from islamic financing activities	17,859,889	17,859,889
Ijara	5,050,982	5,050,982
Investment securities	2,799,619	2,840,115
Other assets	654,385	654,385
	30,607,876	30,648,372
Financial liabilities		
Customers' accounts	24,956,664	24,956,664
Wakala deposits from banks	2,491,598	2,491,598
Other liabilities	1,102,999	1,102,999
	28,551,261	28,551,261

22 Interim measurement

The nature of the Group's business is such that income and expenses are incurred in a manner, which is not impacted by any form of seasonality. These interim condensed consolidated financial statements were prepared based upon an accrual concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the year. However, the interim results may not represent a proportionate share of the annual profits due to variability in contributions and investment income and uncertainty of claims occurrences.

23 Zakah

The Articles of Association of the Bank do not require management of the Group to pay Zakah on behalf of the Shareholder. Consequently, the Zakah obligation is to be discharged by the Shareholder.

24 Comparative information

Certain comparative information has been reclassified to conform to the presentation for the current period.

Al Hilal Bank PJSC

Consolidated financial statements

31 December 2012

KPMG Lower Gulf Limited
Abu Dhabi Branch
P. O. Box 7613
Abu Dhabi
United Arab Emirates

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Independent Auditors' Report

The Shareholder
Al Hilal Bank PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Hilal Bank PJSC ("the Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit; the financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law No. 8 of 1984 (as amended), Federal Law No. 10 of 1980 and the Articles of Association of the Bank; that proper financial records have been kept by the Group; and the contents of the Chairman's report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Laws and the Articles of Association having occurred during the year ended 31 December 2012, which may have had a material adverse effect on the business of the Bank or its financial position.

14 FEB 2013

Munther Dajani
Registration No: 268

Al Hilal Bank PJSC

Consolidated statement of financial position as at 31 December

	Note	2012 AED'000	2011 AED'000
Assets			
Cash and balances with banks	7	**1,437,223**	1,232,209
Murabaha and wakala deposits with banks and other financial institutions	8	**2,805,778**	2,608,204
Receivables from islamic financing activities	9	**17,859,889**	15,501,327
Ijara	10	**5,050,982**	3,823,473
Investment securities	11	**2,799,619**	3,159,980
Investment property	12	**39,700**	125,475
Property and equipment	13	**1,369,741**	1,219,681
Other assets	14	**758,976**	580,729
Total assets		**32,121,908**	28,251,078
Liabilities			
Customers' accounts	15	**24,956,664**	19,617,830
Wakala deposits from banks		**2,491,598**	4,935,829
Other liabilities	16	**1,178,004**	973,861
Total liabilities		**28,626,266**	25,527,520
Equity			
Share capital	17	**3,090,000**	2,590,000
Statutory reserve	17	**69,410**	34,252
Other reserves		**(11,452)**	(17,016)
Retained earnings		**321,404**	45,441
Total equity attributable to the equity holder of the Bank		**3,469,362**	2,652,677
Non - controlling interest		**26,280**	70,881
Total equity		**3,495,642**	2,723,558
Total liabilities and equity		**32,121,908**	28,251,078

Ahmed Ateeq Al Mazrouei
Chairman

Mohamed Jamil Berro
Chief Executive Officer

The accompanying notes 1 to 31 are an integral part of these consolidated financial statements
The independent auditors' report is set out on pages 5 and 6

Al Hilal Bank PJSC

Consolidated statement of income for the year ended 31 December

	Note	**2012 AED'000**	2011 AED'000
Income			
Income from ijara and islamic financing activities, net	18	**1,498,893**	1,381,024
Income from wakala investments		**77,123**	79,376
Investment income		**107,427**	115,426
Commission, fees and foreign exchange income, net	19	**155,405**	141,099
		1,838,848	1,716,925
Expenses			
Personnel costs		**(386,322)**	(339,353)
General and administrative expenses	20	**(274,016)**	(223,849)
Impairment charges on financial assets	21	**(257,282)**	(280,339)
Depreciation	13	**(72,105)**	(71,573)
Profit before depositors' share of profits		**849,123**	801,811
Depositors' share of profits	22	**(583,424)**	(621,806)
Profit for the year		**265,699**	180,005
Attributable to:			
Equity holder of the Bank		**310,300**	202,346
Non-controlling interest		**(44,601)**	(22,341)

The accompanying notes 1 to 31 are an integral part of these consolidated financial statements
The independent auditors' report is set out on pages 5 and 6

Al Hilal Bank PJSC

Consolidated statement of comprehensive income for the year ended 31 December

	2012 AED'000	2011 AED'000
Profit for the year	**265,699**	180,005
Other comprehensive income / (expenses)		
Net gain/(loss) on investment in equity instrument designated at fair value through other comprehensive income	**15,621**	(16,875)
Exchange difference on translation of foreign operation	**(10,057)**	3,011
Other comprehensive income / (expenses) for the year	**5,564**	(13,864)
Total comprehensive income for the year	**271,263**	166,141
Attributable to:		
Equity holder of the Bank	**315,864**	188,482
Non-controlling interest	**(44,601)**	(22,341)

The accompanying notes 1 to 31 are an integral part of these consolidated financial statements
The independent auditors' report is set out on pages 5 and 6

Al Hilal Bank PJSC

Consolidated statement of changes in equity for the year ended 31 December

	Attributable to equity holder of the Bank							
	Share capital AED'000	Statutory reserve AED'000	Translation reserve AED'000	Revaluation reserve AED'000	Retained earnings AED'000	**Total AED'000**	Non-controlling interest AED'000	**Total equity AED'000**
At 1 January 2012	2,590,000	34,252	3,310	(20,326)	45,441	**2,652,677**	70,881	**2,723,558**
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	310,300	**310,300**	(44,601)	**265,699**
Other comprehensive income	-	-	(10,057)	15,621	-	**5,564**	-	**5,564**
Total comprehensive income for the year	-	-	(10,057)	15,621	310,300	**315,864**	(44,601)	**271,263**
Transaction with equity holders recorded directly in equity								
Issuance of share capital	500,000	-	-	-	-	**500,000**	-	**500,000**
Transfer to statutory reserve	-	35,158	-	-	(35,158)	-	-	-
Directors remunerations & others	-	-	-	-	821	**821**	-	**821**
Total transaction with equity holders recorded directly in equity	500,000	35,158	-	-	(34,337)	**500,821**	-	**500,821**
At 31 December 2012	3,090,000	69,410	(6,747)	(4,705)	321,404	**3,469,362**	26,280	**3,495,642**

The accompanying notes 1 to 31 are an integral part of these consolidated financial statements
The independent auditors' report is set out on pages 5 and 6

Consolidated statement of changes in equity (continued)
for the year ended 31 December

	Attributable to equity holder of the Bank							
	Share capital AED'000	Statutory reserve AED'000	Translation reserve AED'000	Revaluation reserve AED'000	Retained earnings AED'000	**Total AED'000**	Non-controlling interest AED'000	**Total equity AED'000**
At 1 January 2011	2,000,000	14,017	299	(3,451)	(134,974)	**1,875,891**	93,222	**1,969,113**
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	202,346	**202,346**	(22,341)	**180,005**
Other comprehensive income	-	-	3,011	(16,875)	-	**(13,864)**	-	**(13,864)**
Total comprehensive income for the year	-	-	3,011	(16,875)	202,346	**188,482**	(22,341)	**166,141**
Transaction with equity holders recorded directly in equity								
Issuance of share capital	590,000	-	-	-	-	**590,000**	-	**590,000**
Transfer to statutory reserve	-	20,235	-	-	(20,235)	-	-	-
Directors remunerations & others	-	-	-	-	(1,696)	**(1,696)**	-	**(1,696)**
Total transaction with equity holders recorded directly in equity	590,000	20,235	-	-	(21,931)	**588,304**	-	**588,304**
At 31 December 2011	2,590,000	34,252	3,310	(20,326)	45,441	**2,652,677**	70,881	**2,723,558**

The accompanying notes 1 to 31 are an integral part of these consolidated financial statements
The independent auditors' report is set out on pages 5 and 6

Al Hilal Bank PJSC
Consolidated statement of cash flows
for the year ended 31 December

	2012 AED'000	2011 AED'000
Cash flows from operating activities		
Profit for the year	**265,699**	180,005
Adjustment for:		
Depreciation	**72,105**	71,573
Impairment charges on financial assets	**260,417**	280,339
Unrealised revaluation loss on investment property	**85,775**	40,407
Unwinding of impairment charge	**(5,939)**	-
Unrealised revaluation gain on investment securities	**(22,217)**	-
	655,840	572,324
Change in:		
Murabaha and wakala deposits with banks	**(353,545)**	2,669,452
Receivables from islamic financing activities	**(2,598,021)**	(4,561,228)
Ijara	**(1,258,424)**	284,936
Other assets	**(178,248)**	(163,076)
Customers' accounts	**5,338,835**	1,508,402
Other liabilities	**204,144**	189,895
Net cash from operating activities	**1,810,581**	500,705
Cash flows from investing activities		
Acquisition of property and equipment	**(222,165)**	(722,948)
Acquisition of investment securities	**(802,801)**	(1,088,528)
Sale of investment securities	**1,206,265**	678,336
Acquisition of investment property	**-**	(21,298)
Net cash from / (used in) investing activities	**181,299**	(1,154,438)
Cash flows from financing activities		
Issue of share capital	**500,000**	590,000
Change in wakala deposits from banks	**(1,690,699)**	(390,386)
Director remuneration paid and others	**821**	(1,696)
Net cash (used in) / from financing activities	**(1,189,878)**	197,918
Net increase / (decrease) in cash and cash equivalents	**802,002**	(455,815)
Cash and cash equivalents, beginning of the year	**564,123**	1,019,938
Cash and cash equivalents, end of the year (Note 23)	**1,366,125**	564,123

The accompanying notes 1 to 31are an integral part of these consolidated financial statements
The independent auditor's report is set out on pages 5 and 6

1 Legal status and principal activities

Al Hilal Bank PJSC (the "Bank") was incorporated in Abu Dhabi, United Arab Emirates ("UAE") on 18 June 2007 by virtue of Amiri Decree number 21 of 2007, with limited liability, and is registered as a Public Joint Stock Company in accordance with the United Arab Emirates Federal Law number 8 of 1984 (as amended), United Arab Emirates Federal Law number 10 of 1980 (as amended) and United Arab Emirates Federal Law number 6 of 1985 regarding Islamic banks, financial institutions and investment companies.

Its registered office address is P. O. Box 63111, Abu Dhabi, United Arab Emirates. The consolidated financial statements of the Group as at and for the year ended 31 December 2012 comprise the Bank and its subsidiaries (Note 26) (together referred to as the "Group"). The Group is primarily involved in Islamic corporate, retail and investment banking activities as well as Islamic insurance ("Takaful") and carries out its operations through its branches in the United Arab Emirates and subsidiaries located in the United Arab Emirates and Kazakhstan. The consolidated financial statements of the Group include the shareholder and depositors' funds.

The consolidated financial statements were authorized for issue by the Board of Directors on 14 February 2013.

2 Basis of preparation

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirement of UAE Federal Law No. 8 of 1984 (as amended)
.

2 Basis of preparation (continued)

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for the following:

- Islamic derivative financial instruments, namely promises to exchange currency and / or cash flows, which are non-speculative and intended for hedging purposes, are measured at fair value;
- Financial instrument designated at fair value through profit and loss are measured at fair value.
- Investment in equity instruments is measured at fair value;
- Recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged.
- Other financial assets not held in business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payment of principal and profit are measured at fair value;
- Investment property is measured at fair value.

c) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment, estimates and assumptions in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

d) Functional and presentation currency

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates ("the functional currency"). The consolidated financial statements are presented in Arab Emirate Dirham ("AED"), which is the Group's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

2 Basis of preparation (continued)

d) Functional and presentation currency (continued)

iii. Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each consolidated statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of other financial instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

2 Basis of preparation (continued)

e) Standards early adopted by the Group

IFRS 9, 'Financial instruments: Classification and measurement', effective 1 January 2015.

IFRS 9 was issued in November 2009. It replaces the parts of IAS 39 that relate to the classification and measurement of financial assets. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Adoption of IFRS 9 is mandatory from 1 January 2015; earlier adoption is permitted.

The Group has early adopted IFRS 9 from 1 October 2010, as well as the related consequential amendments to other IFRSs, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions of the standard, comparative figures have not been restated.

The Group's management has assessed the financial assets held by the Group at the date of initial application of IFRS 9 (1 October 2010). The main effects resulting from this assessment were:

- Investments in Sukuk instruments, previously classified as available-for-sale, meet the criteria to be classified as at amortized cost in accordance with IFRS 9. They are now therefore classified as financial assets at amortized cost.
- Equity investments not held for trading that were previously measured at fair value and classified as available-for-sale have been designated as at fair value through other comprehensive income and profit and loss.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Hedge accounting

In order to manage profit rate risks, the Group enters into a Sharia compliant arrangements including profit rate swaps.

Fair value hedges

Changes in the fair value of profit rate swaps and that are designated and qualify as fair value hedging instruments are recorded in the consolidated statement of income, along with changes in the fair value of the assets, liabilities or group thereof that are attributable to the hedged risk.

Hedge documentation

At the inception of the hedge, formal documentation of the hedge relationship must be established. The hedge documentation prepared at the inception of the hedge must include a description of the following:

- The Group's risk management objective and strategy for undertaking the hedge;
- The nature of risk being hedged;
- Clear identification of the hedged item and the hedging instrument; and
- How the Group will assess the effectiveness of the hedging relationship on an on-going basis.

Hedge effectiveness testing

The hedge is regarded as highly effective if following conditions are met:

- At the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in offsetting the changes in fair value of the hedging instruments with corresponding changes in the hedged risk and should be reliably measurable; and
- The actual results of the hedge are within a range of 80 to 125 percent.

Discontinuance of hedge accounting

The hedge accounting is discontinued when a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting. At that point of time, any cumulative gain or loss on the hedged instrument that has been previously recognised in the consolidated statement of income is immediately reversed in the consolidated statement of income.

3 Significant accounting policies (continued)

b) Islamic financial assets

i. Murabaha

Murabaha receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. A Murabaha contract is a sale of goods with an agreed upon profit mark up on the cost of the goods. A Murabaha contract is of two categories. In the first category, the Bank purchases the goods and makes it available for sale without any prior promise from a customer to purchase it. In the second category, the Bank purchases the goods ordered by a customer from a third party and then sells these goods to the same customer. In the latter case, the Bank purchases the goods only after a customer has made a promise to purchase them from the Bank.

ii. Ijara Muntahia Bittamleek

A form of leasing contract which includes a promise by a lessor to transfer the ownership in the leased property to the lessee, either at the end of the term of the Ijara period or by stage during the term of the contract.

iii. Wakala deposits

Wakala deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Wakala is an act of one party delegating the other to act on its behalf in what can be a subject matter of delegation and it is thus permissible. This is an agreement whereby the Bank provides a certain amount of money to an agent who invests it according to specific conditions in return for a certain fee. The agent shall be held responsible for misconduct, negligence or violation of the conditions agreed upon by the Bank.

iv. Mudaraba

Mudaraba is a contractual arrangement whereby two or more parties undertake an economic activity. Mudaraba is a partnership in profit between capital and work. It may be conducted between investment account holders as providers of funds and the Bank as a Mudarib. The Bank announces its willingness to accept the funds of investment account holders, the sharing of the profits being as agreed between the two parties and the losses being borne by the provider of the funds except if they were due to misconduct, negligence or violation of the conditions agreed upon by the Bank, in which case, such losses would be borne by the Bank.

3 Significant accounting policies (continued)

c) Consolidation

i. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii. Fund management

The Group manages and administers assets held in trust or in fiduciary capacity on behalf of investors. The financial statements of these funds are not included in these consolidated financial statements. Information about the Group's fund management and fiduciary activity is set out in Note 29.

iii. Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific financing transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

iv. Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Bank and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Bank.

d) Property and equipment

Land and buildings comprise mainly branches and offices. Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

3 Significant accounting policies (continued)

d) Property and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	2012	2011
• Leasehold improvements	**7 years**	7 years
• Computer systems and equipment	**4 years**	4 years
• Furniture, equipment, safes and vehicles	**4 years**	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

e) Work In Progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct cost attributable to design and construction of the property including related staff costs, and for qualifying assets, financing costs capitalised in accordance with Group's accounting policy. When the assets are ready for the intended use, the capital work in progress is transferred to the appropriate property and equipment category and is depreciated in accordance with the Group's policies.

3 Significant accounting policies (continued)

f) Qard Hassan

Qard Hassan receivables are non-profit bearing financing receivables whereby the customer borrows funds for a period of time with an understanding that the same amount shall be repaid at the end of the agreed period.

g) Swap transactions

Currency and profit rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or profit rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency profit rate swaps). The Bank's credit risk represents the potential loss if counterparties fail to fulfill their obligation.

h) Impairment of non-financial assets

Assets that have indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of impairment at each reporting date.

i) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, due from banks, balances with the Central Bank, Murabaha and Wakala deposits with banks and financial institutions with original maturity of less than one month (2011: one month) which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3 Significant accounting policies (continued)

j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are recognized as deduction from equity.

k) Revaluation reserve

The revaluation reserve is related to revaluation of investment securities classified at fair value through other comprehensive income, the policy of which is set out in Note 3(m).

l) Customers' accounts and Wakala deposits from banks

Customers' accounts and Wakala deposits from banks are initially recognized at fair value less transaction costs and are subsequently measured at amortized cost.

m) Financial assets

Classification prior to 1 October 2010
The Group classifies its financial assets in the following categories: at fair value through profit or loss, receivables from Islamic financing activities, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

ii. Receivables from Islamic financing activities

Receivables from Islamic financing activities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

3 Significant accounting policies (continued)

m) Financial assets (continued)

iv. Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in the consolidated statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Receivables from Islamic financing activities are subsequently carried at amortized cost using the effective profit rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of income in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income.

Profit on available-for-sale securities calculated using the effective profit method is recognized in the consolidated statement of income. Dividends on available-for sale equity instruments are recognized in the consolidated statement of income when the Group's right to receive payments is established.

Classification after 1 October 2010

As from 1 October 2010, the Group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortized cost. This classification depends on whether the financial asset is a Sukuk or equity investment.

3 Significant accounting policies (continued)

n) Sukuk Investments

i. Financial assets at amortized cost

A Sukuk investment is classified as 'amortized cost' only if both of the following criteria are met: objective of the Group's business model is to hold assets to collect the contractual cash flows; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal outstanding.

ii. Financial assets at fair value

If either of the two criteria above are not met, the Sukuk instrument is classified as 'fair value through profit or loss'.

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the Group can make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than the consolidated statement of income.

Regular purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss are expensed in the consolidated statement of income. A gain or loss on a Sukuk investment that is subsequently measured at fair value and is not part of a hedging relationship is recognized in the consolidated statement of income and presented in the consolidated statement of comprehensive income in the period in which they arise. A gain or loss on a Sukuk investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the consolidated statement of income when the financial asset is derecognized or impaired and through the amortization process using the effective profit rate method.

3 Significant accounting policies (continued)

n) Sukuk Investments (continued)

ii. Financial assets at fair value (continued)

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present unrealized and realized fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to the consolidated statement of income. Dividends from such investments continue to be recognized in the consolidated statement of income as long as they represent a return on investment. The Group is required to reclassify all affected Sukuk investments when and only when its business model for managing those assets changes.

The Group makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focuses on earning contractual cash flow;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

3 Significant accounting policies (continued)

o) Impairment of financial assets

i. Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets measured at amortized cost is impaired. A financial asset or a Group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the debtor or issuer, default or delinquency by a debtor, restructuring of a financing by the Group on terms that the Group would not otherwise consider, indication that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of debtors or issuers in the group of assets, or economic conditions that correlate with defaults in the group of assets.

ii. Assets classified as available-for-sale (applicable until 30 September 2010)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For sukuk securities, the Group uses the criteria referred to (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income – is removed from equity and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on equity instruments are not reversed through the consolidated statement of income.

If, in a subsequent period, the fair value of a Sukuk instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

3 Significant accounting policies (continued)

p) De-recognition of financial assets

The Group derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of the ownership are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Group is recognised as separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in the consolidated statement of income.

q) Financial liabilities

Financial liabilities, including Group customers and wakala deposits, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective profit method, with profit expense recognised on an effective yield basis.

The effective profit rate method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly required to unwind estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3 Significant accounting policies (continued)

r) Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

i. Profit income

Profit income is recognized using the effective profit rate method. When a financing receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow required to unwind at the original effective profit rate of the instrument, and continues unwinding the discount as profit income. Profit income on impaired finance facilities and receivables is recognized using the original effective profit rate.

ii. Dividend income

Dividend income is recognized when the right to receive the income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income or net income from other financial instruments at fair value through profit or loss based on the underlying classification of the equity investment. Dividends on equity instruments designated as at fair value through other comprehensive income are presented in other revenue in the consolidated statement of income unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is presented in other comprehensive income.

iii. Fee and commission income

Fees and commissions income relating to underwriting and financing activities of the Group is recognized when earned.

s) Investment property

Investment property is property held for rental income or for capital appreciation, or both, but not for sale in the ordinary course of business, use in the production, supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognized in the consolidated statement of income.

3 Significant accounting policies (continued)

t) Lease payment

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

u) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

v) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

w) Staff terminal benefits

UAE nationals employed by the Group are registered in the scheme managed by Abu Dhabi Retirement Pensions & Benefits Fund in accordance with Law number (2) of 2000. Staff terminal benefits for expatriate employees are accounted for on the basis of their accumulated services at the reporting date and in accordance with the Group's internal regulations, which comply with the applicable laws.

An actuarial valuation is not performed on staff terminal and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation are not expected by management to be significant.

3 Significant accounting policies (continued)

x) Director's remuneration

In accordance with the Ministry of Economy and Commerce interpretation of Article 119 of Federal Law No. 8 of 1984 (as amended), Directors' remuneration has been treated as an appropriation from equity.

y) Financial guarantee

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

For other financial guarantee contracts, financial guarantees are initially recognised at their fair value (which is the premium received on issuance). The received premium is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment. The premium received on these financial guarantees is included within other liabilities.

z) Takaful contracts

i. Classification

The Group issues contracts that transfer either Takaful risk or both Takaful and financial risks. The Group does not issue contracts that transfer only financial risks.

Contracts under which the Group accepts significant Takaful risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder is classified as Takaful contracts.

3 Significant accounting policies (continued)

z) Takaful contracts (continued)

ii. Recognition and measurement

Gross written contributions, in respect of annual policies, are recognised in the consolidated statements of income at the inception of the policy. In respect to policies with a term of more than one year, the contributions are spread over the tenure of the policies on a straight line basis, and the unexpired portion of such contributions is included under "unearned contributions" in the consolidated statement of financial position.

iii. Claims

Claims incurred comprise the settlement, the internal and external handling costs of paid and changes in the provisions for outstanding claims arising from events occurring during the year. Where applicable, deductions are made for salvage and recoveries.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and reduced by expected salvage and recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly by management.

iv. Gross claims paid

Gross claims paid are recognised in the consolidated statement of income when the claim amount payable to policyholders and third parties is determined as per the terms of the Takaful contracts.

v. Claims recovered

Claims recovered include amounts recovered from reTakaful companies in respect of the gross claims paid by the Group, in accordance with the reTakaful contracts held by the Group. It also includes salvage and claims recoveries.

3 Significant accounting policies (continued)

z) Takaful contracts (continued)

vi. Gross outstanding and IBNR claims

Gross outstanding claims comprise the estimated costs of claims incurred but not settled at the consolidated financial position date. Provisions for reported claims not paid as at the end of the reporting period are made on the basis of individual case estimates. This provision is based on the estimate of the loss, which will eventually be payable on each unpaid claim, established by management in the light of currently available information and past experience. An additional net provision is also made for any claims incurred but not reported ("IBNR") at the end of the reporting period, on the basis of management estimates.

The reTakaful share of the gross outstanding claims is estimated and shown separately.

vii. Unearned contribution reserves

A provision is made for contribution deficiency arising from general Takaful contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the consolidated financial position date exceeds the unearned contributions provision and already recorded claim liabilities in relation to such policies. The provision for contribution deficiency is calculated by reference to classes of business which are managed together.

viii. Re-takaful

The Group cedes reTakaful in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expense arising from ceded reTakaful contracts are presented separately from the assets, liabilities, income and expense from the related Takaful contracts because the reTakaful arrangements do not relieve the Group from its direct obligations to its policyholders.

Amounts due to and from reTakaful are accounted for in a manner consistent with the related contributions and is included in reTakaful assets.

3 Significant accounting policies (continued)

z) Takaful contracts (continued)

viii. Re-takaful (continued)

Re-takaful assets are assessed for impairment at the end of each reporting period. A re-takaful asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on re-takaful assets are recognised in the consolidated statement of income in the year in which they are incurred.

Commission in respect of re-takaful contracts is recognised on an accrual basis.

ix. Takaful receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in other assets and other liabilities, respectively, and not in Takaful contract provisions or reTakaful assets.

x. Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities using current estimates of future cash flows under Takaful contracts. In performing these, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets supporting such liabilities are used. Any deficiency in the carrying amounts is immediately charged to the consolidated statement of income by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

3 Significant accounting policies (continued)

aa) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that are issued but not effective for the accounting period starting 1 January 2012, and have not been early adopted in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

IFRS-9 'Financial instrument': Recognition and measurement: Replaces IAS39

The International Accounting Standards Board has decided to replace IAS 39 Financial Instruments over a period of time and by three phases:

Phase 1: Classification and measurement of financial assets and financial liabilities.
Phase 2: Impairment methodology
Phase 3: Hedge accounting.

Recognition and Measurement:
The early adoption of the standard continues to be permitted. Given the nature of the Groups operations, this standard is expected to have a pervasive impact on the Group's consolidated financial statement. The Group, however, already early adopted part of Phase 1"Classification and measurement of financial assets" (Note 2 (e)).

IFRS-10 'Consolidated Financial Statement': Replaces IAS 27 Consolidated and separate financial statements and SIC 12 Consolidation - Special purpose entities. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. Effective 1 January 2013;

IFRS-12 'Disclosure of Interests in Other Entities': Standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Effective 1 January 2013.

IFRS-13 'Fair Value Measurement': Seeks to increase consistency and comparability in fair value measurements and related disclosures across IFRSs. Effective 1 January 2013.

4 Financial risk management

Financial risk factors

Introduction and overview

The Group's activities expose it to a variety of financial risks and involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the banking business, and the operational risks are an inevitable consequence of being in business. The Group's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management framework

The Board of Directors ("The Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established a Board Risk Committee, comprising members from the Board, to monitor the Group's credit, operational and market risks. The Board has further set up from within management, Assets and Liabilities Committee ("ALCO"), Management Risk Committee ("MRC"), Management Credit Risk Committee ("MCRC"), Management Remedial Committee, Management Operational Risk Committee ("MORC" which is a subcommittee of MRC) and Management Investment Committee.

A separate Risk Management Group, reporting to the Management Risk Committee, assists in carrying out the oversight responsibility of the Board through the Board Risk Committee ("BRC").

The Board has established a Bank Audit Committee, which is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework. The Bank's Audit Committee is assisted in these functions by the Internal Audit Department.

The risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, on an ongoing basis, to reflect changes in market conditions, products and services offered.

4 Financial risk management (continued)

Risk governance and ownership

A well-established risk governance and ownership structure ensures oversight of, and accountability for, the effective management of risk at Group, regional, customer group and entity levels. The Board approves the Group's Risk management framework, risk appetite, performance targets for the Group, the appointment of senior officers, and the delegation of authorities for credit and other risks and the establishment of effective control procedures.

Risk appetite

Risk appetite policy describes the quantum and types of risk that the Group is prepared to take in executing its strategy. It is central to an integrated approach to risk, capital and business management and supports the Group in achieving its return on equity objectives, as well as being a key element in meeting the Group's obligations under pillar II of Basel II.

The risk appetite covers both the beneficial and adverse aspects of risk. The formulation of risk appetite considers the Group's risk capacity, its financial position, and the strength of its core earnings and the resilience of its reputation

a) Credit risk and concentrations of risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from Islamic financing activities, Ijara and investments. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Risk Management Group develops and maintains the Group's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk-grading framework consists of twenty-two grades. Each customer is rated using portfolio specific rating model which in turn assigns a risk rating and corresponding probability of default. The responsibility for assigning risk grades lies with the concerned business unit and is independently vetted by the Risk Management Group.

The objective of credit risk management is to underpin sustainably profitable business. Risk Management Group assesses all credit exposures and recommends approval from the designated credit committee by the Board (i.e. "MCRC"), prior to facilities being committed to customers by the business unit concerned.

4 Financial risk management (continued)

a) Credit risk and concentrations of risk (continued)

Renewals and reviews of facilities are subject to detailed review process by the Risk Management Group.

In addition, the Group manages the credit exposure by obtaining security where appropriate and 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. Regular audits of business units and credit processes are undertaken by the Internal Audit Department.

Independent review of the credit portfolio is also undertaken by a credit review team separate from both the business unit and the Risk Management Group.

Exposure to credit risk
The Group measures its exposures to credit risk by reference to the gross carrying amount of financial assets less amounts offset, profit suspended and impairment losses, if any.

At 31 December 2012 and 31 December 2011, the Group's maximum exposure to credit risk before collateral held or other credit enhancements was as follows:

	2012	2011
	AED'000	AED'000
Assets		
Cash and balances with banks (Note 7)	**1,234,239**	926,816
Murabaha and wakala deposits with banks and other financial institutions	**2,805,778**	2,608,204
Receivables from islamic financing activities	**17,859,889**	15,501,327
Ijara	**5,050,982**	3,823,473
Investment securities	**2,799,619**	3,159,980
Other assets	**758,976**	580,729
	30,509,483	26,600,529
Commitments and contingencies (Note 24)	**10,842,239**	12,633,267

The above table represents a worst case scenario of credit risk exposure of the Group at 31 December 2012 and 31 December 2011 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

4 Financial risk management (continued)

a) Credit risk and concentrations of risk (continued)

At 31 December 2012 and 31 December 2011, the distribution by geographical region of major categories of assets, liabilities, contingencies and commitments was as follows:

				2012
	United Arab Emirates AED'000	**Kazakhstan AED'000**	**Others AED'000**	**Total AED'000**
Assets				
Cash and balances with banks	1,153,248	29,649	51,342	1,234,239
Murabaha and wakala deposits with banks and other financial institutions	2,584,825	37,008	183,945	2,805,778
Receivables from islamic financing activities	17,140,235	338,536	381,118	17,859,889
Ijara	5,018,043	32,939	-	5,050,982
Investment securities	2,799,619	-	-	2,799,619
Other assets	755,930	3,046	-	758,976
	29,451,900	441,178	616,405	30,509,483
Commitments and contingencies (Note 24)	10,748,688	93,551	-	10,842,239

				2011
	United Arab Emirates AED'000	Kazakhstan AED'000	Others AED'000	Total AED'000
Assets				
Cash and balances with banks	680,556	154,434	91,826	926,816
Murabaha and wakala deposits with banks and other financial institutions	2,608,204	-	-	2,608,204
Receivables from islamic financing activities	15,501,327	-	-	15,501,327
Ijara	3,782,098	41,375	-	3,823,473
Investment securities	3,159,980	-	-	3,159,980
Other assets	575,133	5,596	-	580,729
	26,307,298	201,405	91,826	26,600,529
Commitments and contingencies (Note 24)	12,633,212	55	-	12,633,267

4 Financial risk management (continued)

a) Credit risk and concentrations of risk (continued)

At 31 December 2012 and 31 December 2011, the distribution by sector of major categories of assets, liabilities, contingencies and commitments was as follows:

2012

	Government AED'000	**Public AED'000**	**Corporate /private AED'000**	**Retail AED'000**
Cash and balances with banks	1,180,453	-	51,350	2,436
Murabaha and Wakala deposits with banks and other financial institutions	-	-	2,805,778	-
Receivables from Islamic financing activities	27,792	2,263,368	9,073,656	6,495,073
Ijara	-	1,314,270	1,320,039	2,416,673
Investment securities	2,159,314	75,634	564,671	-
Other assets	-	-	-	758,976
Commitments and contingencies (Note 24)	1,278,784	489,777	9,017,984	55,694

2011

	Government AED'000	Public AED'000	Corporate /private AED'000	Retail AED'000
Cash and balances with banks	743,757	-	91,856	91,203
Murabaha and Wakala deposits with banks and other financial institutions	-	-	2,608,204	-
Receivables from Islamic financing activities	-	3,240,405	6,711,099	5,549,823
Ijara	-	-	1,614,914	2,208,559
Investment securities	2,409,937	111,704	618,224	20,115
Other assets	-	-	-	580,729
Commitments and contingencies (Note 24)	1,396,322	912,314	10,272,315	52,316

4 Financial risk management (continued)

a) Credit risk and concentrations of risk (continued)

Impairment and provisioning policies
Impaired receivables from Islamic financing activities are financial assets carried at amortized cost for which the Group determines that it is probable that it will be unable to collect all principal and profit due according to the contractual terms of the related financial assets. These financial assets are graded in accordance with the Group's internal credit risk grading system.

Past due but not impaired financial assets
Past due but not impaired financial assets, are those for which contractual profit or principal payments are past due but the Group believes that impairment of such financial assets is not appropriate on the basis of the level of security, collateral available and / or the stage of collection of amounts owed to the Group.

Financial assets with renegotiated terms
Financial assets with renegotiated terms are facilities that have been rescheduled /restructured due to the deterioration in the customer's financial position and where the Group has made concessions that it would not otherwise consider. Once the facility is restructured it remains in this category independent of satisfactory performance after restructuring.

During the year ended 31 December 2012, the Group renegotiated facilities with a carrying value of AED 1,012 million (2011: AED 810 million).

Allowances for impairment
The Group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its financing portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective financing loss allowance for losses that have been incurred but not identified, established for group of homogeneous assets with similar risk characteristics that are indicative of the debtor's ability to pay amounts due according to the contractual terms on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

4 Financial risk management (continued)

a) Credit risk and concentrations of risk (continued)

Settlement Risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Any delays in settlement are rare and are monitored and quantified as part of the Group framework and Operational Risk Management.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described above. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Group Management Credit Risk Committee ("MCRC"), under credit risk.

Collateral Risk

As at 31 December 2012, the Group held credit risk mitigants with an estimated value of AED 8,818 million against receivables from Islamic financing activities, Ijara finance and investments in the form of real estate collateral, other securities over assets, cash deposits and guarantees. The Group accepts sovereign guarantees and guarantees from well reputed local or international banks, well established local or multinational large corporate and high net-worth private individuals. Collateral generally is not held against Murabaha and Wakala deposits with banks and other financial institutions, and no such collateral was held at 31 December 2012 or 31 December 2011.

b) Market risk

The Group is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

Overall authority for market risk is vested in Asset and Liability Committee ("ALCO"). The Risk Management Group is responsible for the development of detailed risk management policies (subject to review and approval by "ALCO") and for the day to day review of their implementation.

4 Financial risk management (continued)

b) Market risk (continued)

The Group follows IFRS 9 guidelines for the treatment of its investment portfolio exposed to market risk. These include investment in sukuks of government and corporate issuers as well as investments in equities and mutual funds.

i. Price risk

The Group was exposed to price risk arising from its investment securities portfolio classified on the financial statements as Available for Sale ("AFS") and Fair Value through Profit and Loss ("FVTPL") until 30 September 2010 and at fair value through profit and loss and other comprehensive income subsequent to the early adoption of IFRS 9.

Most of the Group's investment securities are publicly traded and the table below summarizes the impact of a 10% increase / decrease of the prices of the major components of its investment securities portfolio, on the Group's results and equity for the year ended 31 December 2012. The analysis is based on the assumptions that all other variables will remain constant and, where applicable, the Group's investments moved according to the historical correlation of the relevant index.

	Impact on results and equity of the Group	
	2012	2011
± 10 % change in equity prices:	**AED'000**	AED'000
Profit and loss	**9,061**	1,036
Other comprehensive income	**2,685**	2,196

4 Financial risk management (continued)

b) Market risk (continued)

ii. Currency risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Senior management sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, and monitors currency positions on a daily basis.

At 31 December 2012 and 31 December 2011, the Group's foreign currency exposure to significant currencies comprised:

	Net open position 2012 AED'000	Net open position 2011 AED'000
Currency		
Euro	**21**	17,403
GBP	**164**	1,108
JPY	**79**	153
OMR	**239**	41
Various currencies	**353**	(208)

4 Financial risk management (continued)

b) Market risk (continued)

ii. Currency risk (continued)

Had the exchange rate between the various currencies and the AED increased or decreased by 10 %, with all other variables held constant, the impact on the results and equity of the Group would not have been material as the exposure primarily related to currencies that were pegged to the AED.

iii. Profit rate risk

Profit rate risk in trading book is applicable to the Group's exposure to sukuks issued by Governments and Corporates which are classified as Fair Value through Profit and Loss ("FVTPL"). The market value of these sukuks is impacted as a result of fluctuations in the prevailing levels of profit rates on cash flows. Senior management sets limits on the maximum exposure allowable as a result of adverse profit rate movement

During the year ended 31 December 2012, if the profit rates increased/decreased by 200 basis points, with all other variables remaining constant, the impact on the market value of sukuks classified in Fair Value through Profit and loss will be as follows:

	Impact on results and equity of the Group	
	2012	2011
	AED'000	AED'000
± 200 basis points change in profit rates	**98,912**	141,348

In addition to profit rate risk in trading book, the Group's profit bearing financial assets and liabilities not held for the purpose of trading are also exposed to profit rate risk.

This exposure arises as a result of mis-matches in re-pricing of assets and liabilities reflected in the following net position schedule.

4 Financial risk management (continued)

b) Market risk (continued)

iii. Profit rate risk (continued)

A summary of the Group's profit rate re-pricing as at 31 December 2012 is as follows:

	Less than 3 months AED'000	3 – 6 months AED'000	6 – 12 months AED'000	1 – 5 years AED'000	Greater than 5 years AED'000	Non-sensitive AED'000	Total AED'000
Assets							
Cash and balances with banks	-	-	-	-	-	1,437,223	1,437,223
Murabaha and Wakala deposits with banks and other financial institutions	2,651,150	104,508	50,120	-	-	-	2,805,778
Receivables from Islamic financing activities	8,088,675	2,791,403	706,196	2,340,729	3,753,538	179,348	17,859,889
Ijara	2,934,686	2,027,098	29,106	60,092	-	-	5,050,982
Investment securities	177,000	-	-	2,321,936	125,967	174,716	2,799,619
Other assets	-	-	-	-	-	758,976	758,976
Total assets	13,851,511	4,923,009	785,422	4,722,757	3,879,505	2,550,263	30,712,467
Liabilities							
Customers' accounts	13,883,017	3,578,105	2,922,659	2,294,152	5,000	2,273,731	24,956,664
Wakala deposits from banks	2,481,127	-	-	-	-	10,471	2,491,598
Other liabilities	-	-	-	-	-	1,178,004	1,178,004
Total liabilities	16,364,144	3,578,105	2,922,659	2,294,152	5,000	3,462,206	28,626,266
Net position	(2,512,633)	1,344,904	(2,137,237)	2,428,605	3,874,505	(911,943)	2,086,201

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

b) Market risk (continued)

iii. Profit rate risk (continued)

A summary of the Group's profit rate re-pricing as at 31 December 2011 is as follows:

	Less than 3 months AED'000	3 – 6 months AED'000	6 – 12 months AED'000	1 – 5 years AED'000	Greater than 5 years AED'000	Non-sensitive AED'000	Total AED'000
Assets							
Cash and balances with banks	-	-	-	-	-	1,232,209	1,232,209
Murabaha and Wakala deposits with banks and other financial institutions	2,511,384	3,761	-	4,855	-	88,204	2,608,204
Receivables from Islamic financing activities	6,865,168	964,689	873,762	3,454,349	3,046,025	297,334	15,501,327
Ijara	1,801,545	1,936,106	17,991	67,831	-	-	3,823,473
Investment securities	460,000	-	-	2,656,137	-	43,843	3,159,980
Other assets	-	-	-	-	-	580,729	580,729
Total assets	11,638,097	2,904,556	891,753	6,183,172	3,046,025	2,242,319	26,905,922
Liabilities							
Customers' accounts	7,691,119	2,539,533	5,281,602	1,889,880	-	2,215,696	19,617,830
Wakala deposits from banks	4,890,231	3,760	5,105	4,855	-	31,878	4,935,829
Other liabilities	-	-	-	-	-	973,861	973,861
Total liabilities	12,581,350	2,543,293	5,286,707	1,894,735	-	3,221,435	25,527,520
Net position	(943,253)	361,263	(4,394,954)	4,288,437	3,046,025	(979,116)	1,378,402

4 Financial risk management (continued)

b) Market risk (continued)

iv. Takaful and reTakaful risk

Takaful risk
Takaful risk is where the Group agrees to indemnify the insured parties against happening of unforeseen future insured events. The frequency and severity of claims are the main risk factors. Due to the inherent risk in the Takaful business, actual claim amounts can vary marginally compared to the outstanding claim reserves but are not expected to have a material impact.

Re-takaful risk
In order to minimize financial exposure arising from large claims, the Group, in the normal course of business, enters into agreements with other parties for reTakaful purposes. Such re-takaful arrangement provides for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

To minimize its exposure to significant losses from reinsurers' insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Re-takaful ceded contracts do not relieve the Group from its obligations and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the re-takaful agreements.

Reserve for claims
The Group maintains adequate reserves in respect of its Takaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within a year.

Sensitivities
The general Takaful claims provision is sensitive to the key assumptions which are not material to the consolidated financial statements of the Group.

4 Financial risk management (continued)

c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations associated with its financial liabilities.

Management of liquidity risk
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient buffer of liquidity to meet its liabilities during the normal course of business. As part of its strategic liquidity management, contingency funding planning in the Group ensures that the liquidity management center (treasury) is well equipped to tap contingent funding sources during periods of market stress. The Group then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and subsidiaries are met through short-term financing from the Treasury Department to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. The daily liquidity position is monitored and regular stress testing is conducted under a variety of scenarios covering the normal and more severe market conditions in order to assess the viability of the contingency funding plan. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports are produced covering the liquidity position of both the Group and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group relies on customers' accounts and Wakala deposits from banks as its primary sources of funding. Customers' accounts and Wakala deposits from banks generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the Group's liquidity risk and the Group actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Exposure to liquidity risk
The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to total liabilities. For this purpose net liquid assets are considered as cash and balances with banks, balances with central bank, central bank CDs and Short Term Wakala Deposits with banks maturing within one month, investment in Sukuk of local or federal government divided by total liabilities.

4 Financial risk management (continued)

c) Liquidity risk (continued)

The Group prepares its liquidity risk profile on carrying value basis. A summary of the Group's maturity profile as at 31 December 2012 is as follows:

	Less than 3 months AED'000	3 – 12 months AED'000	1 – 5 years AED'000	Greater than 5 years AED'000	Total AED'000
Assets					
Cash and balances with banks	1,437,223	-	-	-	1,437,223
Murabaha and Wakala deposits with banks and other financial institutions	2,651,149	154,629	-	-	2,805,778
Receivables from Islamic financing activities	1,617,041	2,932,535	7,480,872	5,829,441	17,859,889
Ijara	396,711	589,523	2,062,748	2,002,000	5,050,982
Investment securities	103,164	7,000	2,563,488	125,967	2,799,619
Other assets	758,976	-	-	-	758,976
Total assets	6,964,264	3,683,687	12,107,108	7,957,408	30,712,467
Liabilities					
Customers' accounts	13,855,365	7,483,061	3,613,238	5,000	24,956,664
Wakala deposits from banks	2,491,598	-	-	-	2,491,598
Other liabilities	1,178,004	-	-	-	1,178,004
Total liabilities	17,524,967	7,483,061	3,613,238	5,000	28,626,266
Net position	(10,560,703)	(3,799,374)	8,493,870	7,952,408	2,086,201

4 Financial risk management (continued)

c) Liquidity risk (continued)

A summary of the Group's maturity profile as at 31 December 2011 is as follows:

	Less than 3 months AED'000	3 – 12 months AED'000	1 – 5 years AED'000	Greater than 5 years AED'000	Total AED'000
Assets					
Cash and balances with banks	1,232,209	-	-	-	1,232,209
Murabaha and Wakala deposits with banks and other financial institutions	2,511,384	3,761	4,855	88,204	2,608,204
Receivables from Islamic financing activities	1,198,286	2,827,050	7,077,839	4,398,152	15,501,327
Ijara	379,128	503,829	1,363,405	1,577,111	3,823,473
Investment securities	40,854	-	3,116,136	2,990	3,159,980
Other assets	-	-	-	580,729	580,729
Total assets	5,361,861	3,334,640	11,562,235	6,647,186	26,905,922
Liabilities					
Customers' accounts	7,827,640	8,431,310	3,358,880	-	19,617,830
Wakala deposits from banks	4,885,358	8,865	4,855	36,751	4,935,829
Other liabilities	-	-	-	973,861	973,861
Total liabilities	12,712,998	8,440,175	3,363,735	1,010,612	25,527,520
Net position	(7,351,137)	(5,105,535)	8,198,500	5,636,574	1,378,402

5 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment charge on other financial assets
The Group evaluates impairment on financial assets on an ongoing basis and a comprehensive review is carried out at least quarterly to assess whether an impairment charge should be recognized in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgments about the counterparty's financial situation and other means of settlement and the net realizable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

Collective impairment charge on financial assets
In addition to specific impairment charge against individually impaired assets, the Group also maintains a collective impairment allowance against portfolios of Murabaha, Wakala and Islamic financing with similar economic characteristics which have not been specifically identified as impaired. In assessing the need for collective impairment charge, management considers concentrations, credit quality, portfolio size and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical and current economic conditions.

Liability arising from claims made under Takaful contracts
The estimation of the ultimate liability arising from claims made under Takaful contracts is a critical accounting estimate by the Group. There are several sources of uncertainty that need to be considered in estimating the liability that the Group will ultimately pay for such claims. The provision for claims Incurred But Not Reported ("IBNR") is an estimation of claims which are expected to be reported subsequent to the reporting date, for which the insured event has occurred prior to the reporting date.

Investment property
The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognized professional qualification and recent experience in the location and category of the property being valued. Fair values have been determined using the residual method. The residual method is applicable to properties where the value would be maximized if it were to be developed, redeveloped, or refurbished. To arrive at the current market value of the property in its existing state the estimated end development value is calculated, then all costs in carrying out the development are deducted, including cost of the physical construction, professional fees, financing, and developer's profit.

5 Critical accounting estimates and judgments (continued)

Contingent liability arising from litigations
Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

Impairment on non financial assets
Certain non-financial assets, including other intangible assets, are subject to impairment review. The Group records impairment losses on assets in this category when the Group believes that their carrying value may not be recoverable. A reversal of an impairment loss is recognized immediately. Intangible assets, property, plant and equipment and investments in subsidiaries, associates and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, the Group considers this estimate to be critical.

Business model
In making an assessment whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management. However, in some circumstances it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models.

5 Critical accounting estimates and judgments (continued)

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focuses on earning contractual profit revenues;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In particular, the Group exercises judgement to determine the objective of the business model for portfolios which are held for liquidity purposes. Certain sukuk are held by the Group Treasury Department in a separate portfolio for long term yield and as a liquidity reserve.

The securities may be sold in order to meet unexpected liquidity shortfalls but such sales are not anticipated to be more than infrequent.

The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Certain other sukuk are held by the Group Treasury Department in separate portfolios in order to manage short-term liquidity. Sales from this portfolio are frequently made to meet ongoing business needs. The Group determines that these securities are not held within a business model whose objective is to held assets in order to collect contractual cash flows.

When a business model involves transfers of contractual rights to cash flows from financial assets to third parties and the transferred assets are not derecognised, the Group reviews the arrangements to determine their impact on assessing the objective of the business model. In making the assessment, the Group considers whether, under the arrangements, the Group will continue to receive cash flows from the assets, either directly from the issuer, or indirectly from the transferee, including whether it will repurchase the assets from the transferee.

5 Critical accounting estimates and judgments (continued)

Contractual cash flows of financial assets
The Group exercises judgement in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage. For financial assets in respect of which the Group's claims are limited to specific assets of the debtor (non-recourse assets) the Group assesses whether the contractual terms of such financial assets limit the cash flows in a manner inconsistent with those payments representing principal and profit. Where the Group invests in contractually linked instruments (tranches) the Group exercises judgement to determine whether the exposure to credit risk in the acquired tranche is equal to or lowers than the exposure to credit risk of the underlying pool of financial instruments and so the acquired tranche may qualify for amortised cost measurement.

Qualifying hedge relationships
In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging.

Fair value estimation
The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

5 Critical accounting estimates and judgments (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Equity and other investments	374,820	-	-	374,820
Liabilities	-	-	-	-
Islamic derivatives	-	-	-	-

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Equity and other investments	32,317	-	-	32,317
Liabilities	-	-	-	-
Islamic derivatives	-	-	-	-

6 Capital management

Regulatory capital
The Group's lead regulator the Central Bank of the UAE sets and monitors capital requirements for the Group as a whole. The Group is required to comply with the provisions of the Central Bank of the UAE in respect of regulatory capital.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on return is also recognized and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.
The Group has complied with all externally imposed capital requirements throughout the year.

Capital allocation
The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation.

6 Capital management (continued)

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision-making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives.

At 31 December 2012, the Bank's capital adequacy ratio as per Basel II was 15% (2011: 13%)

During 2012, the Group's strategy, which was unchanged from 2011, was to:

- maintain capital adequacy ratios above the minimum specified by the Central Bank of the UAE and Basel accord guidelines; and
- efficiently allocate capital to various businesses.

In implementing current capital requirements, the Group calculates its risk asset ratio in accordance with capital adequacy guidelines established by the Central Bank of the UAE prescribing the ratio of total capital to total risk-weighted assets. Further, the Group also calculates its capital adequacy ratio in accordance with Basel II Accord which was adopted by the Central Bank of the UAE.

The Group's capital adequacy ratio as per effective regulatory framework, Basel II, at the minimum level is analysed into two tiers as follows:

	Basel II 2012 AED'000	Basel II 2011 AED'000
Tier 1 Capital	**3,537,917**	2,694,593
Tier 2 Capital	**295,719**	263,955
Deductions from capital	**(97,866)**	(94,342)
Total capital base	**3,735,770**	2,864,206
Risk weighted assets	**25,430,088**	21,381,180
Risk asset ratio	**14.69%**	13.40%

7 Cash and balances with banks

	2012 AED'000	2011 AED'000
Cash in hand	**202,984**	305,393
Cash reserve deposits with the Central Bank	**846,257**	707,408
Current account with the Central Bank	**336,632**	127,552
Due from banks	**51,350**	91,856
	1,437,223	1,232,209

Cash reserve deposits with the Central Bank are not available for the operations of the Group and are non-profit bearing.

8 Murabaha and wakala deposits with banks and other financial institutions

	2012 AED'000	2011 AED'000
Commodity murabaha with financial institutions	**-**	100,007
Wakala deposits	**2,817,008**	2,520,000
Allowance for impairment (Note 21)	**(11,230)**	(11,803)
	2,805,778	2,608,204

9 Receivables from islamic financing activities

	2012 **AED'000**	2011 AED'000
Corporate commodity murabaha	**11,680,851**	10,026,022
Retail musawama and murabaha	**10,624,964**	9,936,368
Islamic credit card receivable	**77,530**	62,118
Murabaha deferred profit	**(3,922,280)**	(4,117,794)
Allowance for impairment (Note 21)	**(601,176)**	(405,387)
	17,859,889	15,501,327

Islamic credit card receivable is comprised of AED 45,703 thousand (2011: AED 56,854 thousand) and AED 31,827 thousand (2011: AED 5,264 thousand) for Ijara and Tawarruq cards respectively.

	Corporate AED'000	Retail AED'000	**2012** **Total** **AED'000**
<u>Impaired and non-performing:</u>			
Substandard	20,564	19,580	**40,144**
Doubtful	-	12,075	**12,075**
Legal and loss	7,894	73,999	**81,893**
Outstanding	**28,458**	**105,654**	**134,112**
Specific allowance for impairment	(17,805)	(87,319)	**(105,124)**
Carrying amount	**10,653**	**18,335**	**28,988**
<u>Performing:</u>			
Regular	10,583,163	6,519,816	**17,102,979**
Past due but not impaired			
1-29 days	140,684	59,896	**200,580**
30-59 days	149,013	63,848	**212,861**
60-89 days	103,002	30,999	**134,001**
Above 90 days	676,532	-	**676,532**
Outstanding	**11,652,394**	**6,674,559**	**18,326,953**
Collective allowance for impairment	(392,085)	(103,967)	**(496,052)**
Carrying amount	**11,260,309**	**6,570,592**	**17,830,901**
Total outstanding	11,680,852	6,780,213	**18,461,065**
Total allowance for impairment	(409,890)	(191,286)	**(601,176)**
Total carrying amount	**11,270,962**	**6,588,927**	**17,859,889**

9 Receivables from islamic financing activities (continued)

	Corporate AED'000	Retail AED'000	2011 Total AED'000
Impaired and non-performing:			
Substandard	17,346	21,633	38,979
Doubtful	7,468	17,650	25,118
Legal and loss	-	42,447	42,447
Outstanding	24,814	81,730	106,544
Specific allowance for impairment	(11,805)	(48,284)	(60,089)
Carrying amount	13,009	33,446	46,455
Performing:			
Regular	8,981,097	5,601,414	14,582,511
Past due but not impaired			
1-29 days	128,750	130,400	259,150
30-59 days	88,130	39,765	127,895
60-89 days	76,533	27,384	103,917
Above 90 days	726,697	-	726,697
Outstanding	10,001,207	5,798,963	15,800,170
Collective allowance for impairment	(262,977)	(82,321)	(345,298)
Carrying amount	9,738,230	5,716,642	15,454,872
Total outstanding	10,026,021	5,880,693	15,906,714
Total allowance for impairment	(274,782)	(130,605)	(405,387)
Total carrying amount	9,751,239	5,750,088	15,501,327

9 Receivables from islamic financing activities (continued)

Receivables from Islamic financing activities net of deferred profit by sector at 31 December 2012 and 31 December 2011 comprise:

	2012	2011
	AED'000	AED'000
Government and public sector	**2,291,160**	3,761,644
Banking sector	**220,674**	750,313
Corporate and private sector	**9,262,873**	4,871,979
Retail sector	**6,686,358**	6,522,778
	18,461,065	15,906,714

Movement in allowance for impairment on receivables from Islamic financing activities, during the year:

	2012	2011
	AED'000	AED'000
At the beginning of the year	**405,387**	187,933
Charge of the year, net (Note 21)	**195,789**	217,454
At the end of the year	**601,176**	405,387

10 Ijara

	2012 AED'000	2011 AED'000
Corporate Ijara Mawsufa Fi-aldhimma	**288,486**	562,242
Corporate standard Ijara	**2,692,517**	1,523,236
Retail Ijara Mawsufa Fi-aldhimma	**220,484**	325,558
Retail standard Ijara	**1,960,831**	1,492,917
Allowance for impairment (Note 21)	**(111,336)**	(80,480)
	5,050,982	3,823,473

Ijara assets represent net investment in assets leased for periods which either approximate or cover majority of the estimated useful lives of such assets. The lease agreements stipulate that the lessor undertakes to transfer the leased assets to the lessee upon receiving the final rental payment.

	Corporate AED'000	Retail AED'000	**2012 Total AED'000**
Impaired and non-performing:			
Substandard	-	29,401	**29,401**
Doubtful	-	21,818	**21,818**
Legal and loss	2,929	119,724	**122,653**
Outstanding	**2,929**	**170,943**	**173,872**
Specific allowance for impairment	(2,929)	(48,952)	**(51,881)**
Carrying amount	**-**	**121,991**	**121,991**
Performing:			
Regular	2,684,716	1,911,926	**4,596,642**
Past due but not impaired			
1-29 days	12,806	26,222	**39,028**
30-59 days	85,933	33,403	**119,336**
60-89 days	-	38,820	**38,820**
Above 90 days	194,620	-	**194,620**
Outstanding	**2,978,075**	**2,010,371**	**4,988,446**
Collective allowance for impairment	(24,445)	(35,010)	**(59,455)**
Carrying amount	**2,953,630**	**1,975,361**	**4,928,991**
Total outstanding	2,981,004	2,181,314	**5,162,318**
Total allowance for impairment	(27,374)	(83,962)	**(111,336)**
Total carrying amount	**2,953,630**	**2,097,352**	**5,050,982**

10 Ijara (continued)

			2011
	Corporate AED'000	Retail AED'000	Total AED'000
Impaired and non-performing:			
Substandard	-	15,148	15,148
Doubtful	2,929	24,412	27,341
Legal and loss	-	80,771	80,771
Outstanding	2,929	120,331	123,260
Specific allowance for impairment	(2,929)	(35,322)	(38,251)
Carrying amount	-	85,009	85,009
Performing:			
Regular	1,960,791	1,577,096	3,537,887
Past due but not impaired			
1-29 days	49,621	53,697	103,318
30-59 days	-	63,327	63,327
60-89 days	-	4,024	4,024
Above 90 days	72,137	-	72,137
Outstanding	2,082,549	1,698,144	3,780,693
Collective allowance for impairment	(17,469)	(24,760)	(42,229)
Carrying amount	2,065,080	1,673,384	3,738,464
Total outstanding	2,085,478	1,818,475	3,903,953
Total allowance for impairment	(20,398)	(60,082)	(80,480)
Total carrying amount	2,065,080	1,758,393	3,823,473

10 Ijara (continued)

Movement in allowance for impairment on Ijara during the year:

	2012 AED'000	2011 AED'000
At the beginning of the year	**80,480**	25,710
Charge of the year, net (Note 21)	**30,856**	54,770
At the end of the year	**111,336**	80,480

11 Investment securities

	2012 AED'000	2011 AED'000
Financial assets at fair value through profit and loss		
Quoted equity securities	**53,462**	10,363
Sukuk securities	**218,287**	-
Commodity linked securities	**37,151**	-
Other comprehensive income		
Quoted equity securities	**26,845**	21,954
Sukuk securities	**39,075**	-
Financial assets at amortised cost		
Sukuk securities	**2,427,737**	3,135,867
Allowance for impairment (Note 21)	**(2,938)**	(8,204)
Total investment securities	**2,799,619**	3,159,980

The investment security risk grade analysis based on external ratings or their equivalent for the year is shown below:

	2012 AED'000	2011 AED'000
A	**55,088**	110,175
A1	**74,931**	111,054
A2	**53,629**	235,971
A3	-	389
B+	**2,219**	1,607
B1	**189,059**	136,863
B3	-	70,002
Ba3	**6,874**	-
Baa3	**7,000**	70,000
BBB+	-	1,924
Unrated	**2,413,757**	2,430,199
	2,802,557	3,168,184

12 Investment property

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

	2012	2011
	AED'000	AED'000
At 1 January	**125,475**	144,584
Additions	**-**	21,298
Fair value movement	**(85,775)**	(40,407)
At 31 December	**39,700**	125,475

13 Property and equipment

Property and equipment at 31 December 2012 comprise:

	Leasehold improvements AED'000	Computer systems AED'000	Furniture and fixtures AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At 1 January 2012	181,761	132,549	58,528	1,006,112	1,378,950
Additions	810	14,200	2,678	204,477	222,165
Transfers	5,041	23,968	6,430	(35,439)	-
Disposal of fixed assets	-	-	(384)	-	(384)
At 31 December 2012	187,612	170,717	67,252	1,175,150	1,600,731
Accumulated depreciation					
At 1 January 2012	65,503	58,725	35,041	-	159,269
Charge for the year	22,626	33,366	16,113	-	72,105
Disposal of fixed assets	-	-	(384)	-	(384)
At 31 December 2012	88,129	92,091	50,770	-	230,990
Net book value at 31 December 2012	99,483	78,626	16,482	1,175,150	1,369,741

Capital work in progress includes property with a carrying value of AED 1,068 million (2011: AED 942 million).

13 Property and equipment (continued)

Property and equipment at 31 December 2011 comprise:

	Leasehold improvements AED'000	Computer systems AED'000	Furniture and fixtures AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At 1 January 2011	151,002	84,436	51,832	368,732	656,002
Additions	29,626	11,693	4,653	676,976	722,948
Transfers	1,133	36,420	2,043	(39,596)	-
At 31 December 2011	181,761	132,549	58,528	1,006,112	1,378,950
Accumulated depreciation					
At 1 January 2011	31,906	34,402	21,388	-	87,696
Charge for the year	33,597	24,323	13,653	-	71,573
At 31 December 2011	65,503	58,725	35,041	-	159,269
Net book value at 31 December 2011	116,258	73,824	23,487	1,006,112	1,219,681

14 Other assets

	2012 AED'000	2011 AED'000
Prepaid expenses	**38,756**	48,179
Income receivable	**71,683**	84,036
Takaful receivable	**96,399**	36,963
Murabaha inventory	**83,188**	91,494
Prepaid staff allowances	**22,347**	22,012
Others	**169,161**	90,975
Acceptances	**277,442**	207,070
	758,976	580,729

Others include promises to buy and sell foreign currencies which are carried at fair value and presented within other assets and other liabilities respectively. The notional amounts of these contracts are disclosed in note 24 of these consolidated financial statements.

15 Customers' accounts

	2012 AED'000	2011 AED'000
By account:		
Wakala deposits	**18,684,885**	14,782,331
Current accounts	**2,143,557**	2,087,329
Time deposits	**1,666,802**	1,324,983
Savings accounts	**2,461,420**	1,423,187
	24,956,664	19,617,830

15 Customers' accounts (continued)

	2012 AED'000	2011 AED'000
By sector:		
Government	**11,714,446**	9,435,556
Public	**168,651**	101,519
Corporate / private	**5,244,495**	4,749,227
Retail	**7,829,072**	5,331,528
	24,956,664	19,617,830

Government sector deposits include special deposits amounting to AED 42.2 million (2011: AED 42.2 million) received from the Ministry of Finance with original contractual maturity of 5 years which are exempted from reserve requirements.

16 Other liabilities

	2012 AED'000	2011 AED'000
Accounts payable	**268,964**	199,709
Accrued expenses	**328,099**	352,966
Charity payable	**2,896**	6,782
Advance administrative fees	**75,005**	73,056
Takaful liabilities	**105,618**	63,810
Others	**119,980**	70,468
Acceptances	**277,442**	207,070
	1,178,004	973,861

Others include promises to buy and sell foreign currencies, which are carried at fair value and are presented within other liabilities and other assets respectively.

Others include an amount of AED 21.8 million (2011: 15.7 million) of Depositors profit Reserve and the Zakat due on these reserves which pertains to depositors and charity. The group is discharging this Zakat on behalf of the depositors.

Charity payable represents profits forfeited by the Fatwa and Shariah Supervisory Board and late payment and over limit fees.

17 Share capital

Share capital
The authorized share capital of the Bank comprise of 4,000 million ordinary shares of AED 1 each. The issued and fully paid up share capital at 31 December 2012 comprise of 3,090 million ordinary shares of AED 1 each (2011: 2,590 million ordinary shares of AED 1 each).

Abu Dhabi Investment Council holds 100% of the issued and fully paid share capital. The Bank's shares are not listed on a recognized stock exchange.

During 2012, the Bank increased issued and paid up share capital by AED 250 million in April and AED 250 million in September through cash injection.

Statutory reserve
The UAE Commercial Companies Law No. (8) of 1984 (as amended) and the Bank's Articles of Association require that 10% of the annual net profit to be transferred to a statutory reserve until it equals 50% of the paid-up share capital. The statutory reserve is not available for distribution. During the year, AED 35,158 thousand (2011: 20,235 thousand) has been transferred to the Statutory reserve.

18 Income from ijara and islamic financing activities, net

	2012 AED'000	2011 AED'000
Income from Murabaha – corporate	**553,149**	497,677
Income from Murabaha – retail	**663,895**	624,658
Income from Ijara – corporate	**134,828**	127,213
Income from Ijara – retail	**147,021**	131,476
	1,498,893	1,381,024

19 Commission, fees and foreign exchange income, net

	2012 AED'000	2011 AED'000
Fee and commission income	**145,194**	125,963
Foreign exchange gains	**7,590**	5,671
Foreign exchange losses	**(1,168)**	(7)
Other income	**3,789**	9,472
	155,405	141,099

Commission, fees and foreign exchange income constitute part of profit distributable to the Shareholder. Fees and commission income include AED 1.7 million from fiduciary activities (2011: AED 0.6 million). Other income includes an amount of AED 1.5 million (2011: AED 7.1 million) relating to Takaful activities.

20 General and administrative expenses

	2012 AED'000	2011 AED'000
Rent expenses	**78,081**	75,057
Marketing and advertising expenses	**30,525**	24,987
Consultancy fees	**27,172**	9,255
Repair and maintenance	**16,858**	12,978
Communication	**12,215**	9,398
Other expenses	**109,165**	92,174
	274,016	223,849

Notes to the consolidated financial statements (continued)

21 Impairment charges on financial assets

	Murabaha and wakala deposits with banks and other financial institutions		Ijara		Receivables from islamic financing activities		Investment securities		Total	
	2012 AED'000	2011 AED'000	**2012 AED'000**	2011 AED'000	**2012 AED'000**	2011 AED'000	**2012 AED'000**	2011 AED'000	**2012 AED'000**	2011 AED'000
At 1 January	**11,803**	11,100	**80,480**	25,710	**405,387**	187,933	**8,204**	1,750	**505,874**	226,493
Charge for the year	**(573)**	703	**30,915**	54,770	**232,206**	218,412	**(5,266)**	6,454	**257,282**	280,339
Write offs and recoveries	-	-	**(59)**	-	**(30,478)**	(958)	-	-	**(30,537)**	(958)
Unwinding on renegotiated financings	-	-	-	-	**(5,939)**	-	-	-	**(5,939)**	-
At 31 December	**11,230**	11,803	**111,336**	80,480	**601,176**	405,387	**2,938**	8,204	**726,680**	505,874

22 Depositors' share of profits

The depositors' share of profits for the year ended 31 December has been supported by the Shareholder and is authorized by the Bank's Fatwa and Shariah Supervisory Board.

	2012 AED'000	2011 AED'000
Mudaraba	**54,044**	47,221
Wakala	**529,380**	574,585
	583,424	621,806

23 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts with original contractual maturities of less than one month:

	2012 AED'000	2011 AED'000
Cash and balances with banks	**1,437,224**	1,232,209
Murabaha and wakala deposits with banks and other financial institutions	**131,535**	288,079
Wakala deposits from banks	**(202,634)**	(956,165)
	1,366,125	564,123

24 Commitments and contingencies

	2012 AED'000	2011 AED'000
Letters of credit	**806,472**	443,798
Letters of guarantee	**5,593,303**	5,963,938
Irrevocable commitments to extend credit	**1,244,470**	2,319,239
Revocable commitments to extend credit	**3,197,994**	3,906,292
Capital commitments	**563,928**	436,447
Operating lease commitments	**165,525**	243,665

25 Islamic derivative financial instruments

In the ordinary course of business, the Group enters into various types of transactions that involve Islamic derivative financial instruments. Islamic derivative financial instruments include Islamic promises to exchange currency and / or cash flows.

Islamic derivatives are measured at fair value by reference to published price quotations in an active market, counterparty prices or valuation techniques such as discounted cash flows.

The table below shows the positive and negative fair values of Islamic derivative financial instruments together with the notional amounts.

The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

31 December 2012	**Positive market value AED'000**	**Negative market value AED'000**	**Notional amount AED'000**
Profit rate swaps	109,259	(109,259)	1,808,420
Promises to sell foreign currencies	646	(646)	110,175
	109,905	(109,905)	1,918,595
Held as fair value hedges:			
Profit rate swaps	38,128	(38,128)	3,672,500
	38,128	(38,128)	3,672,500
	148,033	(148,033)	5,591,095

31 December 2011	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000
Profit rate swaps	83,954	(83,954)	1,766,211
Promises to sell foreign currencies	1,074	(1,074)	110,175
	85,028	(85,028)	1,876,386
Held as fair value hedges:			
Profit rate swaps	-	-	-
	-	-	-
	85,028	(85,028)	1,876,386

26 Group entities

Subsidiaries	Country of incorporation	Ownership 2012	Ownership 2011
Al Hilal Takaful PSC	UAE	**100%**	100%
Al Hilal Auto LLC	UAE	**100%**	100%
Al Hilal Islamic Bank PJSC	Kazakhstan	**100%**	100%
Wataniya Development Fund Limited	Cayman Islands	**47%**	47%
Al Hilal Leasing LLP	Kazakhstan	**100%**	100%

27 Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, directors and key management personal of the Group. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management.

Parent and ultimate controlling party

Abu Dhabi Investment Council holds 100% of the issued and fully paid share capital. The Bank's shares are not listed on a recognized stock exchange.

Compensation of directors and key management personnel

Key management remuneration for the years ended 31 December 2012 and 31 December 2011 comprise:

	2012 AED'000	2011 AED'000
Short term employment benefits	**18,392**	17,218
Post employment benefits	**1,448**	1,458
Directors' remuneration	**2,647**	1,600

27 Related parties (continued)

Terms and conditions

Islamic financing and deposits are granted and accepted in various currency denominations and for various time periods. Profit rates earned on Murabaha financing facilities extended to related parties during the year have ranged from 0.65% to 6.85% per annum (2011: 1.50% to 6.5%).

Profit distribution rates paid on customers' deposits placed by related parties during the year have ranged from 0.51% to 3.76% per annum (2011: 0.71% to 4.5%)

Fees and commissions earned on transactions with related parties during the year have ranged from 0.2% to 1.2% per annum (2011: 0.17% to 1.2%).

Collaterals against financing to related parties range from being unsecured to fully secure.

At 31 December 2012, the balances and transactions with related parties comprise:

Balances:

	2012	2011
	AED'000	AED'000
Islamic financing facilities	**2,467,734**	2,103,083
Investment securities	**55,088**	-
Customers' accounts	**11,837,120**	9,649,271
Contingent liabilities	**14,561**	4,805

Transactions:

	2012	2011
	AED'000	AED'000
Fee and commission income	**318**	12
Financing income	**27,179**	76,433
Depositors' share of profits	**258,093**	249,881

Save for transactions carried out with the Parent and its group of companies, all transactions with the government and its related concerns are deemed to occur within the normal course of business.

Notes to the consolidated financial statements (continued)

28 Accounting classification and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values

				2012
	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets				
Cash and balances with banks	-	-	1,437,223	1,437,223
Murabaha and wakala deposits with banks and other financial institutions	-	-	2,805,778	2,805,778
Receivables from islamic financing activities	-	-	17,859,889	17,859,889
Ijara	-	-	5,050,982	5,050,982
Investment securities	308,900	65,920	2,424,799	2,799,619
Other assets	-	-	758,976	758,976
	308,900	**65,920**	**30,337,647**	**30,712,467**
Financial liabilities				
Customers' accounts	-	-	24,956,664	24,956,664
Wakala deposits from banks	-	-	2,491,598	2,491,598
Other liabilities	-	-	1,178,004	1,178,004
	-	-	**28,626,266**	**28,626,266**

28 Accounting classification and fair values (continued)

				2011
	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets				
Cash and balances with banks	-	-	1,232,209	1,232,209
Murabaha and wakala deposits with banks and other financial institutions	-	-	2,608,204	2,608,204
Receivables from islamic financing activities	-	-	15,501,327	15,501,327
Ijara	-	-	3,823,473	3,823,473
Investment securities	10,363	21,954	3,127,663	3,159,980
Other assets	-	-	580,729	580,729
	10,363	21,954	26,873,605	26,905,922
Financial liabilities				
Customers' accounts	-	-	19,617,830	19,617,830
Wakala deposits from banks	-	-	4,935,829	4,935,829
Other liabilities	-	-	973,861	973,861
	-	-	25,527,520	25,527,520

29 Fund management and fiduciary activities

The Group manages and administers assets held in trust or in fiduciary capacity on behalf of its customers. The underlying assets held in a custodial or fiduciary capacity are excluded from the consolidated financial statements of the Group.

The table below outlines the fair value of the funds and assets under management at the respective reporting dates.

	2012 AED'000	2011 AED'000
Global Sukuk Fund	**137,399**	-
GCC Equity Fund	**23,189**	26,900

30 Zakah

The Articles of Association of the Bank do not require management of the Bank to pay Zakah on behalf of the Shareholder. Consequently, the Zakah obligation is to be assessed and discharged by the Shareholder.

31 Comparative notes

Comparative figures have been reclassified to conform with the presentation for the current year.

Al Hilal Bank PJSC

Consolidated financial statements

31 December 2011

KPMG Lower Gulf Limited
Abu Dhabi Branch
P. O. Box 7613
Abu Dhabi
United Arab Emirates

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Independent auditor's report to the

The Shareholder
Al Hilal Bank PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Hilal Bank PJSC (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and Islamic Sharia's principles and in compliance with the relevant Articles of Association of the Bank and the UAE Federal law No: 8 of 1984 (as amended),and for such internal control as the management determines is necessary to enables the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Articles of Association of the Bank and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been maintained by the Group and that the contents of the Chairman's report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2011 which may have had a material adverse effect on the business of the Group or its consolidated financial position.

KPMG

Munther Dajani
Registration No. 268
13 February 2012

Al Hilal Bank PJSC

Consolidated statement of financial position as at 31 December 2011

	Note	2011 AED'000	2010 AED'000
Assets			
Cash and balances with banks	7	**1,232,209**	1,139,938
Murabaha and Wakala deposits with banks and other financial institutions	8	**2,608,204**	5,430,280
Receivables from Islamic financing activities	9	**15,501,327**	11,155,499
Ijara	10	**3,823,473**	4,163,179
Investment securities	11	**3,159,980**	2,773,116
Investment property	24	**125,475**	144,584
Property and equipment	12	**1,219,681**	568,306
Other assets	13	**580,729**	417,653
Total assets		**28,251,078**	25,792,555
Liabilities			
Customers' accounts	14	**19,617,830**	18,109,427
Wakala deposits from banks		**4,935,829**	4,930,049
Other liabilities	15	**973,861**	783,966
Total liabilities		**25,527,520**	23,823,442
Equity			
Share capital	16	**2,590,000**	2,000,000
Statutory reserve		**34,252**	14,017
Other reserves		**(17,016)**	(3,152)
Retained earnings / (accumulated losses)		**45,441**	(134,974)
Total equity attributable to the equity holder of the Bank		**2,652,677**	1,875,891
Non - controlling interest		**70,881**	93,222
Total equity		**2,723,558**	1,969,113
Total liabilities and equity		**28,251,078**	25,792,555

Chairman

Chief Executive Officer

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements
The independent auditors' report is set out on pages 5 and 6

Al Hilal Bank PJSC

Consolidated statement of comprehensive income for the year ended 31 December 2011

	Note	**2011 AED'000**	2010 AED'000
Income			
Income from Ijara and Islamic financing activities, net	17	**1,381,024**	1,032,740
Income from Wakala investments		**79,376**	93,395
Investment income		**115,426**	127,778
Commission, fees and foreign exchange income, net	18	**141,099**	128,278
		1,716,925	1,382,191
Expenses			
Personnel costs		**(339,353)**	(293,234)
General and administrative expenses	19	**(223,849)**	(195,642)
Impairment charges	20	**(280,339)**	(188,647)
Depreciation	12	**(71,573)**	(56,234)
Profit before depositors' share of profits		**801,811**	648,434
Depositors' share of profits	21	**(621,806)**	(517,378)
Profit for the year		**180,005**	131,056
Attributable to:			
Equity holder of the Bank		**202,346**	133,506
Non-controlling interest		**(22,341)**	(2,450)
		180,005	131,056
Other comprehensive income / (expenses)			
Unrealized revaluation losses on investment securities		**(16,875)**	(2,677)
Exchange difference on translation of foreign operation		**3,011**	299
Other comprehensive expenses for the year		**(13,864)**	(2,378)
Total comprehensive income for the year		**166,141**	128,678
Attributable to:			
Equity holder of the Bank		**188,482**	131,128
Non-controlling interest		**(22,341)**	(2,450)
		166,141	128,678

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements
The independent auditors' report is set out on pages 5 and 6

Consolidated statement of changes in equity for the year ended 31 December 2011

	Attributable to equity holder of the Bank							
	Share capital	Foreign currency translation reserve	Statutory reserve	Revaluation reserve	(Accumulated losses)/ Retained Earnings	**Total**	Non-controlling interest	**Total equity**
	AED'000	AED'000	AED'000	AED'000	AED'000	**AED'000**	AED'000	**AED'000**
At 1 January 2010	2,000,000	-	-	(774)	(254,463)	**1,744,763**	95,672	**1,840,435**
Comprehensive income for the year	-	299	-	(2,677)	133,506	**131,128**	(2,450)	**128,678**
Issue of new shares	-	-	-	-	-	**-**	-	**-**
Transfer to statutory reserve	-	-	14,017	-	(14,017)	**-**	-	**-**
At 31 December 2010	2,000,000	299	14,017	(3,451)	(134,974)	**1,875,891**	93,222	**1,969,113**
Comprehensive income for the year	-	3,011	-	(16,875)	202,346	**188,482**	(22,341)	**166,141**
Directors' remuneration paid	-	-	-	-	(1,696)	**(1,696)**	-	**(1,696)**
Issue of new shares	590,000	-	-	-	-	**590,000**	-	**590,000**
Transfer to statutory reserve	-	-	20,235	-	(20,235)	**-**	-	**-**
At 31 December 2011	2,590,000	3,310	34,252	(20,326)	45,441	**2,652,677**	70,881	**2,723,558**

The revaluation reserve will ultimately be distributed to Mudaraba pool.

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements
The independent auditors' report is set out on pages 5 and 6

Al Hilal Bank PJSC

Consolidated statement of cash flows for the year ended 31 December 2011

	2011 AED'000	2010 AED'000
Cash flows from operating activities		
Profit for the year	**180,005**	131,056
Adjustment for:		
Depreciation	**71,573**	56,234
Impairment charges on financial assets	**280,339**	188,647
Unrealised revaluation loss on investment property	**40,407**	2,600
Unrealised translation gain	**3,011**	299
Unrealised valuation loss on investments	**(16,875)**	(2,378)
	558,460	376,458
Change in Murabaha and Wakala deposits with banks	**2,669,452**	(2,730,417)
Change in Receivables from Islamic financing activities	**(4,564,239)**	(3,636,949)
Change in Ijara	**284,936**	(1,616,143)
Change in Other assets	**(163,076)**	(183,291)
Change in Customers' accounts	**1,508,402**	6,267,456
Change in Other liabilities	**189,895**	82,327
Change in Wakala deposits from banks	**(390,386)**	4,220,050
Net cash provided by operating activities	**93,444**	2,779,491
Cash flows from investing activities		
Acquisition of property and equipment	**(722,948)**	(69,193)
Investment securities	**(393,317)**	173,550
Acquisition of investment property	**(21,298)**	(2,300)
Net cash (used in) / provided by investing activities	**(1,137,563)**	102,057
Cash flows from financing activities		
Issue of share capital	**590,000**	-
Others	**(1,696)**	-
Net cash provided by financing activities	**588,304**	-
Net (decrease) / increase in cash and cash equivalents	**(455,815)**	2,881,548
Cash and cash equivalents, beginning of the year	**1,019,938**	(1,861,610)
Cash and cash equivalents, end of the year (Note 22)	**564,123**	1,019,938

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements
The independent auditor's report is set out on pages 5 and 6

1 Legal status and principal activities

Al Hilal Bank PJSC (the "Bank") was incorporated in Abu Dhabi, United Arab Emirates ("UAE") on 18 June 2007 by virtue of Amiri Decree number 21 of 2007, with limited liability, and is registered as a Public Joint Stock Company in accordance with the United Arab Emirates Federal Law number 8 of 1984 (as amended), United Arab Emirates Federal Law number 10 of 1980 (as amended) and United Arab Emirates Federal Law number 6 of 1985 regarding Islamic banks, financial institutions and investment companies.

Its registered office address is P. O. Box 63111, Abu Dhabi, United Arab Emirates. The consolidated financial statements of the Group as at and for the year ended 31 December 2011 comprise the Bank and its subsidiaries (Note 25) (together referred to as the "Group"). The Group is primarily involved in Islamic corporate, retail and investment banking activities as well as Islamic insurance ("Takaful") and carries out its operations through its branches in the United Arab Emirates and subsidiaries located in the United Arab Emirates and Kazakhstan. The consolidated financial statements of the Group include the shareholder and depositors' funds.

The consolidated financial statements were authorized for issue by the Board of Directors on 13 February 2012.

2 Basis of preparation

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Group has adopted amendments to IAS 24 from 1 January 2011 as well as International Financial Reporting Standard 9 from 1 October 2010, as well as the related consequential amendments to other IFRSs, because this new accounting policy provides reliable and more relevant information to users to assess the amounts, timing and uncertainty of future cash flows.

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirement of UAE Federal Law No. 8 of 1984 (as amended).

The Group has adopted IFRS 9, financial instruments in 2010 in advance of its effective date. The Group has chosen 1 October 2010 as its date of initial application.

2 Basis of preparation (continued)

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for the following:

- Off balance sheet financial instruments are measured at fair value;
- Investment in equity instruments are measured at fair value;
- Other financial assets not held in business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payment of principal and profit are measured at fair value;
- Investment property is measured at fair value.

c) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the note 5.

d) Functional and presentation currency

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates ("the functional currency"). The consolidated financial statements are presented in Arab Emirate Dirham ("AED"), which is the Group's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

2 Basis of preparation (continued)

d) Functional and presentation currency (continued)

iii. Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of other financial instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Basis of preparation (continued)

e) Standards early adopted by the Group

IFRS 9, 'Financial instruments: Classification and measurement', effective 1 January 2013.

IFRS 9 was issued in November 2009. It replaces the parts of IAS 39 that relate to the classification and measurement of financial assets. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Adoption of IFRS 9 is mandatory from 1 January 2013; earlier adoption is permitted.

The Group has early adopted IFRS 9 from 1 October 2010, as well as the related consequential amendments to other IFRSs, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions of the standard, comparative figures have not been restated.

The Group's management has assessed the financial assets held by the Group at the date of initial application of IFRS 9 (1 October 2010). The main effects resulting from this assessment were:

- Investments in Sukuk instruments, previously classified as available-for-sale, meet the criteria to be classified as at amortized cost in accordance with IFRS 9. They are now therefore classified as financial assets at amortized cost.
- Equity investments not held for trading that were previously measured at fair value and classified as available-for-sale have been designated as at fair value through other comprehensive income and profit and loss.

3 Group accounting policies

a) Islamic financial assets

i. Murabaha

Murabaha receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. A Murabaha contract is a sale of goods with an agreed upon profit mark up on the cost of the goods. A Murabaha contract is of two categories. In the first category, the Bank purchases the goods and makes it available for sale without any prior promise from a customer to purchase it. In the second category, the Bank purchases the goods ordered by a customer from a third party and then sells these goods to the same customer. In the latter case, the Bank purchases the goods only after a customer has made a promise to purchase them from the Bank.

ii. Ijara Muntahia Bittamleek

A form of leasing contract which includes a promise by a lessor to transfer the ownership in the leased property to the lessee, either at the end of the term of the Ijara period or by stage during the term of the contract.

iii. Wakala deposits

Wakala deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Wakala is an act of one party delegating the other to act on its behalf in what can be a subject matter of delegation and it is thus permissible. This is an agreement whereby the Bank provides a certain amount of money to an agent who invests it according to specific conditions in return for a certain fee. The agent shall be held responsible if it acts in bad faith or with reckless indifference to Bank's interest.

iv. Mudaraba

Mudaraba is a contractual arrangement whereby two or more parties undertake an economic activity. Mudaraba is a partnership in profit between capital and work. It may be conducted between investment account holders as providers of funds and the Bank as a Mudarib. The Bank announces its willingness to accept the funds of investment account holders, the sharing of the profits being as agreed between the two parties and the losses being borne by the provider of the funds except if they were due to misconduct, negligence or violation of the conditions agreed upon by the Bank, in which case, such losses would be borne by the Bank.

3 Group accounting policies (continued)

b) Consolidation

i. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii. Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

3 Group accounting policies (continued)

b) Consolidation (continued)

iii. Fund management

The Group manages and administers assets held in trust or in fiduciary capacity on behalf of investors. The financial statements of these funds are not included in these consolidated financial statements. Information about the Group's fund management and fiduciary activity is set out in note 29.

iv. Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific financing transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. Information about the Group's special purpose entities is set out in note 25.

c) Property and equipment

Land and buildings comprise mainly branches and offices. Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

3 Group accounting policies (continued)

d) Property and equipment (continued)

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the consolidated statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated statement of comprehensive income, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Leasehold improvements — 7 years (Prior year: 7 years)
- Computer systems and equipment — 4 years (Prior year: 4 years)
- Furniture, equipment, safes, and vehicles — 4 years (Prior year: 4 years)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

e) CWIP accounting policy

Properties or assets in the course of construction for production, supply or administrative purposes, or for the purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct cost attributable to design and construction of the property including related staff costs, and for qualifying assets, financing costs capitalised in accordance with Bank's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is depreciated in accordance with the Bank's policies.

3 Group accounting policies (continued)

f) Qard Hassan

Qard Hassan receivables are non-profit bearing financing receivables whereby the customer borrows funds for a period of time with an understanding that the same amount shall be repaid at the end of the agreed period.

g) Swap transactions

Currency and profit rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or profit rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency profit rate swaps). The Bank's credit risk represents the potential loss if counterparties fail to fulfill their obligation.

This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market
To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its financing activities.

h) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

i) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, due from banks, balances with Central Bank, Murabaha and Wakala deposits with banks and financial institutions with original maturity of less than one month (2010: three months) which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3 Group accounting policies (continued)

j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are recognized as deduction from equity.

k) Customers' accounts and Wakala deposits from banks

Customers' accounts and Wakala deposits from banks are initially recognized at fair value less transaction costs and are subsequently are measured at amortized cost.

l) Financial assets

Classification prior to 1 October 2010
The Group classifies its financial assets in the following categories: at fair value through profit or loss, receivables from Islamic financing activities, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

ii. Receivables from Islamic financing activities

Receivables from Islamic financing activities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

3 Group accounting policies (continued)

l) Financial assets (continued)

iv. Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Receivables from Islamic financing activities are subsequently carried at amortized cost using the effective profit rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income.

Profit on available-for-sale securities calculated using the effective profit method is recognized in the consolidated statement of comprehensive income. Dividends on available-for sale equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive payments is established.

Classification subsequent to 1 October 2010
As from 1 October 2010, the Group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortized cost. This classification depends on whether the financial asset is a Sukuk or equity investment.

3 Group accounting policies (continued)

m) Sukuk Investments

i. Financial assets at amortized cost

A Sukuk investment is classified as 'amortized cost' only if both of the following criteria are met: objective of the Group's business model is to hold assets to collect the contractual cash flows; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal outstanding.

ii. Financial assets at fair value

If either of the two criteria above are not met, the Sukuk instrument is classified as 'fair value through profit or loss'.

The Group has not designated any Sukuk investment as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the Group can make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss.

Regular purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss is expensed in the consolidated statement of comprehensive income. A gain or loss on a Sukuk investment that is subsequently measured at fair value and is not part of a hedging relationship is recognized in profit or loss and presented in the consolidated statement of comprehensive income in the period in which they arise. A gain or loss on a Sukuk investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the financial asset is derecognized or impaired and through the amortization process using the effective profit rate method.

3 Group accounting policies (continued)

m) Sukuk Investments (continued)

ii. Financial assets at fair value (continued)

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present unrealized and realized fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as long as they represent a return on investment. The Group is required to reclassify all affected Sukuk investments when and only when its business model for managing those assets changes.

The Group makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual profit revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

3 Group accounting policies (continued)

n) Impairment of financial assets

i. Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets measured at amortized cost is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the debtor or issuer, default or delinquency by a debtor, restructuring of a financing by the Group on terms that the Group would not otherwise consider, indication that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of debtors or issuers in the group of assets, or economic conditions that correlate with defaults in the group of assets.

ii. Assets classified as available-for-sale (applicable until 30 September 2010)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For sukuk securities, the Group uses the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the separate consolidated statement of comprehensive income. Impairment losses recognized in the separate consolidated statement of comprehensive income on equity instruments are not reversed through the separate consolidated statement of comprehensive income.

If, in a subsequent period, the fair value of a Sukuk instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the separate consolidated statement of comprehensive income.

3 Group accounting policies (continued)

o) De-recognition of financial assets

The Group derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Group is recognised as separate asset or liability in the statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

p) Financial liabilities

Other financial liabilities, including Group financing and customers' deposits, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective profit method, with profit expense recognised on an effective yield basis.

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3 Group accounting policies (continued)

q) Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

i. Profit income

Profit income is recognized using the effective profit rate method. When a financing receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective profit rate of the instrument, and continues unwinding the discount as profit income. Profit income on impaired finance facilities and receivables are recognized using the original effective profit rate.

ii. Dividend income

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income or net income from other financial instruments at fair value through profit or loss based on the underlying classification of the equity investment. Dividends on equity instruments designated as at fair value through other comprehensive income are presented in other revenue in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is presented in other comprehensive income..

iii. Fee and commission income

Fees and commissions income relating to underwriting and financing activities of the Group is recognized when the service has been provided.

r) Investment property

Investment property is property held for rental income or for capital appreciation, or both, but not for sale in the ordinary course of business, use in the production, supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognized in the consolidated statement of comprehensive income.

3 Group accounting policies (continued)

s) Lease payment

Payments made under operating leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

t) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where a restructuring agreement has taken place, the effect of the increase in tenor and/ or amendment in rate is reviewed and provisioned for as per IAS 39.

u) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

v) Staff terminal benefits

UAE operations: UAE nationals employed by the Group are registered in the scheme managed by Abu Dhabi Retirement Pensions & Benefits Fund in accordance with Law number (2) of 2000. Staff terminal benefits for expatriate employees are accounted for on the basis of their accumulated services at the reporting date and in accordance with the Group's internal regulations, which comply with the UAE federal labour law.

An actuarial valuation is not performed on staff terminal and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation are not expected by management to be significant.

Foreign operations: the Group provides for staff terminal benefits for its employees based overseas in accordance with the applicable regulations in those jurisdictions.

w) Director's remuneration

In accordance with the Ministry of Economy and Commerce interpretation of Article 119 of Federal Law No. 8 of 1984 (as amended), Directors' remuneration has been treated as an appropriation from equity.

3 Group accounting policies (continued)

x) Financial guarantee

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

For other financial guarantee contracts, financial guarantees are initially recognised at their fair value (which is the premium received on issuance). The received premium is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). The premium received on these financial guarantees is included within other liabilities.

y) Takaful contracts

i. Classification

The Group issues contracts that transfer either Takaful risk or both Takaful and financial risks. The Group does not issue contracts that transfer only financial risks.

Contracts under which the Group accepts significant Takaful risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as Takaful contracts.

Takaful contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified profit rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where Takaful risk is not significant are classified as investment contracts. Once a contract is classified as a Takaful contract it remains classified as a Takaful contract until all rights and obligations are extinguished or expire.

3 Group accounting policies (continued)

y) Takaful contracts (continued)

ii. Recognition and measurement

Gross written contributions, in respect of annual policies, are recognised in the consolidated statements of comprehensive income at the inception of the policy. In respect to policies with a term of more than one year, the contributions are spread over the tenure of the policies on a straight line basis, and the unexpired portion of such contributions is included under "unearned contributions" in the consolidated statement of financial position.

iii. Claims

Claims incurred comprise the settlement, the internal and external handling costs of paid and changes in the provisions for outstanding claims arising from events occurring during the year. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly by management of the Group.

iv. Gross claims paid

Gross claims paid are recognised in the consolidated statement of income when the claim amount payable to policyholders and third parties is determined as per the terms of the Takaful contracts.

v. Claims recovered

Claims recovered include amounts recovered from reTakaful companies in respect of the gross claims paid by the Group, in accordance with the reTakaful contracts held by the Group. It also includes salvage and other claims recoveries.

3 Group accounting policies (continued)

y) Takaful contracts (continued)

vi. Gross outstanding and IBNR claims

Gross outstanding claims comprise the estimated costs of claims incurred but not settled at the consolidated financial position date. Provisions for reported claims not paid as at the end of the reporting period are made on the basis of individual case estimates. This provision is based on the estimate of the loss, which will eventually be payable on each unpaid claim, established by the management in the light of currently available information and past experience. An additional net provision is also made for any claims incurred but not reported ("IBNR") at the end of the reporting period, on the basis of management estimates.

The reTakaful share of the gross outstanding claims is estimated and shown separately.

vii. Unearned contribution reserves

A provision is made for contribution deficiency arising from general Takaful contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the consolidated financial position date exceeds the unearned contributions provision and already recorded claim liabilities in relation to such policies. The provision for contribution deficiency is calculated by reference to classes of business which are managed together.

viii. ReTakaful

The Group cedes reTakaful in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reTakaful contracts are presented separately from the assets, liabilities, income and expense from the related Takaful contracts because the reTakaful arrangements do not relieve the Group from its direct obligations to its policyholders.

Amounts due to and from reTakaful are accounted for in a manner consistent with the related contributions and is included in reTakaful assets.

3 Group accounting policies (continued)

y) Takaful contracts (continued)

viii. ReTakaful (continued)

ReTakaful assets are assessed for impairment at the end of each reporting period. A reTakaful asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on reTakaful assets are recognised in consolidated statement of income in the year in which they are incurred.

Commission in respect of reTakaful contracts is recognised on an accrual basis.

viii. Takaful receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in other assets and other liabilities, respectively, and not in Takaful contract provisions or reTakaful assets.

ix. Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities using current estimates of future cash flows under Takaful contracts. In performing these, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets supporting such liabilities are used. Any deficiency in the carrying amounts is immediately charged to the statement of comprehensive income by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

z) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that are issued but not effective for accounting period starting 1 January 2011, and have not been early adopted in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

4 Financial risk management

Financial risk factors

Introduction and overview

The Group's activities expose it to a variety of financial risks and involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realizable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established a Board Risk Committee, comprising members from the Board, to monitor the Bank's credit, operational and market risks. The Board has further set up from within management, Assets and Liabilities Committee ("ALCO"), Risk Committee, Management Credit Risk Committee ("MCRC") and Investment Committee.

A separate Risk Management Group, reporting to the Risk Management Committee, assists in carrying out the oversight responsibility of the Board.

The Board has established a Bank Audit Committee, which is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework. The Bank's Audit Committee is assisted in these functions by the Internal Audit Department.

The risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, on an ongoing basis, to reflect changes in market conditions, products and services offered.

4 Financial risk management (continued)

a) Credit risk and concentrations of risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from Islamic financing activities, Ijara and investments. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Risk Management Group develops and maintains the Group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of twenty five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the Risk Management Group and the concerned business unit.

Risk Management Group assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

In addition, the Group manages the credit exposure by obtaining security where appropriate and 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. Regular audits of business units and credit processes are undertaken by the Internal Audit Department.

4 Financial risk management (continued)

a) Credit risk and concentrations of risk (continued)

Exposure to credit risk

The Bank measure its exposures to credit risk by reference to gross carrying amount of financial assets less amounts offset, profit suspended and impairment losses, if any.

At 31 December 2011 and 31 December 2010, the Bank's maximum exposure to credit risk before collateral held or other credit enhancements was as follows:

	2011 AED'000	2010 AED'000
Assets		
Cash and balances with banks	**1,232,209**	1,139,938
Murabaha and Wakala deposits with banks and other financial institutions	**2,608,204**	5,430,280
Receivables from Islamic financing activities	**15,501,327**	11,155,499
Ijara	**3,823,473**	4,163,179
Investment securities	**3,159,980**	2,773,116
Investment property	**125,475**	144,584
Property and equipment	**1,219,681**	568,306
Other assets	**580,729**	417,653
	28,251,078	25,792,555
Contingencies and commitments (Note 23)	**12,739,045**	14,070,234

The above table represents a worst case scenario of credit risk exposure of the Group at 31 December 2011 and 31 December 2010 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position, at those respective dates.

Al Hilal Bank PJSC

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

a) Credit risk and concentrations of risk (continued)

At 31 December 2011 and 31 December 2010, the distribution by geographical region of major categories of assets, liabilities, contingencies and commitments was as follows:

2011

	United Arab Emirates AED'000	**Kazakhstan AED'000**	**Others AED'000**	**Total AED'000**
Assets				
Cash and balances with banks	985,949	154,434	91,826	1,232,209
Murabaha and Wakala deposits with banks and other financial institutions	2,608,204	-	-	2,608,204
Receivables from Islamic financing activities	15,501,327	-	-	15,501,327
Ijara	3,782,098	41,375	-	3,823,473
Investment securities	3,159,980	-	-	3,159,980
Investment property	125,475	-	-	125,475
Property and equipment	1,200,031	19,650	-	1,219,681
Other assets	575,133	5,596	-	580,729
	27,938,197	221,055	91,826	28,251,078
Contingencies and commitments	12,738,990	55	-	12,739,045

2010

	United Arab Emirates AED'000	Kazakhstan AED'000	Others AED'000	Total AED'000
Assets				
Cash and balances with banks	981,865	142,039	16,034	1,139,938
Murabaha and Wakala deposits with banks and other financial institutions	5,363,900	66,380	-	5,430,280
Receivables from Islamic financing activities	11,155,499	-	-	11,155,499
Ijara	4,163,179	-	-	4,163,179
Investment securities	2,773,116	-	-	2,773,116
Investment property	144,584	-	-	144,584
Property and equipment	565,764	2,542	-	568,306
Other assets	416,033	1,620	-	417,653
	25,563,940	212,581	16,034	25,792,555
Contingencies and commitments	14,070,234	-	-	14,070,234

4 Financial risk management (continued)

a) Credit risk and concentrations of risk (continued)

Impairment and provisioning policies
Impaired receivables from Islamic financing activities are financial assets carried at amortized cost for which the Group determines that it is probable that it will be unable to collect all principal and profit due according to the contractual terms of the related financial assets. These financial assets are graded in accordance with the Group's internal credit risk grading system.

Past due but not impaired financial assets
Past due but not impaired financial assets, are those for which contractual profit or principal payments are past due but the Group believes that impairment of such financial assets is not appropriate on the basis of the level of security, collateral available and / or the stage of collection of amounts owed to the Group.

Financial assets with renegotiated terms
Financial assets with renegotiated terms are facilities that have been restructured due to the deterioration in the customer's financial position and where the Group has made concessions that it would not otherwise consider. Once the facility is restructured it remains in this category independent of satisfactory performance after restructuring.

During the year ended 31 December 2011, the Group renegotiated facilities with a carrying value of AED 810 million (2010: AED 768 million) (note 9).

Allowances for impairment
The Group establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of incurred losses on its financial assets. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on facilities that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but were not found to be individually impaired. Individually assessed facilities are required to be classified as impaired as soon as there is objective evidence that an impairment loss has been incurred. Objective evidence of impairment includes observable data as to when contractual payment of principal or profit is overdue or there is known difficulties in the cash flows of counterparties; credit rating downgrades or original terms of the contractual repayment are unable to be met.

4 Financial risk management (continued)

a) Credit risk and concentrations of risk (continued)

Settlement Risk
The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Any delays in settlement are rare and are monitored and quantified as part of the Bank framework and Operational Risk Management.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described above. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Bank Risk Management Group under credit risk.

Collateral Risk
As at 31 December 2011, the Group held credit risk mitigants with an estimated value of AED 7,900 million against receivables from Islamic financing activities, Ijara finance and investments in the form of real estate guarantee, other securities over assets, cash deposits and guarantees. The Group accepts sovereign guarantees and guarantees from well reputed local or international banks, well established local or multinational large corporate and high net-worth private individuals. Collateral generally is not held against Murabaha and Wakala deposits with banks and other financial institutions, and no such collateral was held at 31 December 2011 or 31 December 2010.

b) Market risk

The Group is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

Overall authority for market risk is vested in Asset and Liability Committee (ALCO). The Risk Management Group is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day to day review of their implementation.

4 Financial risk management (continued)

b) Market risk (continued)

i. Price risk

The Group was exposed to price risk arising from its investment securities portfolio classified on the financial statements as Available for Sale ("AFS") and Fair Value through Profit and Loss ("FVTPL") until 30 September 2010 and at fair value through profit and loss and other comprehensive income subsequent to the early adoption of IFRS 9.

Most of the Group's investment securities are publicly traded and the table below summarizes the impact of a 10% increase / decrease of the prices of the major components of its investment securities portfolio, on the Group's results and equity for the year ended 31 December 2011. The analysis is based on the assumptions that all other variables will remain constant and, where applicable, the Group's investments moved according to the historical correlation of the relevant index.

	Impact on results and equity of the Group	
	2011	2010
	AED'000	AED'000
± 10 % change in equity prices	**3,232**	3,005

ii. Currency risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Senior management sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, and monitors currency positions on a daily basis.

At 31 December 2011 and 31 December 2010, the Group's foreign currency exposure to significant currencies comprised:

	Net open position	Net open position
	2011	2010
	AED'000	AED'000
Currency		
Euro	**17,403**	1,132
Various currencies	**1,094**	45,804

4 Financial risk management (continued)

b) Market risk (continued)

ii. Currency risk (continued)

Had the exchange rate between the various currencies and the AED increased or decreased by 10 %, with all other variables held constant, the impact on the results and equity of the Group would not have been material as the exposure primarily related to currencies that were pegged to the AED.

iii. Profit rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of profit rates on cash flows. Senior management sets limits and monitors the level of mismatch of profit rate re-pricing that may be undertaken by the Group.

During the year ended 31 December 2011, had profit rates increased/decreased by 100 basis points, with all other variables remaining constant, the impact on the results and equity of the Group would have been as follows:

	Impact on results and equity of the Group	
	2011	2010
	AED'000	AED'000
± 100 basis points change in profit rates	**70,674**	36,062

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

b) Market risk (continued)

iii Profit rate risk (continued)

A summary of the Group's profit rate re-pricing as at 31 December 2011 is as follows:

	Less than 3 months AED'000	3 – 6 months AED'000	6 – 12 months AED'000	1 – 5 years AED'000	Greater than 5 years AED'000	Non-sensitive AED'000	Total AED'000
Assets							
Cash and balances with banks	-	-	-	-	-	1,232,209	1,232,209
Murabaha and Wakala deposits with banks and other financial institutions	2,511,384	3,761	-	4,855	-	88,204	2,608,204
Receivables from Islamic financing activities	6,865,168	964,689	873,762	3,454,349	3,046,025	297,334	15,501,327
Ijara	1,801,545	1,936,106	17,991	67,831	-	-	3,823,473
Investment securities	460,000	-	-	2,656,137	-	43,843	3,159,980
Other assets	-	-	-	-	-	580,729	580,729
Total assets	11,638,097	2,904,556	891,753	6,183,172	3,046,025	2,242,319	26,905,922
Liabilities							
Customers' accounts	7,691,119	2,539,533	5,281,602	1,889,880	-	2,215,696	19,617,830
Wakala deposits from banks	4,890,231	3,760	5,105	4,855	-	31,878	4,935,829
Other liabilities	-	-	-	-	-	973,861	973,861
Total liabilities	12,581,350	2,543,293	5,286,707	1,894,735	-	3,221,435	25,527,520
Net position	(943,253)	361,263	(4,394,954)	4,288,437	3,046,025	(979,116)	1,378,402

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

b) Market risk (continued)

iii Profit rate risk (continued)

A summary of the Group's profit rate re-pricing as at 31 December 2010 is as follows:

	Less than 3 months AED'000	3 – 6 months AED'000	6 – 12 months AED'000	1 – 5 years AED'000	Greater than 5 years AED'000	Non-sensitive AED'000	Total AED'000
Assets							
Cash and balances with banks	-	-	-	-	-	1,139,938	1,139,938
Murabaha and Wakala deposits with banks and other financial institutions	3,228,900	2,135,876	29,013	15,469	-	21,022	5,430,280
Receivables from Islamic financing activities	2,725,561	2,729,286	1,981,024	1,798,342	1,921,286	-	11,155,499
Ijara	490,717	3,597,146	51,178	24,138	-	-	4,163,179
Investment securities	429,000	70,000	91,813	2,152,252	-	30,051	2,773,116
Other assets	-	-	-	-	-	417,653	417,653
Total assets	6,874,178	8,532,308	2,153,028	3,990,201	1,921,286	1,608,664	25,079,665
Liabilities							
Customers' accounts	3,339,016	8,689,377	1,560,142	2,934,165	-	1,586,727	18,109,427
Wakala deposits from banks	3,055,299	1,874,750	-	-	-	-	4,930,049
Other liabilities	-	-	-	-	-	783,966	783,966
Total liabilities	6,394,315	10,564,127	1,560,142	2,934,165	-	2,370,693	23,823,442
Net position	479,863	(2,031,819)	592,886	1,056,036	1,921,286	(762,029)	1,256,223

4 Financial risk management (continued)

b) Market risk (continued)

iv. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations associated with its financial liabilities.

Management of liquidity risk
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The treasury department receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The treasury department, then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and subsidiaries are met through short-term financing from the treasury department to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. The daily liquidity position is monitored and regular stress testing is conducted under a variety of scenarios covering the normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of both the Group and operating subsidiaries and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group relies on customers' accounts and Wakala deposits from banks as its primary sources of funding. Customers' accounts and Wakala deposits from banks generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the Group's liquidity risk and the Group actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Exposure to liquidity risk
The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to customers' accounts. For this purpose net liquid assets are considered as including cash and balances with banks and Wakala deposits with banks less any customers' deposits and Wakala deposits from banks, and commitments maturing within the next month.

Notes to the consolidated financial statements (continued)

Financial risk management (continued)

b) Market risk (continued)

iv. Liquidity risk (continued)

A summary of the Group's maturity profile as at 31 December 2011 is as follows:

	Less than 3 months AED'000	3 – 12 months AED'000	1 – 5 years AED'000	Greater than 5 years AED'000	Total AED'000
Assets					
Cash and balances with banks	1,232,209	-	-	-	1,232,209
Murabaha and Wakala deposits with banks and other financial institutions	2,511,384	3,761	4,855	88,204	2,608,204
Receivables from Islamic financing activities	1,198,286	2,827,050	7,077,839	4,398,152	15,501,327
Ijara	379,128	503,829	1,363,405	1,577,111	3,823,473
Investment securities	40,854	-	3,116,136	2,990	3,159,980
Other assets	-	-	-	580,729	580,729
Total assets	5,361,861	3,334,640	11,562,235	6,647,186	26,905,922
Liabilities					
Customers' accounts	7,827,640	8,431,310	3,358,880	-	19,617,830
Wakala deposits from banks	4,885,358	8,865	4,855	36,751	4,935,829
Other liabilities	-	-	-	973,861	973,861
Total liabilities	12,712,998	8,440,175	3,363,735	1,010,612	25,527,520
Net position	(7,351,137)	(5,105,535)	8,198,500	5,636,574	1,378,402

4 Financial risk management (continued)

b) Market risk (continued)

iv. Liquidity risk (continued)

A summary of the Group's maturity profile as at 31 December 2010 is as follows:

	Less than 3 months AED'000	3 – 12 months AED'000	1 – 5 years AED'000	Greater than 5 years AED'000	Total AED'000
Assets					
Cash and balances with banks	1,139,938	-	-	-	1,139,938
Murabaha and Wakala deposits with banks and other financial institutions	3,240,000	2,164,889	15,469	9,922	5,430,280
Receivables from Islamic financing activities	638,899	2,554,356	5,455,932	2,506,312	11,155,499
Ijara	230,833	1,265,161	1,416,922	1,250,263	4,163,179
Investment securities	25,558	91,813	2,647,413	8,332	2,773,116
Other assets	-	-	-	417,653	417,653
Total assets	5,275,228	6,076,219	9,535,736	4,192,482	25,079,665
Liabilities					
Customers' accounts	4,925,791	10,249,520	2,934,116	-	18,109,427
Wakala deposits from banks	3,055,299	1,874,750	-	-	4,930,049
Other liabilities	-	-	-	783,966	783,966
Total liabilities	7,981,090	12,124,270	2,934,116	783,966	23,823,442
Net position	(2,705,862)	(6,048,051)	6,601,620	3,408,516	1,256,223

4 Financial risk management (continued)

b) Market risk (continued)

iv. Liquidity risk (continued)

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011:

Assets	**Level 1** AED'000	**Level 2** AED'000	**Level 3** AED'000	**Total** AED'000
Equity and other investments	32,317	-	-	32,317

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010:

Assets	**Level 1** AED'000	**Level 2** AED'000	**Level 3** AED'000	**Total** AED'000
Equity and other investments	30,052	-	-	30,052

4 Financial risk management (continued)

b) Market risk (continued)

v. Takaful and reTakaful risk

a) *Takaful risk*
Takaful risk is where the Group agrees to indemnify the insured parties against happening of unforeseen future insured events. The frequency and severity of claims are the main risk factors. Due to the inherent risk in the Takaful business, actual claim amounts can vary marginally compared to the outstanding claim reserves but are not expected to have a material impact.

b) *ReTakaful risk*
In order to minimize financial exposure arising from large claims, the Group, in the normal course of business, enters into agreements with other parties for reTakaful purposes. Such reTakaful arrangement provides for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

To minimize its exposure to significant losses from reinsurers' insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

ReTakaful ceded contracts do not relieve the Group from its obligations and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reTakaful agreements.

c) *Reserve for claims*
The Group maintains adequate reserves in respect of its Takaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within a year.

d) *Sensitivities*
The general Takaful claims provision is sensitive to the key assumptions which are not material to the consolidated financial statements of the Group.

5 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of available-for-sale equity investments
The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Impairment charge on other financial assets
The Group evaluates impairment on financial assets on an ongoing basis and a comprehensive review is carried out at least quarterly to assess whether an impairment charge should be recognized in the statement of comprehensive income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgments about the counterparty's financial situation and other means of settlement and the net realizable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

Collective impairment charge on financial assets
In addition to specific impairment charge against individually impaired assets, the Group also maintains a collective impairment allowance against portfolios of Murabaha, Wakala and Islamic financing with similar economic characteristics which have not been specifically identified as impaired. In assessing the need for collective impairment charge, management considers concentrations, credit quality, portfolio size and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical and current economic conditions.

Liability arising from claims made under Takaful contracts
The estimation of the ultimate liability arising from claims made under Takaful contracts is a critical accounting estimate by the Group. There are several sources of uncertainty that need to be considered in estimating the liability that the Group will ultimately pay for such claims. The provision for claims Incurred But Not Reported ("IBNR") is an estimation of claims which are expected to be reported subsequent to the reporting date, for which the insured event has occurred prior to the reporting date.

6 Capital management

Regulatory capital
The Bank's lead regulator the Central Bank of the UAE sets and monitors capital requirements for the Bank as a whole. The Bank is required to comply with the provisions of the Central Bank of the UAE in respect of regulatory capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the year.

Capital allocation
The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision-making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

At 31 December 2011, the Bank's capital adequacy ratio as per Basel II was 13% (2010: 12%)

6 Capital management (continued)

During 2011, the Group's strategy, which was unchanged from 2010, was to:

- maintain capital adequacy ratios above the minimum specified by the Central Bank of the UAE and Basel accord guidelines; and
- efficiently allocate capital to various businesses.

In implementing current capital requirements, the Group calculates its risk asset ratio in accordance with capital adequacy guidelines established by the Central Bank of the UAE prescribing the ratio of total capital to total risk-weighted assets. Further, the Group also calculates its capital adequacy ratio in accordance with Basel II Accord which was adopted by the Central Bank of the UAE.

The Group's capital adequacy ratio as per effective regulatory framework, Basel II, at the minimum level is analysed into two tiers as follows:

	Basel II 2011 AED'000	Basel II 2010 AED'000
Tier 1 Capital	**2,694,593**	1,884,762
Tier 2 Capital	**263,955**	202,936
Deductions from capital	**(94,342)**	(95,146)
Total capital base	**2,864,206**	1,992,552
Risk weighted assets	**21,381,180**	16,827,709
Risk asset ratio	**13%**	12%

7 Cash and balances with banks

	2011 AED'000	2010 AED'000
Cash in hand	**305,393**	247,509
Cash reserve deposits with the Central Bank	**707,408**	488,141
Current account with the Central Bank	**127,552**	388,225
Due from banks	**91,856**	16,063
	1,232,209	1,139,938

Cash reserve deposits with the Central Bank are not available for the operations of the Group and are non-profit bearing.

8 Murabaha and Wakala deposits with banks and other financial institutions

	2011 AED'000	2010 AED'000
Commodity Murabaha with financial institutions	**100,007**	5,000
Wakala deposits	**2,520,000**	5,436,380
Allowance for impairment (Note 20)	**(11,803)**	(11,100)
	2,608,204	5,430,280

9 Receivables from Islamic financing activities

	2011 AED'000	2010 AED'000
Corporate commodity Murabaha	**10,026,022**	7,279,541
Retail commodity Murabaha	**9,936,368**	7,020,407
Islamic credit card receivable	**62,118**	56,773
Murabaha deferred profit	**(4,117,794)**	(3,013,289)
Allowance for impairment (Note 20)	**(405,387)**	(187,933)
	15,501,327	11,155,499

Islamic credit card receivable is comprised of AED 56,854 thousand (2010: AED 56,773 thousand) and AED 5,264 thousand (2010: Nil) for Ujrah and Tawarruq cards respectively

	Corporate AED'000	Retail AED'000	2011 Total AED'000
Impaired and non-performing:			
Substandard	17,346	21,633	**38,979**
Doubtful	7,468	17,650	**25,118**
Legal and loss	-	42,447	**42,447**
Outstanding	**24,814**	**81,730**	**106,544**
Specific allowance for impairment	(11,805)	(48,284)	**(60,089)**
Carrying amount	**13,009**	**33,446**	**46,455**
Performing:			
Standard	9,191,322	5,798,963	**14,990,285**
Renegotiated facilities	809,885	-	**809,885**
Outstanding	**10,001,207**	**5,798,963**	**15,800,170**
Collective allowance for impairment	(262,977)	(82,321)	**(345,298)**
Carrying amount	**9,738,230**	**5,716,642**	**15,454,872**
Total outstanding	10,026,021	5,880,693	**15,906,714**
Total allowance for impairment	(274,782)	(130,605)	**(405,387)**
Total carrying amount	**9,751,239**	**5,750,088**	**15,501,327**

Non performing facilities comprise facilities past due more than 90 days and impaired facilities.

9 Receivables from Islamic financing activities (continued)

	Corporate AED'000	Retail AED'000	2010 Total AED'000
Impaired and non-performing:			
Substandard	7,468	9,197	16,665
Doubtful	-	5,679	5,679
Legal and loss	-	28,032	28,032
Outstanding	**7,468**	**42,908**	**50,376**
Specific allowance for impairment	(3,734)	(33,570)	(37,304)
Carrying amount	**3,734**	**9,338**	**13,072**
Performing:			
Standard	6,504,501	4,020,984	10,525,485
Renegotiated facilities	767,571	-	767,571
Outstanding	**7,272,072**	**4,020,984**	**11,293,056**
Collective allowance for impairment	(106,281)	(44,348)	(150,629)
Carrying amount	**7,165,791**	**3,976,636**	**11,142,427**
Total outstanding	7,279,540	4,063,892	11,343,432
Total allowance for impairment	(110,015)	(77,918)	(187,933)
Total carrying amount	**7,169,525**	**3,985,974**	**11,155,499**

Receivables from Islamic financing activities net of deferred profit by sector at 31 December 2011 and 31 December 2010 comprise:

	2011 AED'000	2010 AED'000
Government and public sector	**3,761,644**	1,810,875
Banking sector	**750,313**	558,999
Corporate and private sector	**4,871,979**	3,744,137
Retail sector	**6,522,778**	5,229,421
	15,906,714	11,343,432

Amounts presented under "performing" include AED 677 million (2010: AED 709 million) which are past due but not impaired.

9 Receivables from Islamic financing activities (continued)

Movement in allowance for impairment on receivables from Islamic financing activities, during the year:

	2011 AED'000	2010 AED'000
At the beginning of the year	**187,933**	47,052
Charge of the year, net (Note 20)	**217,454**	140,881
At the end of the year	**405,387**	187,933

10 Ijara

	2011 AED'000	2010 AED'000
Corporate Ijara Mowsufa Fidhimmah	**562,242**	539,764
Corporate standard Ijara	**1,523,236**	2,081,727
Retail Ijara Mowsufa Fidhimmah	**325,558**	313,096
Retail standard Ijara	**1,492,917**	1,254,302
Allowance for impairment (Note 20)	**(80,480)**	(25,710)
	3,823,473	4,163,179

Ijara assets represent net investment in assets leased for periods which either approximate or cover major parts of the estimated useful lives of such assets. The lease agreements stipulate that the lessor undertakes to transfer the leased assets to the lessee upon receiving the final rental payment.

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Notes to the consolidated financial statements (continued)

10 Ijara (continued)

	Corporate AED'000	Retail AED'000	**2011 Total AED'000**
Impaired and non-performing:			
Substandard	-	15,148	**15,148**
Doubtful	2,929	24,412	**27,341**
Legal and loss	-	80,771	**80,771**
Outstanding	**2,929**	**120,331**	123,260
Specific allowance for impairment	(2,929)	(35,322)	(38,251)
Carrying amount	-	**85,009**	85,009
Performing:			
Standard	2,082,549	1,698,144	**3,780,693**
Renegotiated facilities	-	-	-
Outstanding	**2,082,549**	**1,698,144**	3,780,693
Collective allowance for impairment	(17,469)	(24,760)	(42,229)
Carrying amount	**2,065,080**	**1,673,384**	3,738,464
Total outstanding	2,085,478	1,818,475	**3,903,953**
Total allowance for impairment	(20,398)	(60,082)	**(80,480)**
Total carrying amount	**2,065,080**	**1,758,393**	3,823,473

10 Ijara (continued)

	Corporate AED'000	Retail AED'000	**2010** **Total** AED'000
Impaired and non-performing:			
Substandard	2,929	-	2,929
Doubtful	-	-	-
Legal and loss	-	-	-
Outstanding	**2,929**	-	**2,929**
Specific allowance for impairment	(1,465)	-	(1,465)
Carrying amount	**1,464**	-	**1,464**
Performing:			
Standard	2,618,562	1,567,398	4,185,960
Renegotiated facilities	-	-	-
Outstanding	**2,618,562**	**1,567,398**	**4,185,960**
Collective allowance for impairment	(10,402)	(13,843)	(24,245)
Carrying amount	**2,608,160**	**1,553,555**	**4,161,715**
Total outstanding	2,621,491	1,567,398	4,188,889
Total allowance for impairment	(11,867)	(13,843)	(25,710)
Total carrying amount	**2,609,624**	**1,553,555**	**4,163,179**

Movement in allowance for impairment on Ijara during the year:

	2011 **AED'000**	2010 AED'000
At the beginning of the year	**25,710**	7,727
Charge of the year, net (Note 20)	**54,770**	17,983
At the end of the year	**80,480**	25,710

Amounts presented under "performing" include AED 130 million (2010: AED 41 million) which are past due but not impaired.

11 Investment securities

	2011 AED'000	2010 AED'000
Financial assets at fair value		
Quoted equity investments		
Other comprehensive income	**21,954**	17,876
Fair value through profit and loss	**10,363**	12,176
Financial assets at amortized cost		
Sukuk investments	**3,135,867**	2,744,814
Collective allowance for impairment (Note 20)	**(8,204)**	(1,750)
	3,159,980	2,773,116

At 31 December 2011, financial assets at fair value through the statement of other comprehensive income comprise:

	2011 AED'000	2010 AED'000
At the beginning of the year	**17,876**	-
Additions during the year	**11,376**	-
Disposals during the year	-	-
Transferred from AFS	-	19,118
Fair value movements during the year	**(7,298)**	(1,242)
	21,954	17,876

At 31 December 2011, financial assets at fair value through the statement of income comprise:

	2011 AED'000	2010 AED'000
At the beginning of the year	**12,176**	-
Additions during the year	**3,631**	-
Disposals during the year	**(2,910)**	-
Transferred from AFS	-	12,321
Fair value movements during the year	**(2,534)**	(145)
	10,363	12,176

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Notes to the consolidated financial statements (continued)

12 Property and equipment

Property and equipment at 31 December 2011 comprise:

	Leasehold improvements AED'000	Computer systems AED'000	Furniture and fixtures AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At 1 January 2011	151,002	84,436	51,832	368,732	656,002
Additions	29,626	11,693	4,653	676,976	722,948
Transfers	1,133	36,420	2,043	(39,596)	-
At 31 December 2011	181,761	132,549	58,528	1,006,112	1,378,950
Accumulated depreciation					
At 1 January 2011	31,906	34,402	21,388	-	87,696
Charge for the year	33,597	24,323	13,653	-	71,573
At 31 December 2011	65,503	58,725	35,041	-	159,269
Net book value at 31 December 2011	116,258	73,824	23,487	1,006,112	1,219,681

Capital work in progress includes land with a carrying value of AED 942 million (2010: AED 357 million).

12 Property and equipment (continued)

Property and equipment at 31 December 2010 comprise:

	Leasehold improvements AED'000	Computer systems AED'000	Furniture and fixtures AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At 1 January 2010	126,254	68,818	40,747	354,882	590,701
Additions	18,398	10,293	6,413	34,089	69,193
Disposals	(3,826)	(46)	(20)	-	(3,892)
Transfers	10,176	5,371	4,692	(20,239)	-
At 31 December 2010	151,002	84,436	51,832	368,732	656,002
Accumulated depreciation					
At 1 January 2010	10,813	15,306	9,235	-	35,354
Charge for the year	24,919	19,142	12,173	-	56,234
Disposals	(3,826)	(46)	(20)	-	(3,892)
At 31 December 2010	31,906	34,402	21,388	-	87,696
Net book value at 31 December 2010	119,096	50,034	30,444	368,732	568,306

13 Other assets

	2011 AED'000	2010 AED'000
Prepaid expenses	**48,179**	49,772
Income receivable	**84,036**	64,352
Takaful receivable	**36,963**	27,816
Murabaha inventory	**91,494**	87,000
Prepaid staff allowances	**22,012**	21,945
Others	**90,975**	114,331
Acceptances	**207,070**	52,437
	580,729	417,653

Others include promises to buy and sell foreign currencies which are carried at fair value and presented within other assets and other liabilities, respectively. The notional amounts of these contracts are disclosed in note 23 of these consolidated financial statements.

14 Customers' accounts

	2011 AED'000	2010 AED'000
By account:		
Wakala deposits	**14,782,331**	15,097,637
Current accounts	**2,087,329**	1,502,025
Time deposits	**1,324,983**	781,050
Savings accounts	**1,423,187**	728,715
	19,617,830	18,109,427

	2011 AED'000	2010 AED'000
By sector:		
Government	**9,435,556**	10,465,527
Public	**101,519**	79,761
Corporate / private	**4,749,227**	4,162,145
Retail	**5,331,528**	3,401,994
	19,617,830	18,109,427

Government sector deposits include special deposits amounting to AED 42.224 million (2010: AED 70.392 million) received from the Ministry of Finance with original contractual maturity of 3 years which are exempted from reserve requirement.

15 Other liabilities

	2011 AED'000	2010 AED'000
Accounts payable	**199,709**	304,964
Accrued expenses	**352,966**	233,525
Charity payable	**6,782**	3,786
Advance administrative fees	**73,056**	102,372
Takaful liabilities	**63,810**	42,311
Others	**70,468**	44,571
Acceptances	**207,070**	52,437
	973,861	783,966

Others include promises to buy and sell foreign currencies, which are carried at fair value and are presented within other liabilities and other assets respectively.

Others include an amount of AED 15.7 million of Depositors & Zakat Reserve profit distribution which pertains to depositors and charity.

Charity payable represents profits forfeited by the Fatwa and Shariah Supervisory Board and late payment and over limit fees.

16 Share capital

Share capital
The authorized share capital of the Bank comprise of 4,000 million ordinary shares of AED 1 each. The issued and fully paid up share capital at 31 December 2011 comprise 2,590 million ordinary shares of AED 1 each (2010: 2,000 million ordinary shares of AED 1 each).
The Abu Dhabi Investment Council holds 100% of the issued and fully paid share capital. The Bank's shares are not listed on a recognized stock exchange.

Statutory reserve
The UAE Commercial Companies Law No. (8) of 1984 (as amended) and the Bank's Articles of Association require that 10% of the annual net profit to be transferred to a statutory reserve until it equals 50% of the paid-up share capital. The statutory reserve is not available for distribution. During the year AED 20,235 thousand (2010: 14,017 thousand) has been transferred to statutory reserve.

17 Income from Ijara and Islamic financing activities, net

	2011 AED'000	2010 AED'000
Income from Murabaha - corporate	**497,677**	397,432
Income from Murabaha – retail	**624,658**	411,728
Income from Ijara	**258,689**	223,580
	1,381,024	1,032,740

18 Commission, fees and foreign exchange income, net

	2011 AED'000	2010 AED'000
Fee and commission income	**125,963**	108,261
Foreign exchange gains	**5,671**	4,636
Foreign exchange losses	**(7)**	(531)
Other income	**9,472**	15,912
	141,099	128,278

Commission, fees and foreign exchange income constitute part of profit distributable to the Shareholder. Other income includes an amount of AED 7.1 million (2010: AED 15.1 million) relating to Takaful activities.

19 General and administrative expenses

	2011 AED'000	2010 AED'000
Rent expenses	**75,059**	70,796
Marketing and advertising expenses	**24,987**	19,770
Consultancy fees	**36,601**	29,745
Recruitment expenses	**-**	-
Other expenses	**87,202**	75,331
	223,849	195,642

20 Impairment charges on financial assets

	Murabaha and Wakala deposits with banks and other financial institutions		**Ijara**		**Receivables from Islamic financing activities**		**Investment securities**		**Total**	
	2011 AED'000	2010 AED'000	**2011 AED'000**	2010 AED'000	**2011 AED'000**	2010 AED'000	**2011 AED'000**	2010 AED'000	**2011 AED'000**	2010 AED'000
At 1 January	**11,100**	-	**25,710**	7,727	**187,933**	47,052	**1,750**	853	**226,493**	55,632
Charge for the year	**703**	11,100	**54,770**	17,983	**218,431**	144,285	**6,454**	897	**280,358**	174,265
Write offs	-	-	-	-	**(977)**	(3,404)	-	-	**(977)**	(3,404)
At 31 December	**11,803**	11,100	**80,480**	25,710	**405,387**	187,933	**8,204**	1,750	**505,874**	226,493

Provision against non-financial assets is comprised of recoveries amounting to AED 19 thousand (2010: charges of AED 14,380 thousand).

21 Depositors' share of profits

The depositors' share of profits for the year ended 31 December 2011 has been supported by the Shareholder and is authorized by the Bank's Fatwa and Shariah Supervisory Board.

22 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts with original contractual maturities of less than one month:

	2011 AED'000	2010 AED'000
Cash and balances with banks	**1,232,209**	1,139,938
Murabaha and Wakala deposits with banks and other financial institutions	**288,079**	440,000
Wakala deposits from banks	**(956,165)**	(560,000)
	564,123	1,019,938

23 Commitments and contingencies

	2011 AED'000	2010 AED'000
Letters of credit	**443,798**	600,627
Letters of guarantee	**5,963,938**	5,651,414
Profit rate swaps	**1,876,386**	1,067,406
Promises to sell foreign currencies	**106,138**	397,493
Irrevocable commitments to extend credit	**2,319,239**	420,700
Revocable commitments to extend credit	**3,906,292**	7,000,000
Capital commitments	**436,447**	423,813
Operating lease commitments	**243,665**	284,802

24 Investment property

	2011 AED'000	2010 AED'000
At 1 January	**144,584**	144,884
Additions	**21,298**	2,300
Fair value adjustment	**(40,407)**	(2,600)
At 31 December	**125,475**	144,584

The carrying amount of investment property is the fair value of the property as determined by an independent appraiser having an appropriate professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar property in the same location as the Group's investment property.

25 Group entities

Subsidiaries	Country of incorporation	Ownership 2011	Ownership 2010
Al Hilal Takaful PSC	UAE	**100%**	100%
Al Hilal Auto LLC	UAE	**100%**	100%
Al Hilal Islamic Bank PJSC	Kazakhstan	**100%**	100%
Wataniya Development Fund Limited	Cayman Islands	**47%**	47%
Al Hilal Leasing LLP	Kazakhstan	**100%**	-

26 Related parties

Related parties comprise the shareholder, directors, key management of the Group and entities owned and controlled by key management. All related party transactions are approved by the Group's key management or the Board of Directors of the Bank.

Profit rates earned on Murabaha financing facilities extended to related parties during the year have ranged from 1.5% to 6.5% per annum (2010: 1.50% to 6.5%).

Profit distribution rates paid on customers' deposits placed by related parties during the year have ranged from 0.71% to 4.5% per annum (2010: 0.73% to 4.70%)

Fees and commissions earned on transactions with related parties during the year have ranged from 0.17% to 1.2% per annum (2010: 0.17% to 1.2%).

At 31 December 2011, the balances and transactions with related parties comprise:

	2011 **AED'000**	2010 AED'000
Islamic financing facilities	**2,103,083**	4,191,098
Customers' accounts	**4,627,345**	2,377,460
Contingent liabilities	**4,805**	5,845
Fee and commission income	**12**	13
Financing income	**76,433**	51,526
Depositors' share of profits	**103,281**	25,589

Key management remuneration for the years ended 31 December 2011 and 31 December 2010 comprise:

	2011 **AED'000**	2010 AED'000
Salaries	**17,218**	14,839
Post employment benefits	**1,458**	1,095

27 Zakah

The Articles of Association of the Bank do not require management of the Bank to pay Zakah on behalf of the Shareholder. Consequently, the Zakah obligation is to be discharged by the Shareholder.

28 Accounting classification and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values

				2011
	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets				
Cash and balances with banks	-	-	1,232,209	1,232,209
Murabaha and Wakala deposits with banks and other financial institutions	-	-	2,608,204	2,608,204
Receivables from Islamic financing activities	-	-	15,501,327	15,501,327
Ijara	-	-	3,823,473	3,823,473
Investment securities	10,363	21,954	3,127,663	3,159,980
Investment property	-	-	125,475	125,475
Property and equipment	-	-	1,219,681	1,219,681
Other assets	-	-	580,729	580,729
	10,363	**21,954**	**28,218,761**	**28,251,078**
Financial liabilities				
Customers' accounts	-	-	19,617,830	19,617,830
Wakala deposits from banks	-	-	4,935,829	4,935,829
Other liabilities	-	-	973,861	973,861
	-	**-**	**25,527,520**	**25,527,520**

28 Accounting classification and fair values (continued)

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	2010 Total AED'000
Financial assets				
Cash and balances with banks	-	-	1,139,938	1,139,938
Murabaha and Wakala deposits with banks and other financial institutions	-	-	5,430,280	5,430,280
Receivables from Islamic financing activities	-	-	11,155,499	11,155,499
Ijara	-	-	4,163,179	4,163,179
Investment securities	12,176	17,876	2,743,064	2,773,116
Investment property	-	-	144,584	144,584
Property and equipment	-	-	568,306	568,306
Other assets	-	-	417,653	417,653
	12,176	**17,876**	**25,762,503**	**25,792,555**
Financial liabilities				
Customers' accounts	-	-	18,109,427	18,109,427
Wakala deposits from banks	-	-	4,930,049	4,930,049
Other liabilities	-	-	783,966	783,966
	-	-	**23,823,442**	**23,823,442**

29 Fiduciary activities

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in these consolidated financial statements.

The Group held assets in trust or in a fiduciary capacity for its customers at 31 December 2011 amounting to AED 26.9 million (2010: Nil). Furthermore, the Group provides custodian services for some of its customers.

The underlying assets held in a custodial or fiduciary capacity are excluded from the consolidated financial statements of the Group.

30 Comparative notes

Comparative figures have been reclassified to conform with the presentation for the current year.

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