بنك أبوظبي التجاري
ADCB

ADCB Islamic Finance (Cayman) Limited

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

U.S.$500,000,000 Certificates due 2016
Issue Price: 100 per cent.

The U.S.$500,000,000 Certificates due 2016 (the **Certificates**) of ADCB Islamic Finance (Cayman) Limited (in its capacity as issuer and trustee for and on behalf of the Certificateholders (as defined herein), the **Trustee**) will be constituted by a declaration of trust (the **Declaration of Trust**) dated 22 November 2011 (the **Issue Date**) made by the Trustee, Abu Dhabi Commercial Bank PJSC (**ADCB**) and Deutsche Trustee Company Limited (the **Delegate**). Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the Trust Assets (as defined herein), upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the **Conditions**).

On the 31st day of May and the 30th day of November in each year commencing on 31 May 2012 (each, a **Periodic Distribution Date**), the Trustee will pay Periodic Distribution Amounts (as defined herein) to Certificateholders calculated at the rate of 4.071 per cent. per annum on the outstanding face amount of the Certificates as at the beginning of the relevant Return Accumulation Period (as defined herein) on the basis of a year of 12 30-day months divided by 360.

The Trustee will pay such Periodic Distribution Amounts solely from the proceeds received in respect of the Trust Assets which include payments by ADCB in its capacity as managing agent (the **Managing Agent**) and mudarib (the **Mudarib**) under the Management Agreement and the Restricted Mudaraba Agreement, respectively (each as defined herein). Unless previously redeemed in the circumstances described in Condition 8 (*Capital Distributions of the Trust*) and Condition 12 (*Dissolution Events*), the Certificates will be redeemed on 22 November 2016 (the **Scheduled Dissolution Date**) at the Dissolution Distribution Amount (as defined herein). The Trustee will pay Dissolution Distribution Amounts solely from the proceeds received in respect of the Trust Assets which include payments by ADCB under the Purchase Undertaking (as defined herein), the Management Agreement and the Restricted Mudaraba Agreement.

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

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Certificates to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Certificates to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). References in this Prospectus to Certificates being listed on the London Stock Exchange (and all related references) shall mean that such Certificates have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List.

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules (the **Rules**) of the Dubai Financial Services Authority. This Prospectus is intended for distribution only to Persons of a type specified in those Rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The Certificates to which this 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 Prospectus you should consult an authorised financial adviser.

Each of Fitch Ratings Limited (**Fitch**), Moody's Investors Service Ltd. (**Moody's**) and Standard & Poor's Credit Market Services Europe Limited (**Standard & Poor's**) has rated ADCB, see page 28. The Certificates are expected to be assigned a rating of "A1" by Moody's and "A" by Standard & Poor's.

Each of Fitch, Moody's and Standard & Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Fitch, Moody's and Standard & Poor is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation. A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act (**Regulation S**)) or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates are being offered or sold solely to persons outside the United States who are not U.S. persons in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Delivery of the Certificates in book-entry form will be made on the Issue Date. The Certificates will be represented by interests in a global certificate in registered form (the **Global Certificate**) deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depositary (the **Common Depositary**) for Euroclear Bank S.A/N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

The transaction structure relating to the Certificates (as described in this Prospectus) has been reviewed by the Sharia board of each of ADCB and Standard Chartered Bank. Prospective Certificateholders should not rely on this review in deciding whether to make an investment in the Certificates and should consult their own Sharia advisers as to whether the proposed transaction is in compliance with Sharia principles.

Structuring Bank

Standard Chartered Bank

Joint Lead Managers

Abu Dhabi Commercial Bank **BofA Merrill Lynch** **J.P. Morgan** **Standard Chartered Bank**

Co-Managers

Al Hilal Bank PJSC **Dubai Islamic Bank PJSC** **Sharjah Islamic Bank**

The date of this Prospectus is 17 November 2011.

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the **Prospectus Directive**) and for the purpose of giving information with regard to the Trustee and ADCB. Each of the Trustee and ADCB accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Trustee and ADCB (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus in connection with the offering of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, ADCB, the Managers (as defined under "*Subscription and Sale*"), the Trustee, the Delegate, the Agents (as defined herein) or any other person.

Neither the delivery of this document nor any sale of any Certificates shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of any party mentioned herein since that date.

None of the Managers, the Delegate or the Agents has verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or any other information provided by the Trustee or ADCB in connection with the Certificates, their distribution or their future performance.

Neither this Prospectus nor any other information supplied in connection with the Certificates is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Trustee, ADCB, the Managers, the Delegate or the Agents that any recipient of this Prospectus should purchase any of the Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and ADCB. None of the Managers, the Trustee, the Delegate or the Agents accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Trustee and ADCB in connection with the Certificates.

No comment is made or advice given by the Trustee, ADCB, the Managers, the Delegate or the Agents in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

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

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of the Certificates may be restricted by law in certain jurisdictions. None of the Trustee, ADCB, the Managers, the Delegate or the Agents represents that this Prospectus may be lawfully distributed, or that any Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, ADCB, the Managers, the Delegate or the Agents which is intended to permit a public offering of any Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of the Certificates. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the Kingdom of Bahrain, the

Cayman Islands, Malaysia, Hong Kong, Japan, Singapore, the United Arab Emirates (the **UAE**) (excluding the Dubai International Financial Centre) and the Dubai International Financial Centre, see "*Subscription and Sale*".

In connection with the issue of the Certificates, Standard Chartered Bank (the **Stabilising Manager**) or persons acting on its behalf may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on its behalf) will undertake stabilisation action. Any stabilisation action may begin on or after the issue date of the Certificates and, if begun, may be ended at any time, but it must end no later than 30 days after the issue date of the Certificates and 60 days after the date of the allotment of the Certificates. Any stabilisation action shall be conducted in accordance with all applicable laws and rules.

Each potential investor in Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;
- understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning ADCB's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of ADCB*" and other sections of this Prospectus. ADCB has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although ADCB believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those which ADCB has identified in this Prospectus, or if any of ADCB's underlying assumptions prove to be incomplete or inaccurate, ADCB's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions and, in particular, the global financial crisis which has materially adversely affected and may continue to materially adversely affect ADCB's business, results of operations, financial condition and prospects;

- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, ADCB's ability to successfully re-price and restructure loans, the impact of provisions and impairments and concentration of ADCB's loan portfolio;
- liquidity risks, including the inability of ADCB to meet its contractual and contingent cash flow obligations or the inability to fund its operations;
- changes in interest rates and other market conditions, including changes in LIBOR, EIBOR, spreads and net interest margins;
- neither the Government of Abu Dhabi (the **Government**) nor the UAE federal government is under any obligation to continue to invest in, or otherwise engage in business with, ADCB and either or both may alter their respective relationships with ADCB at any time and for any reason;
- the interests of ADCB's controlling shareholder may conflict with the commercial interests of ADCB, which may also conflict with the interests of the Certificateholders; and
- ADCB is subject to political and economic conditions in Abu Dhabi, the UAE and the Middle East.

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

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

PRESENTATION OF STATISTICAL INFORMATION AND OTHER DATA

Certain statistical information in this Prospectus has been derived from a number of publicly available sources. Each of ADCB and the Trustee confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, neither ADCB nor the Trustee accepts further or other responsibility in respect of the accuracy or completeness of such information nor have the ADCB and the Trustee independently verified any such information.

In particular, the statistical information in the sections entitled "*Overview of the United Arab Emirates and Abu Dhabi*" has been derived from a number of different identified sources. All statistical information provided in that section may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. The data set out in that section relating to Abu Dhabi's gross domestic product (**GDP**) for 2010 is preliminary and subject to change.

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

- the International Monetary Fund (the **IMF**), the Organisation of the Petrol Exporting Countries (**OPEC**), the Central Bank and Abu Dhabi Statistics Centre, in the case of "*Risk Factors*";
- the UAE, Abu Dhabi and Dubai governments and the Central Bank in the case of "*Description of ADCB*";
- the IMF, OPEC, Abu Dhabi Statistics Centre, Abu Dhabi National Oil Company ("**ADNOC**"), UAE National Bureau of Statistics and the UAE and Abu Dhabi governments, in the case of "*Overview of the United Arab Emirates and Abu Dhabi*"; and
- the Central Bank, in the case of "*The United Arab Emirates Banking Sector and Regulations*".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of financial information

ADCB prepared its audited consolidated financial statements as of and for the financial years ended 31 December 2010 and 2009 (the **Year-End Financial Statements**), which are incorporated by reference in this document, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (**IFRS**).

ADCB prepared its unaudited condensed consolidated interim financial information as of and for the nine months ended 30 September 2011, which are incorporated by reference in this document, in accordance with International Accounting Standard (**IAS**) No. 34, "Interim Financial Reporting" (**Interim Financial Statements** and, together with the Year End Financial Statements, the **Financial Statements**).

Currently, ADCB prepares its consolidated financial statements on an annual basis and its condensed consolidated interim financial information on a quarterly basis. Financial information for the nine months ended 30 September 2011 and 30 September 2010 are derived from the Interim Financial Statements.

Certain conventions

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

All references in this Prospectus to **U.S. dollars**, **U.S.$** and **$** refer to United States dollars being the legal currency for the time being of the United States of America and all references to **dirham** and **AED** refer to UAE dirham being the legal currency for the time being of the UAE. In addition, references to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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

NOTICE TO CAYMAN ISLAND RESIDENTS

No invitation may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this 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

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia directly or indirectly for the purpose of any sale of the Certificates in Malaysia other than to persons falling within the categories specified under (i) paragraphs 9, 10 or 11 of Schedule 6 (or Section 229(1)(b)) or paragraphs 9, 10 or 11 of Schedule 7 (or Section 230(1)(b)) and (ii) Schedule 9 (or Section 257(2)) of the Capital Markets and Services Act 2007 of Malaysia (the *CMSA*). The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or ADCB and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

Any offer of Certificates in the Kingdom of Bahrain will be undertaken by way of private placement. Such offers are subject to the regulations of the Central Bank of Bahrain that apply to private offerings of securities and the disclosure requirements and other protections that these regulations contain. This Prospectus is therefore intended only for "accredited investors" (as defined below, see "*Subscription and Sale – Kingdom of Bahrain*").

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Financial Services Authority (**FSA**) shall be incorporated in, and form part of, this Prospectus:

(a) unaudited condensed consolidated interim financial information of ADCB for the nine months ended 30 September 2011 (together with the auditors' review report thereon);

(b) audited consolidated financial statements of ADCB for the period ended 31 December 2010 (together with the auditors' report thereon); and

(c) audited consolidated financial statements of ADCB for the period ended 31 December 2009 (together with the auditors' report thereon).

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

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

If at any time the Trustee shall be required to prepare a supplement to the Prospectus pursuant to Section 87 of the Financial Services and Markets Act 2000 (the **FSMA**), or to give effect to the provisions of Article 16(1) of the Prospectus Directive, the Trustee will prepare and make available an appropriate amendment or supplement to this Prospectus or a further 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 of the London Stock Exchange, shall constitute a supplemental prospectus as required by the FSA and Section 87 of the FSMA. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

RISK FACTORS

The purchase of Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

Each of the Trustee and ADCB believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons and neither the Trustee nor ADCB represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or ADCB or which the Trustee or ADCB currently deems immaterial, that may impact any investment in the Certificates.

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

FACTORS THAT MAY AFFECT ADCB'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE TRANSACTION DOCUMENTS TO WHICH IT IS A PARTY

Risks relating to ADCB's business

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

Since early 2008, global credit markets, particularly in the United States and Europe, have experienced difficult conditions. These challenging market conditions have resulted in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit and capital markets. As at the date of this Prospectus, economic conditions in sovereign states including, in particular, certain euro-zone member states (for example Greece, Portugal and Spain) could possibly lead to such euro-zone member states re-negotiating their existing debt obligations or, in extreme circumstances, restructuring their existing debt obligations which may lead to a material change in the current political and/or economic framework of the European Monetary Union. The financial performance of ADCB has been materially adversely affected by these trends and may be further materially adversely affected by a worsening of general economic conditions in the markets in the other countries of the Gulf Cooperation Council (the **GCC**), as well as by United States, European and international trading market conditions and/or related factors.

The global financial crisis had a significant adverse effect on the countries in the GCC in the second half of 2008. The global financial crisis resulted in a significant slowdown or reversal of the high rates of growth that had been experienced by many countries within the GCC and the UAE, especially in Dubai and to a lesser extent in Abu Dhabi. Consequently, certain sectors of the GCC economy that had benefited from the high rate of growth, such as real estate, construction and financial institutions, have been materially adversely affected by the crisis. While the UAE economy has shown resilience, with real GDP increasing in the UAE by 3.2 per cent in 2010 (source: IMF World Economic Outlook (September 2011)), a worsening of current financial market conditions could lead to further decreases in investor and consumer confidence, further market volatility and decline, further economic disruption and, as a result, could have an adverse effect on ADCB's business, results of operations, financial condition and prospects.

As a result of market conditions experienced since 2008, companies to which ADCB directly extends credit have experienced, and may continue to experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs and some of these companies have been unable to meet their debt service obligations or other expenses as they become due, including amounts payable to ADCB. As a result, ADCB has experienced an increase in non-performing loans (**NPLs**) and impairment allowances for doubtful loans and advances. Such impairment allowances totalled AED 1,787.8 million for the nine months ended 30 September 2011, AED 3,143.0 million for the year ended 31 December

2010 and AED 3,077.6 million for the year ended 31 December 2009. Further, if current market conditions deteriorate, ADCB may incur further impairment charges and experience increases in defaults by its debtors. No assurance can be given that market conditions will remain stable, and if they do not, this could have a material adverse effect on ADCB's business, results of operations, financial condition and prospects.

ADCB's business, results of operations, financial condition and prospects have been adversely affected by credit risks and will likely continue to be affected by credit risks if economic conditions do not improve

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

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

As a result of the global financial crisis and other adverse economic and political developments, adverse changes in consumer confidence levels, consumer spending, liquidity levels, bankruptcy rates and commercial and residential real estate prices, among other factors, have impacted ADCB's customers and counterparties, and, in certain cases, adversely affected their ability to repay their loans or other obligations to ADCB. This, in turn, along with increased market volatility and decreased pricing transparency, has adversely affected ADCB's credit risk profile. The percentage of ADCB's loan portfolio classified as NPLs (excluding Dubai World, as discussed below) was 5.2 per cent., 5.8 per cent. and 5.4 per cent. as at 31 December 2009 and 2010 and 30 September 2011, respectively.

Although ADCB regularly reviews its credit exposures and has re-priced a major portion of its loan portfolio and restructured some of its loans under stress, events of default may continue to occur. The occurrence of these events has affected, and could continue to materially adversely affect, ADCB's business, results of operations, financial condition and prospects.

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

As at 30 September 2011, ADCB had AED 7,026.0 million of NPLs (excluding Dubai World) and, in the nine months ended 30 September 2011, incurred impairment allowances of AED 1,787.8 million to cover potential loan losses. As a consequence of adverse market conditions, ADCB has increasingly focused on restructuring its loans with debtors in financial distress and has provided for impaired loans by way of loan impairment allowances. In accordance with IFRS, ADCB is required to reflect the impairment calculated as an upfront charge to the income statement. This will be written back to the income statement as and when interest or principal (as appropriate) on the debt is received. However, the actual loan losses could be materially different from the loan impairment allowances. ADCB's management believes that the systems in place to implement ADCB's loan restructuring and loan loss impairment allowances are adequate and that the levels of impairment allowances for loans under stress as at 30 September 2011 are sufficient to cover ADCB's potential loan losses as at that date.

Following the successful restructuring of the Dubai World group in March 2011, ADCB has recorded a carrying impairment provision of AED 921 million of its outstanding exposure to the Dubai World group. This amount was included in ADCB's accounts for the nine months ended at 30 September 2011. The above provisions represent that, as per the terms of the restructuring, the principal amount will be paid in full but at a lower interest rate and over a longer period than the terms of the original loan. The amount of ultimate losses may significantly vary from the impairment allowance recorded at 30 September 2011.

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

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

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

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

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

ADCB's loan portfolio is concentrated, geographically, in the UAE. The global financial crisis had a material adverse effect on certain areas of this portfolio, in particular, ADCB's exposure to Dubai based companies and the real estate and construction sectors. See *"– Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect ADCB's business, results of operations, financial condition and prospects"*.

Of ADCB's total loans as at 30 September 2011, the borrowers in respect of 64 per cent. of the outstanding loans are located in Abu Dhabi, 26 per cent. are located in Dubai, 6 per cent. are located in the other Emirates of UAE and the remaining 4 per cent. are located outside the UAE. ADCB's concentration of loans within the real estate investment and development and construction sectors is increased when each of these sectors is considered in the aggregate with related sectors. Of ADCB's total loans at 30 September 2011, real estate investment accounted for 10 per cent. and development and construction accounted for 19 per cent. Almost all of ADCB's customer deposits were located within the UAE as at 30 September 2011.

ADCB's ten largest group exposures constituted approximately 34 per cent. of ADCB's total funded and unfunded exposures as at 30 September 2011. As at 30 September 2011, ADCB's ten largest group exposures (funded and unfunded), represented three times equity. ADCB's largest group exposure alone (although to a private entity/investment firm linked to prominent individuals in Abu Dhabi) represented 52 per cent. of equity as at 30 September 2011, which, although highly collateralised, is a material risk position for ADCB. In addition, as at 30 September 2011, the 10 and 20 largest depositors accounted for approximately 32 per cent. and 46 per cent., respectively, of ADCB's customer deposits.

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

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

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

In addition, the financial condition and ongoing profitability of Government-controlled or Government-related entities largely depends upon Government spending and policy. Therefore ADCB is exposed to shifts in Governmental policy, over which it has no control, and which may have an adverse effect on its business, results of operations, financial condition and prospects.

Credit bureaus in the UAE and GCC in general are under-developed and any incomplete, unreliable or inaccurate information about ADCB's debtors' and account holders' financial standing, credit history and ability to repay could impair ADCB's ability to assess credit quality

Substantially all of ADCB's debtors are located in the GCC and, in particular, the UAE. At present, there is typically little public information or financial data available regarding the debtors' credit and payment histories in this region, primarily due to borrowers' limited credit histories and the fact that credit bureaus in the UAE are under-developed. In addition, such credit bureaus typically do not provide the quality and quantity of information sought by ADCB. Although ADCB requires regular disclosure of its debtors' financial information, some debtors, especially HNWIs (including the controlled/affiliated entities of these individuals) and small to medium-sized enterprises (**SMEs**), do not, or are unable to, provide the quality and quantity of information sought by ADCB. Furthermore, such financial data may not always present a complete and comparable picture of each such debtor's financial condition. For example, the financial statements of ADCB's debtors (including HNWIs) are not (unless publicly listed) required to be presented in accordance with IFRS or audited in accordance with International Standards on Auditing. Furthermore, statistical and other data on ADCB's debtors may also be less complete than those available in jurisdictions with more mature financial markets. In the absence of meaningful statistical data on its existing and potential debtors, there can be no assurance as to ADCB's ability to accurately assess the credit quality of its loan portfolios.

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

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

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

In addition, even if such security interests are enforceable in UAE courts, the time and costs associated with enforcing security interests in the UAE may make it uneconomical for ADCB to pursue such proceedings, adversely affecting ADCB's ability to recover its loan losses. As at 30 September 2011, ADCB had a loan portfolio totalling AED 124.2 billion, 10 per cent. of which was secured by share pledges governed by UAE law. 0.3 per cent. of such pledges were secured by general pledge documentation that may not be recognised by the UAE courts as perfecting security under UAE law and may thereby hinder or prevent ADCB from being able to exercise its rights over such shares.

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

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

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

Liquidity risks could materially adversely affect ADCB's business, results of operations, financial conditions and prospects. Some of the liquidity risks currently facing ADCB are described in more detail below.

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

In common with other banks in the UAE, many of ADCB's liabilities are demand and time deposits whereas its assets are generally medium to long-term (such as loans and mortgages). Although ADCB has accessed wholesale funding markets (through bilateral or syndicated loans and international bond markets) since 2005 in order to diversify and increase the maturity of its funding sources, such borrowings have not eliminated asset-liability maturity gaps. As at 30 September 2011, approximately 73.4 per cent. of ADCB's funding (which comprises total liabilities and equity) had remaining maturities of one year or less or were payable on demand. As at 30 September 2011, ADCB had a negative cumulative maturity gap (more short-term liability than short-term assets) of AED 48.9 billion for the 12 months ending 30 September 2011. See "*Selected Financial Information of ADCB*". If a substantial portion of ADCB's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity or ADCB fails to refinance some of its large short– to medium-term borrowings, ADCB may need to access more expensive sources to meet its funding requirements. No assurance can be given that ADCB will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. ADCB's inability to refinance or replace such deposits with alternative funding could materially adversely affect ADCB's liquidity, business, results of operations, financial condition and prospects.

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

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

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

Market risks could adversely affect ADCB's business, results of operations, financial conditions and prospects. Some of the market risks currently facing ADCB are described in more detail below.

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

Any shortage of liquidity in markets that are sources of funding for ADCB could contribute to an increase in ADCB's marginal borrowing costs. Similarly, any increase in interbank reference rates could also affect the value of certain assets that are subject to changes in applicable interest rates. As at 30 September 2011, ADCB's borrowings were largely set at floating rates based on interbank reference rates, such as 3-

month LIBOR and 3-month EIBOR, plus a specified margin . If interbank reference rates rise, the interest payable on ADCB's floating rate borrowings increases. ADCB's marginal cost of funding may increase as a result of a variety of factors, including further deterioration of conditions in the financial markets or further loss of confidence by and between financial institutions. If ADCB fails to pass on such increase in funding cost to its customers in a timely manner or at all due to market, competitive or other conditions, it could have a material adverse effect on its business, results of operations, financial condition and prospects.

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

ADCB holds investment securities and a decrease in the realised and unrealised fair value investment gains, together with fair value losses on such investment securities has had a material adverse impact and will continue to have a material adverse impact on its financial condition and results of operations. As at each reporting period, ADCB records: (i) realised gains or losses on the sale of any investment securities; (ii) unrealised fair value gains or losses in respect of any investment securities as at the end of the period on a mark to market basis; and (iii) impairment where there is a sustained decrease in fair value of any investment securities.

The amounts of such gains and losses may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of the securities, which in turn may vary considerably, and ADCB's investment policies. ADCB cannot predict the amount of realised or unrealised gain or loss for any future period, and variations from period to period are not indicative of future performance. Gains on ADCB's investment portfolio may not continue to contribute to net income at levels consistent with those from recent periods or at all.

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

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

The Certificates will not be guaranteed by the Government of Abu Dhabi

As discussed above, the Government, through the Council, is a majority shareholder in ADCB. Like any other shareholder, the Government has no legal obligation to provide additional funding for any of ADCB's future operations. The Government is not providing a guarantee of any of ADCB's obligations in respect of Transaction Documents to which it is a party, nor is the Government under any obligation to purchase any of ADCB's liabilities or guarantee any of ADCB's obligations, and the Certificateholders therefore do not benefit from any legally enforceable claim against the Government.

The interests of ADCB's controlling shareholder may conflict with the commercial interests of ADCB, which may also conflict with the interests of the Certificateholders

As at the date of this Prospectus, the Government holds 61.6 per cent. of ADCB's share capital, of which 58.1 per cent. is held through the Council, with the balance being held by an investment institution wholly owned by the Government. As a result, the Government has the ability to block actions or resolutions proposed at ADCB's annual or extraordinary general meetings. Accordingly, the Government could cause ADCB to pursue transactions, make dividend payments or other distributions or payments to shareholders or undertake other actions to implement the policy of the Government rather than to foster the commercial interests of ADCB.

Many of ADCB's largest customers are Government-related entities

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

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

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

For the years ended 31 December 2010, 2009 and 2008, ADCB experienced employee attrition rates of approximately 9.0 per cent., 9.0 per cent. and 20.0 per cent. respectively. Additionally, if ADCB continues to grow, it will need to continue to increase its number of employees. ADCB is guided in its human resources decisions by the UAE federal government's recommended policy that companies operating in the UAE recruit UAE nationals representing at least 4 per cent. of their total employees each year. The UAE federal government's policy supporting the recruitment of UAE nationals does not set any upper limit at which the policy would no longer be applicable. See "*Description of ADCB – Emiratisation*". As at 31 December 2010, UAE nationals represented 36.3 per cent. of ADCB's total workforce. If ADCB is not able to meet or exceed the UAE federal government's recommended policy for recruiting UAE nationals, it may be subject to legal penalties, including with respect to its current licenses, and it may be prevented from obtaining additional licenses necessary in order to allow it to expand its business. Due to UAE federal labour laws, ADCB may face difficulties that could delay or prevent dismissal of a UAE national employee if it finds such an employee's performance to be unsatisfactory.

While ADCB believes that it has effective staff recruitment, training and incentive programmes in place, its failure to recruit, train and/or retain necessary personnel, its inability to dismiss certain employees or the shortage of qualified UAE nationals or other nationals prepared to relocate to the UAE, could have a material adverse effect on its business, results of operations, financial condition and prospects.

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

ADCB faces high levels of competition for all products and services. ADCB competes primarily with a large number of other domestic banks in the UAE, some of which are also owned, directly or indirectly, by the governments of the relevant Emirates, government-related entities or members of the ruling families of the relevant Emirates. As at 30 September 2011, there were a total of 51 banks registered in the UAE (source: the Central Bank). ADCB's main domestic competitors in terms of size of banking franchise and product and customer segments are Emirates NBD, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Mashreqbank, Union National Bank, Abu Dhabi Islamic Bank and HSBC. In the UAE market, ADCB currently has the third largest market share in terms of loans and deposits behind only Emirates NBD and National Bank of Abu Dhabi. There can be no assurance that ADCB will be able to maintain its current market share in the future.

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

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

As part of its normal banking business, ADCB issues revocable and irrevocable commitments to extend credit, guarantees, letters of credit and other financial facilities and makes commitments to invest in securities before such commitments have been fully funded. All of these are accounted for off-balance sheet until such time as they are actually funded. Although these commitments are contingent and therefore off-balance sheet, they nonetheless subject ADCB to related credit, liquidity and market risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as loans and advances, and commitments to extend credit are contingent on customers maintaining required credit standards. Although ADCB anticipates that not all of its obligations in respect of these commitments will be triggered, it may have to make payments in respect of a substantial portion of such commitments, which could have a material adverse effect on its financial position, and in particular its liquidity position. As at 30 September 2011, ADCB had AED 24.3 billion in such contingent liabilities.

ADCB's risk management and internal controls may leave it exposed to unidentified or unanticipated risks, which could result in material losses

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

ADCB's risk management techniques may not be fully effective or consistently implemented in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of ADCB's methods of managing risk are based upon its use of historical market behaviour. As evidenced by the global financial crisis, these methods may not always predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management practices, including "know your client" practices, depend upon evaluation of information regarding the markets in which ADCB operates, its clients or other matters that are publicly available or information otherwise accessible to ADCB. As such practices are less developed in the GCC than they are in other markets and may not have been consistently and thoroughly implemented in the past, this information may not be accurate, complete, up-to-date or properly evaluated in all cases.

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

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

Notwithstanding the above, each of ADCB and the Trustee believes that its financial systems are sufficient to ensure compliance with the requirements of the UKLA's Disclosure and Transparency Rules as a listed entity.

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

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

Further, ADCB relies on third-party service providers for certain aspects of its business, including Oracle, Reuters, Bloomberg, SWIFT FERMAT and MUREX. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of ADCB's operations and could impact its reputation. If any of the foregoing were to occur, it could materially adversely affect ADCB's businesses, results of operations, financial condition and prospects.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Trustee or ADCB will be unable to comply with its obligations as a company with securities admitted to the Official List.

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

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

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

Pursuant to IFRS rules and interpretations in effect as of the present date, ADCB is required to make certain estimates in preparing its financial statements, including accounting estimates to determine loan loss reserves and the fair value of certain assets and liabilities, among other items. Should the estimated values for such items prove substantially inaccurate, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future IFRS rules or interpretations, ADCB may experience unexpected losses.

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

Under Abu Dhabi law, except in certain limited areas, only UAE nationals can hold real estate. Because ADCB is not wholly owned by UAE nationals, it is not able to be registered as an owner of real estate situated in Abu Dhabi outside the limited areas. This does not apply to ADCB's current headquarters and certain other plots, which were historically registered in ADCB's name. ADCB has, on occasion, resolved this issue by arranging for a director or executive to hold property located in Abu Dhabi on behalf of ADCB. While this arrangement has proven an effective means of complying with Abu Dhabi law, it exposes ADCB to certain risks with respect to certain real estate properties, including the risk of such property passing to the custodian's heirs under Sharia law. As at 30 September 2011, Jasem Al Darmaki, ADCB's former head of government banking, and companies associated with him, held ADCB properties located in the UAE as custodian for ADCB, including sites located at Capital Centre and Al Nahyan Camp. If ADCB loses its ownership interest in, or loses any proceeds from, any of these real estate properties as a result of the foregoing, it could materially adversely affect ADCB's business, results of operations, financial condition and prospects.

ADCB's insurance coverage may not be adequate

ADCB maintains insurance cover against certain insurable commercial banking risks. However, the degree of insurance coverage of ADCB may not match its current risk profile. If ADCB incurs a material loss as a result of inadequate coverage, it could materially adversely affect ADCB's business, results of operations, financial condition and prospects.

Regulatory risks.

ADCB is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on ADCB's business

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

- total real estate and construction financing may not exceed 20 per cent. of ADCB's customer deposits;
- credit limit for a single customer may not, without approval from the Board and the Central Bank, exceed 7 per cent. of ADCB's capital and reserves;
- credit limit for a major shareholder and its credit group may not, without approval from the Board and the Central Bank, exceed 7 per cent. of ADCB's capital and reserves;
- concentration limits on total credit and other risk exposures to retail customers, banks, investments and country exposure;
- minimum capital adequacy ratio of 12 per cent.;
- minimum Tier I ratio of 8 per cent.;
- total loans and advances and interbank placements' over ADCB's stable resources (comprising deposits and borrowed funds with maturities of greater than six months and net shareholders' equity) cannot exceed 100 per cent.;
- recommended employment of at least 4 per cent. UAE nationals within ADCB, in accordance with Ministerial Decree No.10 of 1998 on Increasing National Employment in the Banking Sector in the UAE; and
- mandatory cash reserve of 14 per cent. of all current, call and savings deposits and 1 per cent. of all time deposits, respectively, based on balances calculated on the 15th of each month and notified in the second month following circulation pursuant to the Central Bank Circular dated December 2000.

Such regulations may limit ADCB's ability to increase its loan portfolio or raise capital or may increase ADCB's cost of doing business. Any changes in laws and regulations and/or the manner in which they are interpreted or enforced may have a material adverse effect on ADCB's business, results of operations, financial condition and prospects.

In particular, by a circular dated 23 February 2011 on retail banking, the Central Bank introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products. 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 and that the repayment period must not exceed 48 months. This new regulation by the Central Bank has affected and may continue to affect ADCB's net retail income. Any further changes in the Central Bank regulations or policy may affect ADCB's reserves, provisions, impairment allowances and other applicable ratios. Furthermore, non-compliance with regulatory guidelines could expose ADCB to potential liabilities and fines.

ADCB is required comply with anti-money laundering, anti-terrorism financing and other regulations

ADCB is required to comply with applicable anti-money laundering, anti-terrorism financing laws and other regulations. These laws and regulations require ADCB, among other things, to adopt and enforce "know your customer" (**KYC**) policies and procedures and to report suspicious and large transactions (**AML**) to the applicable regulatory authorities. ADCB has adopted KYC/AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments. To the extent ADCB may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on ADCB. In addition, ADCB's business and reputation could suffer if customers use ADCB for money laundering or illegal or improper purposes.

US persons investing in Certificates may have indirect contact with countries sanctioned by the Office of Foreign Assets Control of the U.S. Department of Treasury as a result of ADCB's investments in and business with countries on the sanctions list

The Office of Foreign Assets Control of the U.S. Department of Treasury (**OFAC**) administers regulations that restrict the ability of US persons to invest in, or otherwise engage in business with, certain countries, including Iran and Sudan, and specially designated nationals (together **Sanction Targets**). As neither the Trustee nor ADCB is itself a Sanction Target, OFAC regulations do not prohibit US persons from investing in, or otherwise engaging in business with, either the Trustee or ADCB. However, to the extent that either the Trustee or ADCB invests in, or otherwise engages in business with, Sanction Targets, US persons investing in either the Trustee or ADCB may incur the risk of indirect contact with Sanction Targets. As a bank located in the UAE, ADCB is required to transact with other banks participating in the local clearing system. Such banks may include Sanction Targets. Save for transactions required by the participation in the local clearing system, ADCB has not invested in or done business with Sanction Targets. To date, the Trustee has not made any investments in and has not engaged in any business with any Sanction Targets. However, to the extent that either ADCB or the Trustee increases its investments in or business with Sanction Targets, US persons investing in Certificates issued by either entity may increase their risk of indirect contact with Sanction Targets and possible violations of OFAC sanctions.

Risks relating to the UAE and the Middle East

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

The majority of ADCB's current operations and interests are located in the UAE ADCB's results of operations are, and will continue to be, generally affected by financial, economic and political developments in or affecting Abu Dhabi, the UAE and the Middle East and, in particular, by the level of economic activity in Abu Dhabi, the UAE and the Middle East. It is not possible to predict the occurrence of events or circumstances, such as war or hostilities, or the impact of such occurrences, and no assurance can be given that ADCB would be able to sustain the operation of its business if adverse political events or circumstances were to occur. A general downturn or instability in certain sectors of the UAE or the regional economy could have an adverse effect on ADCB's business, results of operations, financial condition and prospects. Investors should also note that ADCB's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of inter-relationships within the global financial markets. In addition, the implementation by the Government or the UAE federal government of restrictive fiscal or monetary policies or regulations, including changes with respect to interest rates, new legal interpretations of existing regulations or the introduction of taxation or exchange controls could have a material adverse effect on ADCB's business, financial condition and results of operations and thereby affect ADCB's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

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 Egypt, Algeria, Libya, Bahrain, Saudi Arabia, Yemen, Syria, Tunisia and Oman. 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 ADCB's business, results of operations, financial condition and prospects, and thereby affect ADCB's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

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

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

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

While there can be no assurance of economic growth in the UAE at levels it experienced before the global economic crisis, according to IMF economic data, the UAE is expected to grow in 2011 by 3.3 per cent. and in 2012 by 3.8 per cent. IMF World Economic Outlook (September 2011), reported that real GDP growth in the UAE increased by 5.3 per cent. in 2008, decreased by 3.2 per cent. in 2009 and increased by 3.2 per cent. in 2010.

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 49.7 per cent. to nominal GDP in 2010.

ADCB has historically received significant funding and other support from the Government and the UAE federal government. In the case of the Government, such funding and other support has been largely derived from the Government's significant oil revenues. According to OPEC data, as at 31 December 2010, the UAE had 6.7 per cent. of proven global oil reserves which generated nearly 49.7 per cent. of its nominal GDP in 2010 (source: Statistical Yearbook of Abu Dhabi 2011) and approximately 35 per cent. of the UAE's export earnings (including re-exports) in 2010 (source: Central Bank). 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 around U.S.$45 per barrel in 2009, before returning to above U.S.$100 per barrel in February 2011. Oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which ADCB has no control. Factors that may affect the price of oil include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;

- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming countries; prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels; and
- global weather and environmental conditions.

Declines in international prices for hydrocarbon products in the future could therefore adversely affect the availability of funding for ADCB from the Government and the UAE federal government which, in turn, could adversely affect ADCB's ability to fund its business and to perform its obligations in respect of the Transaction Documents to which it is a party.

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

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

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

Certain of the Transaction Documents are governed by English law as set out below. 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 transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law, by a court in the UAE, may not accord with the perception of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

However, in the event that enforcement is sought for a judgment obtained pursuant to an English law governed document or an action is brought under an English law governed document in the UAE and the UAE court does not agree to enforce the judgment and/or give effect to the choice of law, it is likely that the UAE court would review the transaction as a whole and seek to uphold the intention of the parties to treat the arrangements between the parties as a financing transaction on the terms agreed (subject to any third party interests that may exist).

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

Each of the Wakala Purchase Agreement, Management Agreement, Restricted Mudaraba Agreement, Purchase Undertaking, Sale Undertaking, Declaration of Trust and Agency Agreement are governed by English law. The parties to such documents have agreed to refer any unresolved dispute in relation to such 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 (other than ADCB (acting in any capacity)) the courts of England and Wales are stated to have jurisdiction to settle any disputes). Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that ADCB has, or would at the relevant time have, assets in the United Kingdom against which such arbitral award or judgment could be enforced.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the **New York Convention**) entered into force in the 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 There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of First Instance, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. There is, however, 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 New York Convention, remains largely untested.

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

ADCB maintains its accounts, and reports its results, in UAE dirham. As at the date of this Prospectus, the UAE dirham remains pegged to the U.S. dollar. However, there can be no assurance that the UAE dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects ADCB's result of operations and financial condition. Any such de-pegging, particularly if the UAE Dirham weakens against the U.S. dollar, could have an adverse effect on ADCB's business, results of operations, financial condition and prospects, and thereby affect its ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The UAE may introduce corporation tax

ADCB is not currently subject to corporation tax on its earnings within the UAE, although there is no guarantee that this will continue to be the case. Investors should be aware that if ADCB becomes subject to corporation tax, it may have a material adverse effect on ADCB's business, results of operations and financial condition, which in turn could affect ADCB's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

FACTORS THAT MAY AFFECT THE TRUSTEE'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER CERTIFICATES

The Trustee has no operating history and no material assets of its own

The Trustee has a limited operating history and no material assets. At the date of this Prospectus, the Trustee is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 11 October 2011 and has a limited operating history. The Trustee will not engage in any business activity other than the issuance of Certificates, 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. As the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process outside of the Cayman Islands.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets relating to Certificates, including the obligation of the Obligor to make payments and perform punctually its other obligations under the relevant Transaction Documents to the Trustee.

The ability of the Trustee to pay amounts due on the Certificates will primarily be dependent upon receipt by the Trustee from the Obligor of all amounts due under the relevant Transaction Documents (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents).

Risk factors relating to the Certificates

Absence of secondary market/limited liquidity

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

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and proceeds of such Trust Assets are the sole source of payments on the Certificates. Upon the occurrence of a Dissolution Event, the sole rights of each of the Delegate and, through the Delegate, the Certificateholders, will be against ADCB and the Trustee to perform their respective obligations under the Transaction Documents to which they are a party. Certificateholders will otherwise have no recourse to the Trustee or ADCB in respect of any shortfall in the expected amounts due under the Trust Assets. ADCB is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Delegate will have direct recourse against ADCB, to recover such payments due to the Trustee pursuant to the Transaction Documents. In the absence of default by the Delegate, investors have no direct recourse to ADCB and there is no assurance that the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets will be sufficient to make all payments due in respect of the Certificates. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 4.2 (*The Trust – Application of Proceeds from the Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee or ADCB 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 (i) any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents or (ii) any other recourse against the Sukuk Assets, except the right to receive distributions derived from the Sukuk Assets in accordance with the Conditions, and the sole right of the Trustee, the Delegate and the Certificateholders against ADCB shall be to enforce the obligation of ADCB to perform its obligations under the Transaction Documents to which it is a party.

The Trust may be subject to early redemption

If, as a result of certain changes affecting taxation in the Cayman Islands or the UAE (as the case may be) or in each case any political subdivision or any authority thereof or therein having power to tax, the Trustee and/or ADCB is required to pay additional amounts on the Certificates pursuant to the Conditions and/or under certain Transaction Documents, the Trustee may redeem all but not some only of the Certificates upon giving notice in accordance with the Conditions.

Risk factors relating to the Sukuk Assets

Ownership of Wakala Assets

In order to comply with the requirements of Sharia, an interest in the Wakala Assets comprised within the Wakala Portfolio will pass to the Trustee under the Wakala Purchase Agreement. The Trustee will declare a trust in respect of its ownership interest in such Wakala Portfolio and the other Trust Assets in favour of the Certificateholders pursuant to the Declaration of Trust. Accordingly, Certificateholders will through the ownership interest of the Trustee, have an ownership interest in the Wakala Portfolio unless transfer of the Wakala Portfolio 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 comprised within the Wakala Portfolio. Such Wakala Assets will be selected by ADCB and the Certificateholders will have no ability to influence such selection. Only limited representations will be obtained from ADCB in respect of the Wakala Assets. In particular, the precise terms of the Wakala Assets or the nature of the assets leased, sold or held will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by ADCB 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 the Wakala Assets or otherwise give notice to any lessee or obligor in respect thereof. Obligors and lessees may have rights of set off or counterclaim against ADCB in respect of such Wakala Assets.

In addition, if and to the extent that a third party is able to establish a direct claim against the Trustee, the Delegate or any Certificateholders on the basis of any ownership interest in the Wakala Assets, ADCB has agreed in the Declaration of Trust to indemnify the Trustee, the Delegate and the Certificateholders against any such liabilities. In the event that ADCB is unable to meet any such claims then the 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 the 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 the Wakala Purchase Agreement will have the effect of transferring an ownership interest in the Wakala Assets. The Wakala Assets are located in the UAE, to the extent that UAE laws are applied in relation to any dispute, there are doubts whether an ownership interest in certain assets (in particular receivable assets such as ijara 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 the Wakala Assets has been or will be transferred to the Trustee.

ADCB has agreed in the Purchase Undertaking to indemnify the Trustee for the purposes of redemption in full of the outstanding Certificates in the event that any transfer of an ownership interest in any Wakala Assets is found to be ineffective. In addition, ADCB 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 in consideration for the payment to ADCB by the Trustee of the purchase price for that ownership interest make payment of an amount equal to the purchase price by way of restitution to the Trustee immediately upon request.

In the event that Wakala Assets are not repurchased by ADCB for any reason, the Delegate will seek to enforce the above provisions of the Purchase Undertaking. To the extent that it obtains an English judgment or an arbitration award in its favour, it may seek to enforce that judgment or award in a Abu Dhabi court.

It is likely that, in any action heard by them, the courts of Abu Dhabi (if they do not simply enforce the judgment or arbitral award, see "– *Investors may experience difficulties in enforcing arbitration awards and foreign judgments in the UAE*") would review the transaction as a whole and seek to uphold the intention of the parties to treat the arrangements as a financing transaction on the terms agreed, subject to the rights of any third party creditors of ADCB that may exist at the relevant time.

UAE law allows the contracting parties to prove that their intention is different to that expressed in the contract. A UAE court's right to re-characterise a transaction as a finance transaction is subject to the rights of any third parties not being prejudiced. A third party creditor of ADCB may, if acting in good faith, challenge the re-characterisation of the transaction as stated above and claim that the transaction should be treated as a sale and purchase of assets. If successful, the transfer of title under the Wakala Purchase

Agreement and the transactions contemplated thereunder may be declared void. Accordingly, ADCB would be required to return the purchase price it received for those assets (i.e. the face amount of the Certificates) to investors less any amounts already paid to investors in respect of those assets (i.e. Periodic Distribution Amounts paid under the Certificates). As a result, in this particular situation, investors may not receive back the full amount of their investment.

Investment in Mudaraba Portfolio

Pursuant to the Restricted Mudaraba Agreement, the Mudaraba Capital will be invested in the Mudaraba Portfolio. 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 ADCB and the Certificateholders will have no ability to influence such selection. Only limited representations will be obtained from ADCB in its capacity as mudarib in respect of the Mudaraba Assets. In particular, the precise terms of the Mudaraba Assets or the nature of the Mudaraba Assets will not be known. Lessees and obligors may have rights of set off or counterclaim against ADCB in respect of such Mudaraba Assets.

Risk factors relating to taxation

Taxation risks on payments

Payments made by ADCB to the Trustee under the Transaction Documents to which it is a party or by the Trustee in respect of the Certificates could become subject to taxation. The Management Agreement, the Restricted Mudaraba Agreement and the Purchase Undertaking each require ADCB to pay additional amounts in the event that any withholding or deduction is required to be made in respect of payments made by it to the Trustee. Condition 10 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by or on behalf of any Relevant Jurisdiction (as defined in Condition 10 (*Taxation*)) in certain circumstances. In the event that the Trustee fails to pay any such additional amounts in respect of any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, ADCB has unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 10 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the 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 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. The Trustee is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Additional risk factors relating to enforcement

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

ADCB has waived its rights in relation to sovereign immunity. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by ADCB under the Transaction Documents to which it is a party are valid and binding under the laws of the Emirate of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE.

Change of law

The structure for the issue of the Certificates is based on English and Cayman Islands law and 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 Prospectus. No assurance can be given as to the impact of any possible change to English, UAE or Cayman Islands law or administrative practices in either jurisdiction after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of ADCB, to comply with its obligations under the Transaction Documents to which it is a party.

Claims for specific enforcement

In the event that ADCB 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 obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific enforcement of a contractual obligation, as this is generally a matter for the discretion of the relevant court.

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

Additional risk factors

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

Certificates will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate.

While the Certificates are represented by the 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 Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in the Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Certificates. Neither ADCB nor the Trustee shall have any 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.

Legal investment consideration may restrict certain investments

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

Certificates may be subject to exchange rate risks and exchange controls

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

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

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

Credit ratings may not reflect all risks

As at the date of this Prospectus, ADCB's long-term credit rating is A+ with a "stable outlook" by Fitch, A1 with a "negative outlook" by Moody's and A with a "stable outlook" by Standard & Poor's. One or more independent credit rating agencies may also assign credit ratings to ADCB or the Certificates. Any ratings of either ADCB or the Certificates may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of any Certificates. There is no assurance that the ratings will remain in effect for any given period of time or that the ratings will not be lowered or withdrawn entirely if circumstances in the future so warrant.

Nevertheless, real or anticipated changes in ADCB's credit ratings or the ratings of the Certificates generally will 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 front page of this Prospectus and will be disclosed in the Final Terms.

Consents to variation of Transaction Documents and other matters

The Declaration of Trust contains provisions permitting the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to make any modification of, or to the waiver or authorisation of any breach or proposed breach of, the Conditions or any provisions of the Declaration of Trust or any other Transaction Document, or to any amendment to the Trustee's memorandum of association and by-laws, or determine that any Dissolution Event or Potential Dissolution Event (as defined in the Declaration of Trust) shall not be treated as such in relation to the Declaration of Trust if, in the opinion of the Delegate, such modification (a) is of a formal, minor or technical nature, or (b) is made to correct a manifest error, or (c) is not materially prejudicial to the interest of Certificateholders. Unless the Delegate otherwise decides, any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine and shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

Sharia rules

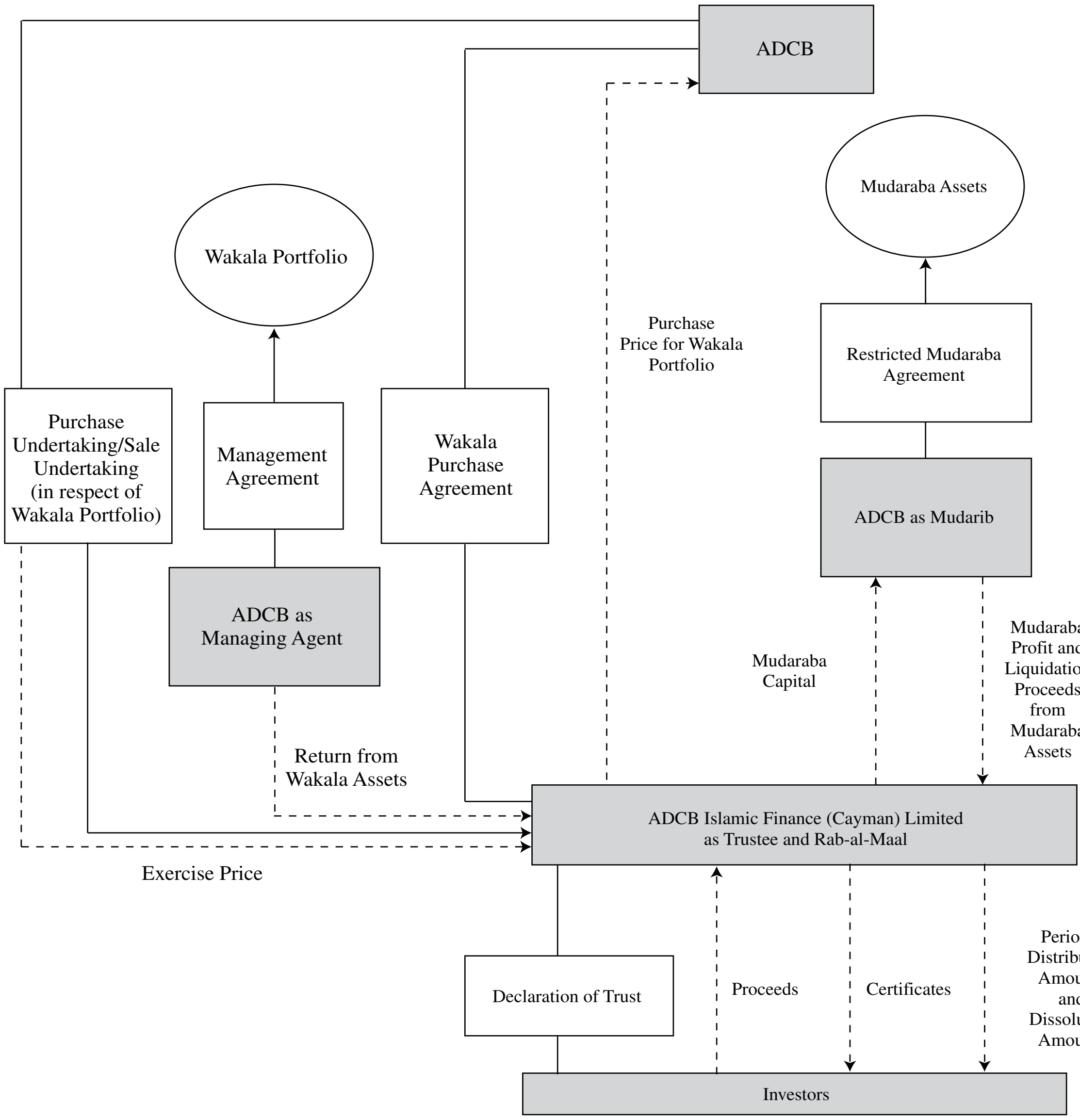
The Sharia board of each of ADCB and Standard Chartered Bank (as Structuring Bank) have each reviewed the Transaction Documents. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be Sharia compliant by any other Sharia board or Sharia scholars or in the future. None of the Trustee, the Delegate, ADCB or the Managers makes any representation as to the Sharia compliance of the Certificates and potential investors are reminded that, as with any Sharia views, differences in opinion are possible. Potential investors should obtain their own independent Sharia advice as to the compliance of the Transaction Documents and the issue and trading of the Certificates with Sharia principles.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties in the transaction would be, if in dispute, either the subject of arbitration under English law or court proceedings under the laws of the Emirate of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE or England and Wales. In such circumstances, the arbitrator or judge, as the case may be, will likely first apply the relevant law of the Transaction Document rather than Sharia principles in determining the obligations of the parties.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the transaction. Potential investors are referred to the 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, the Certificateholders will pay the issue price in respect of the Certificates to ADCB Islamic Finance (Cayman) Limited and ADCB Islamic Finance (Cayman) Limited will pay:

(a) 92 per cent. (the **Wakala Percentage**) of such amount to or to the order of ADCB as the purchase price payable under the Wakala Purchase Agreement for the purchase of an initial portfolio (the **Wakala Portfolio**) of: (i) non-real estate assets (including related ijara (lease) contracts and all rights under such contracts) (**Non-Real Estate Ijara Assets**); (ii) other Sharia compliant income generating assets having associated with them underlying tangible assets

(**Other Tangible Sharia Compliant Assets**), which for the purposes of the Wakala Portfolio must be non-real estate related and (iii) commodities or goods or assets of a specified quality and quantity (**Salam Assets**) to be delivered to ADCB pursuant to salam (forward sale) contracts (each such Non-Real Estate Ijara Asset, Other Tangible Sharia Compliant Asset and Salam Asset, a **Wakala Asset**); and

(b) 8 per cent. (the **Mudaraba Percentage**) of such amount to or to the order of the Mudarib as the initial capital of the Mudaraba (the **Mudaraba Capital**), which the Mudarib will invest in accordance with a restricted mudaraba agreement (the **Restricted Mudaraba Agreement**), including a mudaraba investment plan (the **Mudaraba Investment Plan**) in an initial portfolio (the **Mudaraba Portfolio**) of: (i) real estate assets (including related ijara contracts and all rights under such contracts) (the **Real Estate Ijara Assets**); (ii) Non-Real Estate Ijara Assets and (iii) Other Tangible Sharia Compliant Assets, by entry into of a purchase agreement duly approved by ADCB's Sharia Supervisory Board for the purchase of such assets or an undivided ownership interest in them. Following the initial investment of the Mudaraba Capital on the Issue Date, the Mudaraba Capital may also be reinvested in accordance with the Restricted Mudaraba Agreement in Sharia compliant deposits with ADCB (**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** and, the Wakala Assets and the Mudaraba Assets together, the **Sukuk Assets**).

Periodic Distribution Payments

Prior to each Periodic Distribution Date (i) the Managing Agent will pay to the Trustee amounts reflecting the returns generated in respect of the Wakala Portfolio (the **Wakala Portfolio Income Revenues**) and (ii) after their initial allocation and distribution on a pro-rata basis in accordance with any respective ownership interests in the Mudaraba Assets comprising the Mudaraba Portfolio, the Mudarib will pay to the Trustee (as Rab-al-Maal), in accordance with a pre-agreed profit sharing ratio, amounts representing the returns generated in respect of the Mudaraba Portfolio (the **Mudaraba Profit**), which, in aggregate, are intended to be sufficient to fund the Periodic Distribution Amounts payable by the Trustee under the Certificates (the **Required Amount**) and shall be applied by the Trustee for that purpose.

If the returns generated by the Sukuk Assets are in excess of any Required Amount, such excess returns shall be credited to a separate account by the Managing Agent and/or the Mudarib, as the case may be (such account, in the case of the Wakala Portfolio, the **Wakala Reserve Collection Account** and, in the case of the Mudaraba Portfolio, the **Mudaraba Reserve Account**). The amount of such excess returns shall be calculated by reference to the Wakala Percentage of any Required Amount, the Mudaraba Percentage of any Required Amount and the amount of the overall excess generated by the Sukuk Assets. In the event that the returns generated by the Sukuk Assets are insufficient to fund the Required Amount, the Managing Agent may, after having applied any amounts standing to the credit of the Wakala Reserve Collection Account and the Mudaraba Reserve Account towards such shortfall, make Sharia compliant funding available to the Trustee in the amount of the shortfall remaining (if any) (a **Liquidity Facility**).

Dissolution Payment by the Managing Agent, the Mudarib and ADCB

On the Scheduled Dissolution Date:

(a) the Trustee will have the right under the Purchase Undertaking to require ADCB to purchase the Wakala Portfolio, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Portfolio; and

(b) the Mudarib will be required under the Restricted Mudaraba Agreement to have liquidated the Mudaraba and to have paid to the Rab-al-Maal the proceeds of such liquidation,

and such liquidation proceeds, together with any principal revenues in respect of the Wakala Assets then held by the Managing Agent and payable to the Trustee under the Management Agreement (the **Wakala**

Portfolio Principal Revenues) and the exercise price payable by ADCB under the Purchase Undertaking, are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates.

The Trust may be dissolved prior to the Scheduled Dissolution Date for the following reasons: (i) redemption following a Dissolution Event or (ii) an early redemption for tax reasons. In each case, the amounts payable by the Trustee on the due date for dissolution will be funded in the same manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date.

Redemption following a Change of Control Event

On the occurrence of a Change of Control Event, Certificateholders will have the right under Condition 9.1 (*Redemption following a Change of Control Event and Purchase – Redemption following a Change of Control Event*) to require the Trustee to redeem their Certificates. Upon the exercise of such right, the Trustee shall redeem the relevant Certificates on the Change of Control Redemption Date for an amount equal to the sum of the face amounts of such Certificates and the Periodic Distribution Amounts on such Certificates (if any) accrued and unpaid to the Change of Control Redemption Date. Such redemption of the Certificates will be funded through the exercise by the Trustee of its right under the Purchase Undertaking to require ADCB to purchase and by notice to the Mudarib under the Restricted Mudaraba Agreement requiring the Mudarib to sell to ADCB, a percentage co-ownership interest in the Wakala Portfolio and the Mudaraba Portfolio, respectively, equal to the Mudaraba Percentage and Wakala Percentage, as applicable, of the aggregate face amount of the Certificates to be redeemed.

OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Certificates. Accordingly, any decision by a prospective investor to invest in the Certificates should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in "Terms and Conditions of the Certificates" and "Summary of the Principal Transaction Documents" shall have the same meanings in this overview. Reference to a "Condition" is to a numbered condition of the Conditions.

Parties

Trustee:	ADCB Islamic Finance (Cayman) Limited, a limited liability exempted company incorporated in accordance with the laws of, and formed and registered in, the Cayman Islands with registration number WK-263304. The Trustee's registered address is c/o Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents to which it is a party. The Trustee will issue the Certificates on the Issue Date and act as trustee in respect of the Trust Assets for the benefit of the Certificateholders.
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.$50,000 consisting of 5,000,000 shares of U.S.$0.01 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held by Walkers SPV Limited, with its registered office at Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands on trust for charitable purposes.
Administration of the Trustee:	The affairs of the Trustee are managed by Walkers SPV Limited (the **Corporate Administrator**), who will provide, amongst other things, certain administrative services for and on behalf of the Trustee pursuant to the Corporate Services Agreement dated 9 November 2011 between, *inter alia*, the Trustee and the Corporate Administrator (the **Corporate Services Agreement**).
Seller:	ADCB (in such capacity, the **Seller**). The Seller will sell to the Trustee (to hold as trustee for and on behalf of the Certificateholders) and the Trustee will purchase using the Wakala Percentage of the proceeds of the issue of the Certificates (the **Issue Proceeds**), the initial Wakala Portfolio identified in, and pursuant to, the Wakala Purchase Agreement.
Managing Agent:	ADCB (in such capacity, the **Managing Agent**). In accordance with the Management Agreement, the Managing Agent will provide certain services with respect to the Wakala Portfolio. The Managing Agent will make periodic payments to the Trustee from Wakala Portfolio Income Revenues received in respect of the Wakala Portfolio. These payments, together with the Rab-al-Maal's share of the relevant Mudaraba Profit, are intended to fund the Periodic Distribution Amounts payable by the Trustee in respect of the Certificates.

Mudarib and Rab-al-Maal:	ADCB (in such capacity, the **Mudarib**) and ADCB Islamic Finance (Cayman) Limited (in such capacity, the **Rab-al-Maal**). The Rab-al-Maal will invest the Mudaraba Percentage of the Issue Proceeds with the Mudarib pursuant to the Restricted Mudaraba Agreement and in accordance with the Mudaraba Investment Plan, which shall constitute a mudaraba (the **Mudaraba**). The Mudarib will also provide certain services with respect to the Mudaraba Portfolio in accordance with the Restricted Mudaraba Agreement and the Mudaraba Investment Plan. The Mudarib will make periodic payments to the Rab-al-Maal from the Mudaraba Profit received in respect of the Mudaraba Portfolio. The Rab-al-Maal's share of the Mudaraba Profit, together with the periodic payments received from the Managing Agent in respect of the Wakala Portfolio, are intended to fund the Periodic Distribution Amounts payable by the Trustee in respect of the Certificates.
Obligor:	ADCB. In accordance with the Purchase Undertaking, ADCB will, at the option of the Trustee, purchase the Wakala Portfolio, together with all of the Trustee's rights, title, interests, benefits, and entitlements in, to and under the Wakala Portfolio. ADCB shall have the right, under the Sale Undertaking on an early redemption for tax reasons, to require the sale to ADCB of the Wakala Portfolio, together with all of the Trustee's rights, title, interests, benefits, and entitlements in, to and under the Wakala Portfolio.
Structuring Bank:	Standard Chartered Bank
Joint Lead Managers:	Abu Dhabi Commercial Bank PJSC J.P. Morgan Securities Ltd. Merrill Lynch International Standard Chartered Bank
Co-Managers:	Al Hilal Bank PJSC Dubai Islamic Bank PJSC Sharjah Islamic Bank
Delegate:	Deutsche Trustee Company Limited. In accordance with the Declaration of Trust, the Trustee will unconditionally and irrevocably delegate to the Delegate the present and future duties, powers, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust.
Principal Paying Agent, Transfer Agent and Replacement Agent:	Deutsche Bank AG, London Branch
Registrar	Deutsche Bank Luxembourg S.A.
Summary of the Transaction Structure and Documents:	An overview of the structure of the transaction and the principal cash flows is set out under "*Structure Diagram and Cashflows*" and a description of the principal terms of the Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".

Summary of the Certificates:

Certificates:	U.S.$500,000,000 Certificates due 2016.
Trust Assets:	Each Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the Transaction Documents and

the Conditions, and is a limited recourse obligation of the Trustee. The Trust Assets are all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Sukuk Assets and the Transaction Documents (other than in relation to any representations given to the Trustee by ADCB pursuant to any of the Transaction Documents) together with all monies standing to the credit of the Transaction Account and all proceeds of the foregoing (the **Trust Assets**).

Sukuk Assets:	The **Sukuk Assets** will comprise the Wakala Portfolio and the Mudaraba Portfolio.
Issue Date:	22 November 2011.
Issue Price:	100 per cent. of the aggregate face amount of the Certificates.
Periodic Distribution Dates:	The 31st day of May and the 30th day of November in each year commencing on 31 May 2012.
Periodic Distributions:	On each Periodic Distribution Date, Certificateholders will receive, from moneys received by the Trustee in respect of the Trust Assets, a Periodic Distribution Amount in U.S. dollars equalling the product of: (i) 4.071 per cent. per annum; (ii) the face amount of the Certificates; and (iii) the number of days in the relevant Return Accumulation Period calculated on the basis of a year of 12 30-day months divided by 360. See Condition 6 (*Periodic Distributions*).
Return Accumulation Period:	The period from and including the Issue Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date or, if earlier, the relevant Dissolution Date.
Scheduled Dissolution of the Trust:	The Scheduled Dissolution Date is 22 November 2016. Upon receipt by the Trustee of the exercise price payable in accordance with the terms of the Purchase Undertaking, any Wakala Portfolio Principal Revenues payable in accordance with the terms of the Management Agreement and the exercise price payable on liquidation in accordance with the terms of the Restricted Mudaraba Agreement, the Trust will be terminated and in consequence the above amounts will be applied to redeem the Certificates at the Dissolution Distribution Amount.
Early Dissolution of the Trust:	Other than as a result of the occurrence of a Dissolution Event or an early dissolution for tax reasons, the Trust will not be subject to dissolution and the Certificates will not be redeemed, prior to the Scheduled Dissolution Date.
Dissolution Events:	The Dissolution Events are set out in Condition 12 (*Dissolution Events*). Following the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed in full at the Dissolution Distribution Amount.
Dissolution Distribution Amount:	The aggregate outstanding face amount of the Certificates plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificates.
Change of Control Event:	On the occurrence of a Change of Control Event the Certificateholders shall have the right as described in Condition 9.1

(*Redemption following a Change of Control Event and Purchase – Redemption following a Change of Control Event*) to require the Trustee to redeem their Certificates.

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

Covenants: The Purchase Undertaking contains a negative pledge given by ADCB and dissolution events that apply to ADCB, see "*Summary of the Principal Transaction Documents*".

Role of Delegate: Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate all of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to:

(a) deliver an exercise notice to ADCB in accordance with the Purchase Undertaking; and

(b) following a Dissolution Event, take enforcement action in the name of the Trustee against ADCB, the Managing Agent or the Mudarib.

Form and Delivery of the Certificates: The Certificates will be issued in registered global form only.

The Certificates will be represented on issue by beneficial interests in the Global Certificate which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in the limited circumstances described under "*Global Certificate*".

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

Face Amounts of the Certificates: The Certificates will be issued in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Status of the Certificates: Each Certificate represents an undivided ownership interest in the Trust Assets, subject to the terms of the Declaration of Trust and the Conditions, and is a direct unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Certificate will rank *pari passu*, without any preference or priority, with the other Certificates.

Transaction Account:	The Principal Paying Agent will maintain and operate a U.S. dollar account opened in the name of the Trustee (the **Transaction Account**). Payments to the Trustee by the Managing Agent, the Mudarib and ADCB under the Management Agreement, the Restricted Mudaraba Agreement and the Purchase Undertaking or the Sale Undertaking, as the case may be, will be credited to the Transaction Account. Periodic Distribution Amounts and the Dissolution Distribution Amount will be paid to holders of the Certificates from funds standing to the credit of the Transaction Account in accordance with the order of priority described under "*Priority of Distributions*" below.
Priority of Distributions:	On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority: (a) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate; (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid; (c) *third,* only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; (d) *fourth,* only if such payment is made on a Dissolution Date, to the Managing Agent in or towards payment of any outstanding Management Liability Amounts; (e) *fifth*, only if such payment is made on a Dissolution Date, to the Managing Agent to repay any amounts advanced by way of a Liquidity Facility; and (f) *sixth,* only after all necessary payments above have been made in full, to ADCB.
Limited Recourse:	Each Certificate represents solely an undivided ownership interest in the Trust Assets. 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 Trust Assets. Certificateholders have no recourse to any assets of the Trustee (other than the Trust Assets), ADCB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party) in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished.
Enforcement:	Following the distribution of the Trust Assets to the Certificateholders to the extent permitted under the Conditions and the Declaration of Trust, the Trustee shall not be liable for any further amounts and accordingly the Certificateholders may not take any action against the Trustee or any other person (including ADCB) to recover any such amount in respect of the Certificates or the Trust Assets.

The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Trustee or ADCB under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 20 per cent. of the aggregate outstanding face amount of the Certificates and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.

No Certificateholder shall be entitled to proceed directly against the Trustee or ADCB unless (a) the Delegate, having become bound so to proceed, fails to do so within 30 days of becoming so bound and such failure is continuing and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Trustee or ADCB, as the case may be) holds at least 20 per cent. of the then aggregate outstanding face amount of the Certificates. Under no circumstances shall the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets (except pursuant to the Purchase Undertaking and the Restricted Mudaraba Agreement) and the sole right of the Delegate and the Certificateholders against the Trustee or ADCB shall be to enforce their respective obligations under the Transaction Documents.

The foregoing is subject to the following. After enforcing or realising the Trust Assets and distributing the net proceeds in accordance with Condition 4.2 (*The Trust – Application of Proceeds from the Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and no holder of the Certificates may take any further steps against the Trustee and the Delegate or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

Withholding Tax: All payments by the Trustee under the Certificates are to be made without withholding or deduction for or on account of Cayman Islands taxes, unless the withholding or deduction is required by law. In such event, ADCB will be required pursuant to the relevant Transaction Documents to pay to the Trustee such additional amounts as may be necessary to ensure that the full amount which otherwise would have been due and payable under the Certificates is received by the Certificateholders.

All payments by ADCB under the Transaction Documents are to be made without withholding or deduction for or on account of any taxes in the UAE, unless the withholding or deduction is required by law. In such event ADCB will be required pursuant to the Purchase Undertaking, Management Agreement or Restricted Mudaraba Agreement, as the case may be, to pay to the Trustee such additional amounts as may be necessary to ensure that the Trustee will receive the full amount which otherwise would have been due and payable.

Use of Proceeds: The Wakala Percentage of the Issue Proceeds will be paid by the Trustee on the Issue Date to the Seller as the purchase price for the initial Wakala Portfolio and the Mudaraba Percentage of the Issue Proceeds will be paid to the Mudarib as the initial Mudaraba Capital of the Rab-al-Maal in the Mudaraba (which will be invested in the initial Mudaraba Portfolio in accordance with the Restricted Mudaraba Agreement and the Mudaraba Investment Plan including by entry into of a purchase agreement duly approved by ADCB's Sharia Supervisory Board for the purchase of the initial Mudaraba Portfolio or an undivided ownership interest therein).

Listing: Application has been made to the UK Listing Authority for the Certificates to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the London Stock Exchange's regulated market.

Rating: The Certificates are expected to be assigned a rating of "A1" by Moody's and "A" by Standard & Poor's. A rating is not a recommendation to buy, sell or hold the Certificates (or the beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

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 16 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

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

Transaction Documents: The Transaction Documents are the Wakala Purchase Agreement, the Management Agreement, the Restricted Mudaraba Agreement, the Purchase Undertaking, the Sale Undertaking, any Sale Agreement entered into under the Purchase Undertaking or the Sale Undertaking, the Declaration of Trust and the Agency Agreement.

Governing Law: The Wakala Purchase Agreement, the Management Agreement, the Restricted Mudaraba Agreement, the Purchase Undertaking, the Sale Undertaking, the Declaration of Trust, the Agency Agreement, the Certificates and any non-contractual obligations arising out of or in connection with any such Transaction Documents will be governed by, and construed in accordance with, English law.

Each Sale Agreement entered into under the Purchase Undertaking or the Sale Undertaking will be governed by the laws of the Emirate of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE.

The Corporate Services Agreement will be governed by the laws of the Cayman Islands.

Waiver of Immunity: ADCB will agree in the Transaction Documents to which it is a party to irrevocably and unconditionally waive any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consent to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, judgment or award made or given in connection with any proceedings or disputes.

Selling Restrictions:	The Certificates have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Certificates may be sold in other jurisdictions (including the United Kingdom, the Kingdom of Bahrain, the Cayman Islands, Malaysia, Hong Kong, Japan, Singapore, the UAE (excluding the Dubai International Financial Centre) and the Dubai International Financial Centre. See "*Subscription and Sale*" below.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and will, save as provided in "Global Certificate", apply to the Global Certificate:

Each of the U.S.$500,000,000 Certificates due 2016 (the **Certificates**) is issued by ADCB Islamic Finance (Cayman) Limited (in its capacity as issuer and as trustee, the **Trustee**) and represents an undivided ownership interest in the Trust Assets (as defined in Condition 4.1)) held on trust (the **Trust**) for the benefit of the holders of such Certificates pursuant to a declaration of trust (the **Declaration of Trust**) dated 22 November 2011 (the **Issue Date**) made between the Trustee, Abu Dhabi Commercial Bank PJSC (**ADCB**) and Deutsche Trustee Company Limited as the delegate of the Trustee (the **Delegate**).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the **Agency Agreement**) made between the Trustee, ADCB, the Delegate, Deutsche Bank AG, London Branch as principal paying agent (in such capacity, the **Principal Paying Agent** and together with any further or other paying agents appointed from time to time in respect of the Certificates, the **Paying Agents**) and Deutsche Bank Luxembourg S.A. as registrar (in such capacity, the **Registrar**) and as transfer agent (in such capacity, the **Transfer Agent** and, together with the Registrar and any further or other transfer agents appointed from time to time in respect of the Certificates, the **Transfer Agents**). The Paying Agents and the Transfer Agents are together referred to in these terms and conditions (the **Conditions**) as the **Agents**. References to the Agents or any of them shall include their successors.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as defined in Condition 4.1). In these Conditions, words and expressions defined and rules of construction and interpretation set out in the Declaration of Trust shall, unless defined herein or the context otherwise requires, have the same meanings and application herein. Copies of the Transaction Documents are available for inspection during normal business hours at the specified offices of the Paying Agents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee: (i) to apply a portion of the sums paid by it in respect of its Certificates to the Seller in accordance with the Wakala Purchase Agreement and the remaining portion of such sums paid by it to the Mudarib in accordance with the Restricted Mudaraba Agreement (each as defined in Condition 4.1); and (ii) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Certificates are issued in registered form in face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each an **Authorised Denomination**). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the **Register**).

Upon issue, the Certificates will be represented by a Global Certificate. The Conditions are modified by certain provisions contained in the Global Certificate. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive Certificates representing their holdings of Certificates. See "Global Certificate".

1.2 Title

The Trustee will cause the Registrar to maintain the Register in respect of the Certificates in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate. In these Conditions, **Certificateholder** and (in relation to a Certificate) **holder** have the meanings given thereto in the Declaration of Trust.

2. TRANSFERS OF CERTIFICATES

2.1 Transfers

Subject to Conditions 2.4 and 2.5 and the provisions of the Agency Agreement, a Certificate may be transferred in an Authorised Denomination only by depositing the Certificate by which it is represented, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents.

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

2.2 Delivery of New Certificates

Each new Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

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

2.3 Formalities Free of Charge

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

2.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of fifteen days ending on (and including) the due date for any payment of the Dissolution Distribution Amount (as defined in Condition 8.1)) or any Periodic Distribution Amount (as defined in Condition 6.1).

2.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfer of Certificates scheduled to the Agency Agreement. The Regulations may be changed by the Trustee from time to time with the prior written approval of the Delegate and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

The holder of Certificates shall be entitled to receive, in accordance with Condition 2.2, only one Certificate in respect of his entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 2.2.

3. STATUS AND LIMITED RECOURSE

3.1 Status

Each Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the Declaration of Trust and these Conditions, and is a direct unsubordinated, (subject to the provisions of Condition 5) unsecured and limited recourse obligation of the Trustee. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates.

3.2 Limited Recourse

The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as provided in the next sentence, the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Managing Agent, the Mudarib or ADCB. Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that they will have no recourse to any of the assets of the Trustee (other than the Trust Assets), the Delegate, the Managing Agent, the Mudarib or ADCB (to the extent that each of them fulfils all of its obligations under the Transaction Documents to which it is a party) in respect of any shortfall in the expected amounts from the Trust Assets when the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished.

Each of ADCB, the Mudarib and the Managing Agent is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee and the Delegate will have direct recourse against ADCB, the Mudarib and the Managing Agent to recover such payments.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 13, no holder of Certificates will have any claim against the Trustee (to the extent the Trust Assets have been exhausted), the Delegate, ADCB, the Mudarib or the Managing Agent (to the extent that each of them fulfils all of its obligations under the Transaction Documents to which it is a party) or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee as a consequence of such shortfall or otherwise.

3.3 Agreement of Certificateholders

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

(a) no payment of any amount whatsoever shall be made by the Trustee or any of its agents on its behalf except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee 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;

(b) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law; and

(c) 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 arising under or in connection with these Conditions by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer or director of the Trustee in their capacity as such and any and all personal liability of every such shareholder, officer or director in their capacity as such for any breaches by the Trustee of any such duty, obligation or undertaking is hereby expressly waived and excluded to the extent permitted by law.

4. THE TRUST

4.1 Summary of the Trust

The Trustee will enter into a wakala purchase agreement (the **Wakala Purchase Agreement**) to be dated the Issue Date with ADCB (in such capacity, the **Seller**). Pursuant to the Wakala Purchase Agreement the Seller will sell a portfolio (the **Wakala Portfolio**) of certain assets (the **Wakala Assets**) to the Trustee and the Trustee will purchase the Wakala Portfolio using a percentage (the **Wakala Percentage**) of the proceeds of the issue of the Certificates (the **Issue Proceeds**). The Trustee will also enter into a management agreement (the **Management Agreement**) to be dated the Issue Date with ADCB as managing agent (in such capacity, the **Managing Agent**) of the Wakala Portfolio.

ADCB Islamic Finance (Cayman) Limited (in such capacity, the **Rab-al-Maal**) will enter into a restricted mudaraba agreement (the **Restricted Mudaraba Agreement**) to be dated the Issue Date with ADCB (in such capacity, the **Mudarib**). Pursuant to the Restricted Mudaraba Agreement, the Rab-al-Maal will pay a percentage (the **Mudaraba Percentage**) of the Issue Proceeds to the Mudarib, which proceeds will form the initial capital of the Mudaraba (as defined below) (the **Mudaraba Capital**). The Mudarib will invest the Mudaraba Capital in a portfolio (the **Mudaraba Portfolio**) of certain assets (the **Mudaraba Assets** and, together with the Wakala Assets, the **Sukuk Assets**) in accordance with the Restricted Mudaraba Agreement, which shall include an investment plan prepared by the Mudarib and constitute a mudaraba (the **Mudaraba**).

ADCB will enter into a purchase undertaking (the **Purchase Undertaking**) to be dated the Issue Date in favour of the Trustee to purchase the Wakala Portfolio, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Portfolio on the Scheduled Dissolution Date (as defined in Condition 8.1)) or, if earlier, on the due date for dissolution in accordance with Condition 12 at the Dissolution Distribution Amount. The Purchase Undertaking may also be exercised ahead of a Change of Control Redemption Date (as defined in Condition 9.1 to fund the redemption of the Wakala Percentage of the relevant Certificates to be redeemed in these circumstances pursuant to Condition 9.1 through the purchase by ADCB of a percentage co-ownership interest in the Wakala Portfolio equal to the Wakala Percentage of the aggregate face amount of such Certificates.

The Trustee may also give notice to the Mudarib following any exercise of the Purchase Undertaking ahead of a Change of Control Redemption Date requiring the Mudarib to sell together with the Rab-al-Maal a percentage co-ownership interest in the Mudaraba Portfolio to ADCB equal to the Mudaraba Percentage of the relevant Certificates to be redeemed in order to fund the Mudaraba Percentage of such redemption. In addition, the Mudarib will liquidate the Mudaraba and distribute the Rab-al-Maal's share of the exercise price payable on such liquidation in respect of the Mudaraba Portfolio to the Rab-al-Maal on each of the above dissolution dates.

The Trustee will execute a sale undertaking (the **Sale Undertaking**) in favour of ADCB. Pursuant to the Sale Undertaking, subject to the Trustee being entitled to redeem the Certificates early pursuant to Condition 8.2, ADCB may, by exercising its option under the Sale Undertaking and serving notice on the Trustee no later than 60 days prior to the Tax Redemption Date (as defined in Condition 8.2), oblige the Trustee to sell the Wakala Portfolio, together with all of its rights, title, interests, benefits and entitlements in, to and under the Wakala Portfolio on the Tax Redemption Date at the Dissolution Distribution Amount.

Following any purchase of Certificates by or on behalf of ADCB or any Subsidiary of ADCB pursuant to Conditions 9.1 and 9.2, the Sale Undertaking may also be exercised in respect of the purchase by ADCB of a percentage co-ownership interest in the Wakala Portfolio equal to the Wakala Percentage of the aggregate face amount of the Certificates so purchased against the delivery of such Certificates to the Principal Paying Agent for cancellation. The Restricted Mudaraba Agreement will provide for a similar liquidation of the Mudaraba or grant of a co-ownership interest in the Mudaraba Portfolio, as applicable, in the above circumstances.

The Trustee has opened a transaction account (the **Transaction Account**) in the name of the Trustee with the Principal Paying Agent into which the Managing Agent, the Mudarib and ADCB will pay all amounts due to the Trustee under the Management Agreement, the Restricted Mudaraba Agreement and the Purchase Undertaking or the Sale Undertaking, as the case may be, respectively.

Pursuant to the Declaration of Trust, the Trustee will declare that it will hold certain assets (the **Trust Assets**) primarily consisting of:

(a) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Wakala Portfolio and the Mudaraba Portfolio;

(b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by ADCB (acting in any capacity) pursuant to any of the Transaction Documents to which it is a party); and

(c) all monies standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing upon trust absolutely for the holders of the Certificates *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and these Conditions.

The Wakala Purchase Agreement, the Management Agreement, the Restricted Mudaraba Agreement, the Purchase Undertaking, the Sale Undertaking, the Declaration of Trust any Sale Agreement entered into under the Purchase Undertaking or the Sale Undertaking and the Agency Agreement are together referred to in these Conditions as the **Transaction Documents**.

4.2 Application of Proceeds from the Trust Assets

On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent will apply the monies standing to the credit of the Transaction Account in the following order of priority:

(a) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate;

(b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(c) *third,* only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount;

(d) *fourth,* only if such payment is made on a Dissolution Date, to the Managing Agent in or towards payment of any outstanding Management Liability Amounts;

(e) *fifth*, only if such payment is made on a Dissolution Date, to the Managing Agent to repay any amounts advanced by way of a Liquidity Facility; and

(f) *sixth,* only after all necessary payments above have been made in full, to ADCB.

5. COVENANTS

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

(a) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

(b) grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);

(c) 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 interest in any of the Trust Assets except pursuant to the Transaction Documents;

(d) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(e) except as provided in Condition 16, amend or agree to any amendment to any Transaction Document to which it is a party (other than in accordance with the terms thereof) or amend its memorandum of association and by-laws;

(f) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(g) have any subsidiaries or employees;

(h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;

(i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it; and

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

    (i) as provided for or permitted in the Transaction Documents;

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

    (iii) such other matters which are incidental thereto.

6. PERIODIC DISTRIBUTIONS

6.1 Periodic Distribution Amounts and Periodic Distribution Dates

Subject to Condition 4.2 and Condition 7, the Principal Paying Agent shall distribute to holders of the Certificates, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount. The **Periodic Distribution Amount** payable on each Periodic Distribution Date shall be U.S.$500,000,000 per U.S.$1,000 in face amount of Certificates. For this purpose, **Periodic Distribution Date** means the 31st day of May and the 30th day of November in each year commencing on 31 May 2012 and, subject to Condition 6.3, ending on the Scheduled Dissolution Date (as defined in Condition 8.1)).

6.2 Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the **Relevant Period**), it shall be calculated as an amount equal to the product of: (a) 4.071 per cent. per annum; (b) the face amount of the relevant Certificate; and (c) the number of days in such Relevant Period calculated on the basis of a year of 12 30-day months divided by 360 (with the result being rounded to the nearest U.S.$0.01, U.S.$0.005 being rounded upwards). The period from and including the Issue Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date is called a **Return Accumulation Period**.

6.3 Cessation of Accrual

No further amounts will be payable on any Certificate from and including its due date for redemption, unless default is made in payment of the Dissolution Distribution Amount, in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 6.

7. PAYMENTS

7.1 Payments in respect of the Certificates

Subject to Condition 7.2, payment of the Dissolution Distribution Amount and any Periodic Distribution Amount will be made by the Principal Paying Agent in U.S. dollars by wire transfer in same-day funds to the registered account of the Certificateholder or by U.S. dollar cheque drawn on a bank that processes payments in U.S. dollars mailed to the registered address of the Certificateholder if it does not have a registered account. Payments of the Dissolution Distribution Amount will only be made against presentation and surrender of the relevant Certificate at the specified office of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the date (the **record date**) being the seventh day before the date on which the Dissolution Distribution Amount or the relevant Periodic Distribution Amount, as the case may be, is paid.

For the purposes of this Condition 7, a Certificateholder's **registered account** means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant record date, and a Certificateholder's **registered address** means its address appearing on the Register at that time.

7.2 Payments subject to Applicable Laws

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 10.

7.3 Payment only on a Payment Business Day

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, in each case by the Principal Paying Agent, on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

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

In this Condition, **Payment Business Day** means a day on which commercial banks and foreign exchange markets in London and New York City are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

7.4 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); (b) it will at all times maintain a Paying Agent (which may be the Principal Paying Agent) having its specified office in London for so long as the Certificates are listed on the Official List of the UK Listing Authority; and (c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, any such Directive. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Trustee in accordance with Condition 15.

8. CAPITAL DISTRIBUTIONS OF THE TRUST

8.1 Scheduled Dissolution

Unless the Certificates are previously redeemed, the Trustee will redeem each Certificate at the Dissolution Distribution Amount on 22 November 2016 (the **Scheduled Dissolution Date**). Upon payment in full of the Dissolution Distribution Amount to the Certificateholders, the Trust will terminate, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee and the Trustee shall have no further obligations in respect thereof.

In these Conditions, **Dissolution Date** means any of the Scheduled Dissolution Date, the Tax Redemption Date (as defined in Condition 8.2)) and any date specified by the Delegate in accordance with Condition 12 and **Dissolution Distribution Amount** in relation to a Certificate means its outstanding face amount plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificate.

8.2 Early Dissolution for Tax Reasons

The Certificates may be redeemed by the Trustee in whole, but not in part at any time (the date of any such redemption, the **Tax Redemption Date**), on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 15 (which notice shall be irrevocable), at the Dissolution Distribution Amount, if:

(a) (i) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 10 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 10) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 17 November 2011; and (ii) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(b) (i) the Trustee has received notice from ADCB that it has or will become obliged to pay additional amounts pursuant to the terms of the Restricted Mudaraba Agreement and/or the Management Agreement, as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 17 November 2011; and (ii) such obligation cannot be avoided by ADCB taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given unless an exercise notice has been received by the Trustee under the Sale Undertaking and no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (b) above) ADCB would be obliged to pay such additional amounts if a payment to the Rab-al-Maal under the Restricted Mudaraba Agreement and/or the Trustee under the Management Agreement was then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Trustee shall deliver to the Delegate: (i) a certificate signed by two directors of the Trustee stating that the Trustee is entitled to effect such dissolution and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above to the right of the Trustee so to dissolve have occurred; and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Trustee or ADCB, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment. The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof, in which event it shall be conclusive and binding on the Certificateholders. Upon the expiry of any such notice as is referred to in this Condition 8.2, the Trustee shall be bound to redeem the Certificates at the Dissolution Distribution Amount and, upon payment in full of the Dissolution Distribution Amount to the Certificateholders, the Trust will terminate, the Certificates shall cease to represent Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.3 Dissolution Following a Dissolution Event

Upon the occurrence of a Dissolution Event (as defined in Condition 12) which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trust dissolved as more particularly specified in Condition 12.

8.4 No other Dissolution

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust, otherwise than as provided in this Condition and Condition 12.

8.5 Cancellations

All Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold.

9. REDEMPTION FOLLOWING A CHANGE OF CONTROL EVENT AND PURCHASE

9.1 Redemption following a Change of Control Event

(a) If a Change of Control Event occurs, the Trustee shall, upon the holder of any Certificate giving notice to the Trustee at any time during the Change of Control Redemption Period, redeem such Certificate on the Change of Control Redemption Date for an amount equal to the sum of its face amount and the Periodic Distribution Amounts on such Certificate (if any) accrued and unpaid to the Change of Control Redemption Date.

(b) Immediately upon the Trustee or ADCB becoming aware that a Change of Control Event has occurred, the Trustee or ADCB, as the case may be, shall and, at any time following the occurrence of a Change of Control Event, the Delegate, if so requested in writing by Certificateholders representing not less than one-fifth in face amount of the Certificates for the time being outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), shall, give notice (a Change of Control Notice) to the Certificateholders specifying the nature of the Change of Control Event, the Change of Control Redemption Period and the Change of Control Redemption Date.

For the purposes of this Condition 9.1:

Business Day means a day on which commercial banks and foreign exchange markets in London are open for general business;

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

Change of Control Redemption Date means the first Business Day following the expiration of the Change of Control Redemption Period provided that the Change of Control Notice is given within 30 days of the Change of Control Event occurring, otherwise it means the date falling 14 days after the date on which the relevant Certificateholders exercise their right to require the redemption of the relevant Certificates in accordance with this Condition 9.1;

Change of Control Redemption Period means, in relation to any Change of Control Event, the period from and including the date on which that Change of Control Event occurs (whether or not the Trustee, ADCB or the Delegate has given a Change of Control Notice in respect of such event) to and including the date falling 60 days after the date on which the Change of Control Notice is given, provided that if no Change of Control Notice is given, the Change of Control Redemption Period shall not terminate; and

Government means the Government of Abu Dhabi.

The Delegate is under no obligation to ascertain whether a Change of Control Event, or any event which could lead to the occurrence of or could constitute a Change of Control Event, has occurred and, until it shall have actual knowledge or written notice pursuant to the Declaration of Trust to the contrary, the Delegate may assume that no Change of Control Event or other such event has occurred.

(a) The right of Certificateholders to require the redemption of Certificates under this Condition on the occurrence of a Change of Control Event may be exercised by Certificateholders in any multiple of the Authorised Denomination of the Certificates. To exercise such right, a Certificateholder must deliver, at the specified office of the Principal Paying Agent at any time during normal business hours of such Principal Paying Agent within the Change of Control Redemption Period, a duly completed and signed notice of redemption in the form (for the time being current) obtainable from the specified office of the Principal Paying Agent (a **Redemption Notice**) and in which the Certificateholder must specify a bank account to which payment is to be made under this Condition 9.1 accompanied by the relevant Certificates or evidence satisfactory to the Principal Paying Agent concerned that the relevant Certificates will, following delivery of the Redemption Notice, be held to its order or under its control.

(b) All notices to be given by any Certificateholder to the Trustee or by the Trustee to any Certificateholder under this Condition 9.1 must be given in accordance with Condition 15 (*Notices*). Any Redemption Notice given by a Certificateholder pursuant to this Condition 9.1 shall be irrevocable and the Trustee will redeem all Certificates which are the subject of a validly delivered Redemption Notice on the Change of Control Redemption Date.

9.2 Purchases

ADCB or any Subsidiary of ADCB may at any time purchase Certificates at any price in the open market or otherwise.

9.3 Interests in Sukuk Assets following redemption or purchase

In connection with any redemption of Certificates pursuant to Condition 9.1 and, following any purchase of Certificates pursuant to Condition 9.2, the Trustee may grant a percentage co-ownership interest in the Wakala Portfolio and the Mudarib together with the Rab-al-Maal may grant such an interest in the Mudaraba Portfolio, in each case equal to the Wakala Percentage and Mudaraba Percentage, respectively, of the aggregate face amount of the Certificates so redeemed or purchased against the delivery of such Certificates to the Principal Paying Agent for cancellation in accordance with Condition 9.4.

9.4 Cancellations

Following any redemption or purchase of Certificates by the Trustee, ADCB or any Subsidiary of ADCB pursuant to this Condition 9, such Certificates shall be delivered by the Trustee, ADCB or such Subsidiary to the Principal Paying Agent promptly for cancellation and, accordingly, may not be held, reissued or resold.

10. TAXATION

All payments in respect of the Certificates shall be made without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction (**Taxes**), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by the parties entitled thereto, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

(a) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or

(b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment (where presentation is required) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a different Member State of the European Union.

In these Conditions, references to the **Dissolution Distribution Amount** or any **Periodic Distribution Amount** payable in respect of a Certificate shall be deemed to include any additional amounts payable under this Condition 10. In addition, in these Conditions:

Relevant Date means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Delegate on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to Certificateholders by the Trustee in accordance with Condition 15.

Relevant Jurisdiction means: (i) in the case of payments to be made by the Trustee, the Cayman Islands; or (ii) in the case of payments to be made by ADCB (acting in any capacity), the UAE, or, in each case, any political sub-division or authority thereof or therein having power to tax.

The Purchase Undertaking, the Sale Undertaking, the Management Agreement and the Restricted Mudaraba Agreement each provide that payments thereunder by ADCB, the Managing Agent and the Mudarib, respectively, shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by ADCB, the Managing Agent and the Mudarib, respectively, of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

11. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 7.

12. DISSOLUTION EVENTS

Upon the occurrence and continuation of any of the following events (**Dissolution Events**):

(a) default is made in the payment of the Dissolution Distribution Amount or any Periodic Distribution Amount and such default continues for a period of 7 days in the case of the Dissolution Distribution Amount and 14 days in the case of such Periodic Distribution Amount; or

(b) the Trustee fails to perform or observe any of its other obligations under the Transaction Documents (other than the Agency Agreement) to which it is a party and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure is not, in the opinion of the Delegate, remedied within a period of 30 days following the service by the Delegate on the Trustee of notice requiring the same to be remedied; or

(c) an ADCB Event (as defined in the Purchase Undertaking) occurs; or

(d) the Trustee repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or

(e) at any time it is or will become unlawful or impossible for the Trustee to perform or comply with any or all of its obligations under the Transaction Documents or any of the obligations of the Trustee under the Transaction Documents are not or cease to be legal, valid and binding; or

(f) either: (i) the Trustee becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); (iii) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (iv) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(g) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or

(h) any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (f) and (g) above,

provided, however, that, in the case of paragraph (b) above, such event will only constitute a Dissolution Event if the Delegate has certified in writing to the Trustee that such event, in the opinion of the

Delegate, is materially prejudicial to the interests of Certificateholders, the Delegate shall give notice of the occurrence of such Dissolution Event to the holders of Certificates in accordance with Condition 15 with a request to such holders to indicate if they wish the Certificates to be redeemed and the Trust to be dissolved. If so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates, the Delegate shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) or, if the Delegate so decides in its discretion, the Delegate may, give notice to the Trustee, ADCB and all the holders of the Certificates in accordance with Condition 15 that the Certificates are to be redeemed at the Dissolution Distribution Amount on the date specified in such notice. Upon payment in full of such amounts, the Trust will terminate, the Certificates shall cease to represent an ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee and the Trustee shall have no further obligations in respect thereof.

For the purpose of (a) above, amounts shall be considered due in respect of the Certificates (including any amounts calculated as being payable under Condition 6 and Condition 8) notwithstanding that the Trustee has, at the relevant time, insufficient funds to pay such amounts.

13. ENFORCEMENT AND EXERCISE OF RIGHTS

13.1 Following the distribution in full of the net proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate or any other person to recover any such sum in respect of the Certificates or Trust Assets.

13.2 The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Trustee and/or ADCB under any Transaction Document unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Certificates outstanding 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.

13.3 No Certificateholder shall be entitled to proceed directly against the Trustee or ADCB unless: (a) the Delegate, having become bound so to proceed, fails to do so within 30 days of becoming so bound and such failure is continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or ADCB, as the case may be) holds at least 20 per cent. of the then aggregate face amount of the Certificates outstanding. Under no circumstances shall the Delegate or any Certificateholder have: (i) any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents; or (ii) any other recourse against the Sukuk Assets, except the right to receive distributions derived from the Sukuk Assets in accordance with the Conditions, and the sole right of the Delegate and the Certificateholders against the Trustee and ADCB shall be to enforce their respective obligations under the Transaction Documents.

13.4 The foregoing paragraphs in this Condition 13 are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 4.2 and the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no holder of the Certificates may take any further steps against the Trustee, the Delegate or any other person to recover any further sums in respect of the Certificates and the right to receive any sums unpaid shall be extinguished. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of ADCB Islamic Finance (Cayman) Limited.

14. REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee or ADCB may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. NOTICES

All notices to Certificateholders will be valid if:

(a) published in a daily newspaper having general circulation in London (which is expected to be the Financial Times) approved by the Delegate; or

(b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the day 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.

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

16. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

16.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Declaration of Trust. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. of the outstanding face amount of the Certificates, or at any adjourned such meeting one or more persons present whatever the outstanding face amount of the Certificates held or represented by him or them, except that any meeting the business of which includes the modification of certain provisions of the Certificates (including modifying the Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates, altering the currency of payment of the Certificates or amending certain covenants given by the Trustee and ADCB in the Transaction Documents), the quorum shall be one or more persons present holding or representing not less than 75 per cent. of the outstanding face amount of the Certificates, or at any adjourned such meeting one or more persons present holding or representing not less than one-third of the outstanding face amount of the Certificates. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than three-quarters of the votes cast on such poll and, if duly passed, will be binding on all holders of the Certificates, whether or not they are present at the meeting and whether or not voting.

16.2 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or any other Transaction Document, or to any amendment to the Trustee's memorandum of association and by-laws, or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or Potential Dissolution Event (as defined in the Declaration of Trust) shall not be treated as such, which in any such case is not, in the opinion of the Delegate, materially prejudicial to the interests of Certificateholders or may agree, without any such consent or sanction as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of the law.

16.3 In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

16.4 Any modification, abrogation, waiver, authorisation or determination shall be binding on all of the Certificateholders and shall be notified by the Trustee to the Certificateholders as soon as practicable thereafter in accordance with Condition 15.

17. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE

17.1 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 action unless indemnified and/or secured and/or pre-funded to its satisfaction.

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

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

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

19. GOVERNING LAW AND DISPUTE RESOLUTION

19.1 Governing Law

The Declaration of Trust, the Certificates and these Conditions (including the remaining provisions of this Condition 19)) and any non contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

19.2 Arbitration

Subject to Condition 19.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust, the Certificates and these Conditions (including any dispute as to their existence, validity, interpretation, performance, breach or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules (the **Rules**) of the London Court of International Arbitration (**LCIA**), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 19. For these purposes:

(a) the place of arbitration shall be London, England;

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

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

On receipt by the Trustee of a Request for Arbitration as defined in the Rules initiated by a Certificateholder, the Trustee shall send a copy of the Request for Arbitration to all Certificateholders (the **Notification**) within 30 days of receipt. The arbitral proceedings shall be suspended until the earlier of the completion of the Notification process or 30 days following the receipt by the Trustee of a Request for Arbitration.

Any Certificateholder may, on receipt of such Notification, request to be joined with any other Certificateholder to that arbitration, by filing a written notice (a **Joinder Notice**) with the relevant Certificateholder and the Trustee prior to disclosure of documents in that arbitration. Each Certificateholder hereby agrees to accept the joinder of any other Certificateholder where the interests of the Certificateholders are materially similar. Failure to file a Joinder Notice does not preclude any Certificateholder from bringing any action (whether arising from similar facts to those relevant to the arbitration in respect of which the Notification is provided or otherwise) in the future.

Any multi-party arbitration resulting from the joinder of any other Certificateholder will be formally settled in single arbitral proceedings.

In multi-party arbitration proceedings, the arbitral tribunal shall have all powers necessary to establish any supplementary procedural rules required or desirable in view of the multi-party nature of the proceedings.

In the event of arbitration proceedings where the interests of Certificateholders are sufficiently similar to permit those parties to be represented by a single counsel without generally accepted principles regarding conflicts of interest being infringed, such parties are obliged to act together and through one counsel only. In the event that there is some question as to whether the interests of some or all of the Certificateholders concerned are sufficiently similar to invoke the terms of this provision requiring joint representation, then that may be determined as a preliminary issue by the arbitral tribunal.

19.3 Court of law

Notwithstanding Condition 19.2 above, the Trustee, the Delegate or (only where permitted to take action in accordance with the terms of the Declaration of Trust) any Certificateholder may, in the alternative, and at its sole discretion, by notice in writing to the Trustee:

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

(b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 19.4 and any arbitration commenced under Condition 19.2 in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by the Trustee, failing which ADCB), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

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

(c) 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;

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

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

19.4 Submission to jurisdiction

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

(a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Trustee submits to the exclusive jurisdiction of such courts;

(b) the Trustee agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(c) this Condition 19.4 is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding paragraph (a) above, the Delegate and the Certificateholders may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Trustee, the Delegate and the Certificateholders may take concurrent Proceedings in any number of jurisdictions.

19.5 Appointment of Process Agent

Each of the Trustee and ADCB has, in the Declaration of Trust, appointed Abu Dhabi Commercial Bank (UK) Limited at its registered office at c/o Olswang, 90 High Holborn, London WC1V 6XX as its agent for service of process and has undertaken that, in the event of Abu Dhabi Commercial Bank (UK) Limited ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Delegate as its agent for service of process in England in respect of any Proceedings or Disputes and notify the Certificateholders of such appointment in accordance with Condition 15. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

19.6 Enforcement

Under the Declaration of Trust, the Trustee and ADCB have agreed that an arbitral award or judgment or order of an English or other court, in connection with a dispute arising out of or in connection with the Declaration of Trust, the Certificates or these Conditions, shall be binding on it and may be enforced against it in the courts of any competent jurisdiction. For the purposes of the foregoing, in respect of any proceedings arising out of or connected with the enforcement and/or execution of any award or judgment made against the Trustee and/or ADCB, the Trustee and ADCB have expressly submitted under the Declaration of Trust to the jurisdiction of any court in which any such proceedings are brought.

19.7 Waiver of immunity

Under the Declaration of Trust, ADCB has irrevocably and unconditionally waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and 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 property whatsoever (irrespective of its use or intended use) of any order, judgment or award made or given in connection with any Proceedings or Disputes.

19.8 Other documents

Each of the Transaction Documents contain governing law, arbitration, submission, process agent appointment, enforcement and waiver of immunity terms that are substantially similar to those set out above.

GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates in respect of which it is issued whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning in paragraphs 1 to 7 below.

1. HOLDERS

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

2. CANCELLATION

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

3. PAYMENTS

Payments of the Termination Distribution Amount and each Periodic Distribution Amount in respect of Certificates represented by the Global Certificate, shall be made to the holder shown on the Register at the close of the business day (being for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date for such payment.

Payments of the Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the Holder for such purpose. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

4. NOTICES

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

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

5. REGISTRATION OF TITLE

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

6. TRANSFERS

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

7. EXCHANGE FOR DEFINITIVE CERTIFICATES

Interests in the Global Certificate will be exchanged for Certificates in definitive form upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (a) the Delegate has given notice in accordance with Condition 12 (*Dissolution Events*) that a Dissolution Event has occurred and is continuing or (b) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system satisfactory to the Delegate is available. Upon the occurrence of an Exchange Event, the Trustee will issue definitive Certificates in exchange for the whole of the Global Certificate within 30 days of the occurrence of the relevant Exchange Event upon presentation of the Global Certificate by the person in whose name it is registered in the Register on any day (other than a Saturday or Sunday) on which banks are open for business in the city in which the Registrar has its specified office.

USE OF PROCEEDS

The Proceeds of the issue of the Certificates will be applied by the Trustee on the Issue Date as follows:

(a) 92 per cent. of the Proceeds towards the purchase from ADCB, by way of sale and transfer, of the initial Wakala Portfolio, together with all of ADCB's rights, title, interests, benefits and entitlements in, to and under the initial Wakala Portfolio; and

(b) 8 per cent. of the Proceeds deposited with Mudarib, such amount constituting the Mudaraba Capital of the Rab-al-Maal in the Mudaraba (which will be invested in the initial Mudaraba Portfolio pursuant to the Restricted Mudaraba Agreement, by entry into of a purchase agreement duly approved by ADCB's Sharia Board for the purchase of the initial Mudaraba Portfolio or an undivided ownership interest therein).

DESCRIPTION OF THE TRUSTEE

Introduction

The Trustee was incorporated in the Cayman Islands on 11 October 2011 as an exempted limited liability company limited by shares under the Companies Law (as amended) under the name ADCB Islamic Finance (Cayman) Limited and company registration number WK-263304. The Trustee's registered office address is c/o the offices of Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands, telephone number +1345 945 3727.

Business of the Trustee

The Trustee's entire issued share capital is held by Walkers SPV Limited of Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands under the terms of a charitable purpose trust dated 9 November 2011 under which Walkers SPV Limited holds all of the issued shares of the Trustee in trust until the Termination Date as defined in the charitable purpose trust.

Prior to the Termination Date (as defined in the charitable purpose trust), the trust is an accumulation trust but Walkers SPV Limited (as trustee of the shares in the Trustee) has the power to benefit the Certificateholders or a Qualified Charity (as defined in the charitable purpose trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date (as defined in the charitable purpose trust) Walkers SPV Limited (as trustee of the shares in the Trustee) will wind up the trust and make a final distribution to charity. Walkers SPV Limited (as trustee of the shares in the Trustee) has no beneficial interest in and derives no benefit (other than its fee for acting as trustee of the shares in the Trustee) from its holding of the shares in the Trustee.

The primary purpose of the Trustee is to issue the Certificates and enter into the transactions contemplated by the Transaction Documents. The Trustee is a Cayman Islands exempted company incorporated on 11 October 2011.

Share Capital of the Trustee

The Trustee has no subsidiaries. The Trustee is authorised to issue up to 5,000,000 shares of U.S.$0.01 par value.

As at the date of this Prospectus, the Trustee had issued 250 shares at an agreed price of U.S.$0.01 each.

Corporate Administration

Walkers SPV Limited of Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands will act, or procure that a subsidiary acts, as the corporate administrator of the Trustee (the **Corporate Administrator**) pursuant to the terms of the Corporate Services Agreement to be entered into between the Trustee and the Corporate Administrator. In consideration of the foregoing, the Corporate Administrator will be entitled to receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that the Trustee may terminate the appointment of the Corporate Administrator by giving one month's notice to the Corporate Administrator and terminate without notice upon the happening of any certain stated events, including breach by the Corporate Administrator of its obligations under the Corporate Services Agreement. In addition, the Corporate Services Agreement provides that the Corporate Administrator shall be entitled to retire from its appointment by giving at least one month's notice in writing provided that a replacement acceptable to the Trustee has been appointed.

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

The Directors of the Trustee are all employees of the Corporate Administrator. The Trustee has no employees (save as disclosed under "*Directors*" below) and is not expected to have any employees in the future.

Financial Statements

As at the date of this Prospectus the Trustee has not prepared any financial statements.

Management and Employees

The Trustee has no employees other than those directors listed below in the section entitled "*Directors*".

Directors

The directors of the Trustee and their other principal activities at the date hereof are as follows:

Name	Age	Other principal activities
Rachael Rankin	34	Senior Vice President, Walkers SPV Limited
Otelia Scott	32	Assistant Vice President, Walkers SPV Limited

The business address of the directors is Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands.

Directors' Interests

No director listed above has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Trustee and no director has any conflict of interest and/or any potential conflict of interest between any of its duties to the Trustee and its private interests and/or other duties. As a matter of Cayman Islands law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Trustee, regardless of any other directorships he may hold.

DESCRIPTION OF ADCB

OVERVIEW

ADCB is one of the leading commercial banks in the UAE, offering a wide range of retail, commercial, investment and Islamic banking, brokerage and asset management products and services. As at 30 September 2011, ADCB was the third largest bank in the UAE and the second largest bank in Abu Dhabi in terms of total assets (AED 183.1 billion), loans and other advances, net (AED 124.2 billion) and customer deposits (AED 108.0 billion), representing about 10.9 per cent. of the UAE market in terms of total assets according to Central Bank statistical records. As at 30 September 2011, ADCB served more than 480,000 retail customers and more than 34,000 wholesale customers, primarily in its domestic UAE market.

Since its incorporation in July 1985 following the merger of three local Abu Dhabi banks, ADCB has grown rapidly to become one of the largest full-service commercial banks in the UAE Since its incorporation, the Government has at all times held a controlling interest of at least 61.6 per cent. of the share capital of ADCB.

As at 30 September 2011, ADCB's authorised and issued share capital was AED 5.6 billion. ADCB's shares have a nominal value of AED 1 each. As at the date of this Prospectus, the Government holds 61.6 per cent. of ADCB's share capital, of which 58.1 per cent. is held through the Council, with the balance being held by an investment institution wholly owned by the Government. ADCB's share capital is listed on the ADX.

ADCB has three principal areas of business:

- ***Consumer Banking Group***: the consumer banking group provides a broad range of conventional retail banking and wealth management products and services to individual customers (including high net worth individuals) located primarily in the UAE The products and services offered include current and deposit accounts, personal and vehicle loans, mortgage lending, brokerage, credit and other card services and corresponding Islamic retail banking products and services;
- ***Wholesale Banking Group***: the wholesale banking group provides a broad range of corporate and investment banking products and services to large strategic clients (including government or government-related entities and regional blue-chip corporates), financial institutions, emerging local corporates and local branches of multinational corporations and SMEs. The products and services offered include corporate lending, cash management, trade finance, Islamic finance, debt securities underwriting and distribution, corporate advisory and structuring services. The group also oversees and monitors certain strategic investments, joint ventures and international operations (including ADCB's banking operations in India); and
- ***Treasury and Investments Group***: the treasury and investments group provides commercial and proprietary treasury operations and manages ADCB's investment portfolio.

ADCB also has a property management division which comprises the real estate management and engineering service operations of ADCB's subsidiaries Abu Dhabi Commercial Properties (**ADCP**) and Abu Dhabi Commercial Engineering Services (**ADCES**) and ADCB Real Estate Fund's operations and rental income.

As at 30 September 2011, ADCB had 47 branches, 4 pay offices, 1 kiosk and around 287 ATMs in the UAE, with the majority in Abu Dhabi and Dubai, and two branches in India. ADCB also offers services to individuals and corporate customers through its "ADCB@ctive" internet banking, phone and SMS banking systems and through one of the largest point-of-sale networks in the UAE. In addition, ADCB provides a range of Sharia-compliant Islamic products and services under its "ADCB Islamic Banking" brand.

STRENGTHS

ADCB believes that its businesses have the following strengths:

Well situated to benefit from resilience and growth of the UAE economy

ADCB believes that the resilience of its earnings and ability to grow its operating income since the middle of 2008 reflects the strengths of its core consumer and wholesale banking and treasury operations. ADCB reported a net profit of AED 2,531 million for the nine-month period ended 30 September 2011 and a net profit of AED 390.6 million for the year ended 31 December 2010.

In past years, ADCB has demonstrated an ability to capitalise on the strong growth rates in the region by substantially growing both its asset and liability portfolio, despite a highly competitive environment. ADCB's loans and advances, net of loan loss provisions, increased by 1 per cent. to AED 124.2 billion as at 30 September 2011 from AED 122.8 billion as at 31 December 2010. The increase was principally attributable to growth in the development and construction, financial institutions and energy sectors. ADCB's loans and advances, net of loan loss provisions increased by 5.3 per cent. to AED 122.8 billion as at 31 December 2010, from AED 116.6 billion as at 31 December 2009. The increase was principally attributable to growth in the development and construction, personal retail loans, Government and real estate investment sectors. Management believes that continued investment spending in the oil and gas industry, infrastructure and real estate sectors in the UAE and Abu Dhabi in particular will provide opportunities for all of ADCB's businesses, and particularly for ADCB's corporate customers, who are major suppliers to these investment programmes. ADCB therefore believes that it is well-positioned to be a significant indirect beneficiary of governmental domestic investment programmes. Management also believes that its consumer banking group is well-positioned to benefit from the growth and diversification of the UAE economy, as well as increased wealth across the UAE population.

Supportive principal shareholder

As at the date of this Prospectus, 61.6 per cent. of the issued and outstanding ordinary shares of ADCB were held by the Government, with 58.1 per cent. held through the Council, with the balance being held by an investment institution wholly owned by the Government. The Government was instrumental in the founding of ADCB through a three-way merger of local Abu Dhabi banks in 1985, and it has continued to support ADCB since that date. In particular, many Government-controlled entities regularly engage ADCB in new business opportunities and have remained long-standing clients of ADCB. Furthermore, in common with other regional governments, the Government provided financial support to its local banks, including ADCB, during the global financial crisis. This support helped ADCB to maintain liquidity and achieve a high capital adequacy ratio, well above the Central Bank guidelines, during the global financial crisis. The majority ownership of ADCB and financial and other support by the Government have helped to stabilise ADCB's performance in turbulent economic periods and to enhance customer and market confidence in ADCB. Although there can be no assurance that the Government will continue to support ADCB, management believes that ADCB's relationship with the Government is unlikely to change in the foreseeable future.

Capital base and liquidity

As at 30 September 2011, ADCB had a total capital adequacy ratio under Basel II of 22.2 per cent., consisting of a Tier I ratio of 15.6 per cent. and a Tier II ratio of 6.6 per cent. ADCB has maintained a strong liquidity position with a loans to stable resources ratio of less than 100 per cent. during the past three years. This ratio has been bolstered by the issuance by ADCB of AED 4.0 billion of Tier I Capital Notes in March 2009, as well as by the conversion of AED 6.6 billion of medium term deposits provided by the UAE federal government into Tier II qualifying loans in March 2009. On 24 April 2011, ADCB converted the AED 4.8 billion mandatorily convertible securities issued in 2008 into 785,597,381 equity shares at a conversion price of AED 6.11. Following the conversion of these securities, the Government's equity ownership of ADCB was reduced to its current level of 61.6 per cent. As at 30 September 2011, ADCB had cash on hand, balances with the Central Bank and short-term interbank placements (with a maturity of less than 6 months) of AED 24.0 billion.

Strong domestic franchise with a well known and trusted brand

In the UAE, ADCB is one of the leading commercial banks with a broad portfolio of consumer and wholesale products, an extensive distribution network and well-established relationships with its client base. With more than 480,000 retail customers and over 34,000 wholesale customers, ADCB has one of the largest customer bases in Abu Dhabi and the UAE and maintains one of the largest domestic distribution networks. This distribution network offers significant opportunities to attract additional clients and expand ADCB's range of products and services to existing clients. As at 30 September 2010, ADCB had 47 branches, 4 pay offices, 1 kiosk and 287 ATMs throughout the UAE with a suite of alternate banking channels, including Internet-based "ADCB@ctive", mobile banking channels and points-of-sale. As at 30 September 2011, ADCB had deposits of AED 108.0 billion, which represented a market share of 10.1 per cent. of total UAE bank deposits and a loan and other advances portfolio of AED 124.2 billion, which represented 11.6 per cent. of the total loans of all UAE banks, according to the UAE Monthly Banking Indicators, 30 September 2011 published by the Central Bank.

ADCB's strong position in consumer and wholesale banking enables ADCB to benefit from economies of scale and provides a strong platform for sustained profitability in the UAE banking market. Management believes that ADCB's market position and strong brand recognition throughout the UAE reflect ADCB's focus on high-quality customer service, creation of innovative products and services, its established track record in both consumer and wholesale banking, its targeted marketing to consumer, SME, large corporate and strategic client groups and its involvement in the UAE's most prominent infrastructure and other development projects.

Experienced management team with proven track record in the banking industry

ADCB's strategy (See "– *Strategy*") is supported by the senior management team's broad expertise in the region, proven record for implementing industry-leading initiatives, and by its focus on best practices and customer service. ADCB's senior management team has extensive experience in the financial services sector in the UAE and elsewhere, see "*Governance*". The heads of ADCB's wholesale, consumer, treasury and investment and credit groups have extensive experience in the finance and banking sector, with institutions such as Barclays Bank, Citibank, Standard Chartered Bank and Alico. ADCB believes that the experience of its senior management team is a key strength as it seeks to continue to improve its operating performance and implement its strategy.

Expertise in designing banking products to meet customers' needs

ADCB currently offers a range of banking products and services to its clients and has the ability to tailor each product to fit the banking needs of individual clients, especially its strategic, large corporate and high net worth individual clients. ADCB's wholesale banking group provides customised cash management, trade finance (including structured trade finance) and investment banking solutions to its strategic, large corporate and SME clients. In addition, through its joint venture with Australia's Macquarie Bank, ADCB provides infrastructure advisory and infrastructure-related funds management services. ADCB also offers individualised banking services for high net worth individuals. Since 2005, ADCB has focused on affluent retail clients and high net worth individual clients through its Privilege Club, Excellency and other programmes. ADCB also offers "TouchPoints", a rewards programme whereby customers earn points redeemable for goods and services for virtually all transactions carried out with ADCB, which management believes is unique in the region. In 2010, ADCB formed an alliance with Etihad Airways, the national airline of the UAE, to offer co-branded credit cards whereby customers are awarded Etihad miles (under the Etihad Guest Programme) for every dirham spent. In 2010, ADCB also entered into an alliance with Schroder & Co Bank AG to offer offshore Swiss private banking and wealth management services to its UAE clients. In 2011, ADCB entered into a strategic relationship with Bank of America Merrill Lynch (**BofAML**). This relationship has enabled ADCB's clients to gain access to BofAML's global network of corporate banking and cash management capabilities. In addition, in 2011, ADCB entered into a partnership with Export-Import Bank of Korea (**KEXIM**) to provide comprehensive financing solutions for trade companies in both the UAE and Korea. On 1 October 2011, ADCB launched its "Free Banking" campaign, which offers fee free banking services subject to fair usage and other terms and conditions). ADCB believes that the availability of these custom-tailored products and services helps to market ADCB's other products and services effectively and to differentiate ADCB's products from those of its competitors.

STRATEGY

ADCB's strategy for the period from 2011 to 2013 is based on five main themes:

- ***Growth through a UAE-centric approach and controlled internationalisation***: ADCB aims to capitalise on the strengths of its consumer and wholesale banking franchises and strong brand in the UAE and enhance its position as a leading full-service commercial bank in the UAE. ADCB's core focus for growth resides primarily within the core segments of corporate, wholesale banking and consumer banking in the UAE, however ADCB will be prepared to take advantage of international opportunities, should suitable ones arise. The main strategy is to defend, maintain and consolidate ADCB's business in the UAE. ADCB intends to continue to work closely and strengthen its relationship with strategic and government clients in the UAE. In 2010, ADCB acquired the retail and SME banking businesses of The Royal Bank of Scotland plc (**RBS**) in the UAE which added approximately 250,000 new customers, three new branches and two new customer service centres along with additional ATMs and operations processing and modern call centre facilities based in Dubai. The acquisition provided ADCB with an opportunity to increase its presence in the strategically important consumer banking business.

- ***Stability through growth in customer term liabilities***: ADCB aims to improve its market share in the retail banking sector by increasing its level of current and saving deposits, thereby providing ADCB with a more stable funding base. ADCB increased its customer deposits from AED 86.3 billion as at 31 December 2009 to AED 108.0 billion as at 30 September 2011. In addition, between 31 December 2009 and 30 September 2011, current and saving account deposits, as a percentage of total customer deposits, increased from 21.8 per cent. to 24.9 per cent.

- ***Maintain a culture of service excellence and efficiency***: ADCB continues to invest in new information technology (**IT**) infrastructure and systems. ADCB's IT systems have been developed based largely on commercially available systems with very limited reliance on "in-house" software. Accordingly, management believes that its IT platform is easily scalable to accommodate growth in ADCB's consumer and wholesale banking businesses. ADCB's IT systems were also designed to be flexible so that they can service the different types of banking products that ADCB offers. ADCB has made significant investments in developing disaster recovery and business continuity sites and processes. ADCB is also aiming to maximise internal controls through compliance and audit functions. ADCB now occupies a Tier 4 data centre and has made major investments in IT systems for customer relationship management, cash management, treasury and trade finance. ADCB intends to continue to upgrade its IT and operational platforms in order to maximise shared resources and implement its cross-selling and cost reduction initiatives. Since 2010, ADCB has launched platforms to support both the trade finance and cash management businesses as well as investing further in risk monitoring and workflow tools.

- ***Manage our risk in line with a pre-defined risk strategy***: ADCB has sought to recruit 'best in market' risk management teams and continues to build upon its standards of risk management, corporate governance and transparency. ADCB intends to manage down its customer and sector concentration risks and has implemented a more robust risk framework including investment in upgrading its risk systems and people capability to handle such risks. Risk management is also being carried out through ongoing proactive remedial management, tightening of credit criteria and education of staff in order to create a bank-wide 'credit' culture.

- ***Success through staff***: ADCB recognises the contribution of its staff members to its long term profitability and success. To this end, ADCB intends to retain its key staff members, to periodically review their compensation and incentives and reward them in accordance with their performance. ADCB also intends to attract talent to key new roles within the organisation. ADCB intends to continue to maintain market-attractiveness through its compensation structure, to continue to invest in its people and to build aspiring career paths for staff.

HISTORY AND CORPORATE STRUCTURE

ADCB was incorporated in 1985 following the merger of Khalij Commercial Bank, Emirates Commercial Bank and Federal Commercial Bank. The merger was effected pursuant to a resolution of the Abu Dhabi Executive Council.

Following a strategic review conducted in 2003, ADCB undertook a bank-wide reorganisation programme designed to create a competitive, contemporary and full-service bank offering a wide range of products and services to its customers and that was capable of sustainable growth in profitability. The reorganisation strategy was implemented in 2003 and 2004. A new management team was also appointed during that period.

In 2005, ADCB formed a joint venture with Australia's Macquarie Bank which focuses on infrastructure advisory services and infrastructure funds management. The joint venture leverages the specialised infrastructure advisory and infrastructure funds management capabilities of Macquarie Bank.

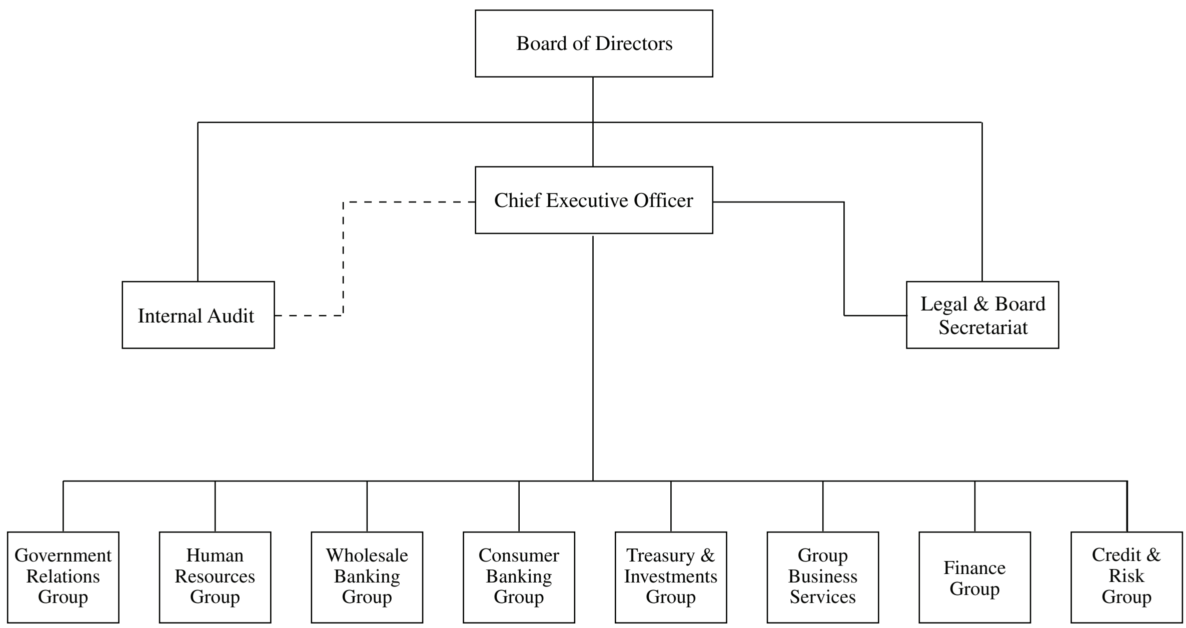
In 2006, ADCB engaged McKinsey & Company to assist with a review of ADCB's products and services. This review culminated in the "ADCB Fast Forward" programme, a restructuring and overhaul of ADCB's products, which was completed in late 2009. Following the successful implementation of the "Fast Forward" strategic programme, ADCB developed its strategy for the period 2011-2013 as described above (see "*– Strategy*"). In addition, in 2011, McKinsey & Company was appointed to assist in devising a five year plan for ADCB. ADCB's strategy for the period from 2012 to 2017 is expected to be finalised in 2012.

In 2009, in common with other local UAE banks, ADCB accepted Tier II capital from the UAE Ministry of Finance in the sum of AED 6.6 billion. As a condition of acceptance of this capital, local banks were required to grant the Ministry of Finance a right to convert the Tier II capital into ordinary shares. This right is exercisable in the event that ADCB's Tier I capital falls below the regulatory minimum set by the Central Bank from time to time.

In June 2011, ADCB divested its 24.9 per cent. ownership interest in RHB Capital Berhad (**RHB**), which it acquired in May 2008, see "*– Recent Developments*".

ORGANISATION CHART

The following chart sets out the organisation structure of the Bank as at 30 September 2011.



Currently, ADCB has the following shareholdings in the following material subsidiaries and associates:

Company	Ownership (%)	Place of Incorporation	Book Value (U.S.$ millions) as at 30 September 2011
Abu Dhabi Commercial Properties	100%	UAE	75.91
Al Dhabi Brokerage Services	100%	UAE	18.67
Abu Dhabi Commercial Islamic Finance	100%	UAE	167.11
Abu Dhabi Commercial Investment Services	100%	UAE	28.31

RECENT DEVELOPMENTS

Dubai World exposure

ADCB has established an impairment allowance of AED 1,067 million for its portion of exposures to the Dubai World group, of which AED 1,055 million was created in 2010 and the remaining in 2011. Following the successful restructuring of the Dubai World group in March 2011, this impairment allowance is being written back progressively and, as at 30 September 2011, the outstanding amount of this impairment allowance was AED 921 million of ADCB's outstanding exposure to the Dubai World group. This amount was included in ADCB's accounts for the nine months ended at 30 September 2011.

Divestment of ownership interest in RHB

On 30 September 2011, ADCB sold to Aabar Investments its 24.9 per cent. holding in RHB. ADCB had consistently benefited from its investment in RHB, which added value to the shareholders through strong dividends and share of profits. ADCB sold its holding in RHB in order to focus on its strategy of being a UAE-centric bank. In addition, the sale increased ADCB's Tier I ratio and total capital adequacy ratio.

Re-branding of "ADCB Islamic Banking"

In early 2011, ADCB conducted market research and obtained customer feedback on its Islamic banking brand "ADCB Meethaq". Based on the conclusions of the research and to provide impetus to its Islamic banking business, in July 2011 ADCB re-branded its Islamic banking franchise as "ADCB Islamic Banking".

CONSUMER BANKING GROUP

The consumer banking group provides a range of conventional and Sharia-compliant products and services to retail consumers primarily located in the UAE. The group offers products including deposit and transactional accounts, personal and vehicle loans, mortgages, credit cards, third-party bancassurance products, third-party investment products, ADCB investment products, wealth management services and brokerage services. These products are priced according to the customer's overall relationship with ADCB and risk profile and are almost all linked to ADCB's unique "TouchPoints" programme, a bank-wide loyalty programme that enables customers to earn points redeemable for goods and services (for example, airline mileage points, mall vouchers and jewellery) for virtually all transactions carried out with ADCB as opposed to only credit card transactions as is common with other competitors. ADCB also offers co-branded credit cards in partnership with Etihad Airways, the national airline of the UAE, whereby customers are awarded Etihad miles for their purchases.

The consumer banking group comprises three separate divisions including: (i) the retail banking division, which serves the mass market with a focus on affluent individuals; (ii) the wealth management division, which serves high net worth individuals that carry a minimum balance of AED 500,000 with ADCB; and (iii) the Islamic banking division, which provides ADCB's Sharia-compliant products and services such as murabaha, mudaraba and ijarah to both retail and wholesale customers. As at 30 September

2011, the consumer banking group had more than 1,530 employees and over 480,000 customers, almost all of which were based in the UAE.

In response to current market conditions and in order to continue to grow its consumer banking business, ADCB has focused on controlling and reducing costs (generally through means other than reductions in personnel), and has tightened its credit standards.

Consumer banking divisions

Retail banking

The retail banking division offers the consumer banking group's products and services to mass market customers with a focus on affluent individuals. Mass market customers fulfilling certain criteria are entitled to enroll in the Privilege Club. ADCB has formed alliances with Etihad Airways, the national airline of the UAE, and LuLu Hypermarkets, the largest supermarket chain in the UAE, to offer co-branded credit cards.

Wealth management

The wealth management division offers the consumer banking group's products and services to customers carrying a minimum aggregate balance across accounts of at least AED 500,000. Such customers are enrolled in ADCB's Excellency Wealth Management programme and receive the most extensive services offered by ADCB, including the Excellency Premium Debit Card and the Excellency Platinum Credit Card, as well as significant discounts on many services such as discounts with merchant alliance partners, guaranteed annual vacation (linked to annual spending) and complementary Priority Pass membership, which provides access to a large number of airport VIP lounges. The private accounts unit manages lending to HNWIs and their related companies. They currently manage an asset book of approximately AED 47 billion.

Islamic banking

The Islamic banking division is managed under the "ADCB Islamic Banking" brand, which offers Sharia-compliant products and services to both consumer and corporate customers such as corporate lending, retail financing, corporate deposits, retail deposits and open architecture investments (an investment platform that makes available to investors a broad array of third party managers and strategies). The division forms a part of ADCB's Islamic banking platform in conjunction with ADCB's wholly-owned Islamic banking subsidiary, Abu Dhabi Commercial Islamic Finance. For further information on ADCB's Islamic banking, see "*– Islamic banking*".

Products and services

ADCB's retail banking, wealth management and Islamic banking divisions offer a range of products and services to individuals, almost all of which are linked to ADCB's unique "TouchPoints" bank-wide loyalty programme. The principal products and services offered by these divisions include:

- *Deposit and transactional accounts*: the consumer banking group offers customers interest and non-interest bearing current accounts (which can be opened in a variety of currencies), savings accounts, term deposit accounts and call accounts of different maturities and yields. Customers can access their accounts by using their debit cards at ADCB's network of around 287 ATMs, including 24 cheque and 50 cash deposit machines, as well as through SMS, telephone and internet banking channels. As at 30 September 2011 and as at 31 December 2010, ADCB held AED 26,783.1 million and AED 25,347.7 million, respectively, of consumer deposits, representing 24.8 per cent. and 23.9 per cent., respectively, of ADCB's total deposits during such periods.

- *Personal loans (excluding Islamic portfolio)*: personal loans, including Smart Loans (which are short-term, high-interest bearing personal loans against the borrower's salary transfers and post dated cheques for amounts up to AED 750,000 for personal loans and AED 150,000 for Smart

Loans), are extended for a variety of purposes and are denominated in UAE dirham. Decisions to extend or refuse loans are generally made within three days of application for retail banking customers and wealth management banking customers. The average term of a personal loan is approximately four years for retail banking customers and four years for wealth management banking customers. As at 30 September 2011, retail customers are the key segment for personal loans, representing 99.3 per cent. of ADCB's personal loans outstanding. None of such loans are structured with variable interest rates. As at 30 September 2011 and as at 31 December 2010, ADCB had 52,173 and 51,227 personal loans outstanding, respectively, totalling AED 6,240.6 million and AED 6,800 million, respectively, and representing 5 per cent. and 5.5 per cent., respectively, of ADCB's total loans during such periods.

- *Vehicle loans (excluding Islamic portfolio)*: vehicle loans are extended for the purchase of cars and boats and are generally denominated in UAE dirham. The process by which vehicle loans are extended, and the terms governing such loans, are substantially similar to those with respect to personal loans. In order to receive a vehicle loan, the consumer must pledge the vehicle to be purchased as security interest to ADCB. ADCB has established relationships with partners such as Al Futtaim GE Money (a joint venture between GE Money and the Al Futtaim Group) in order to provide loan products that allow customers to secure loans directly with ADCB without having to involve a dealership. This eliminates fees and commissions payable in respect of newly generated vehicle loans to its customers. The term of a vehicle loan is 5 years for mass market retail banking customers and HNWIs. As at 30 September 2011 and as at 31 December 2010, ADCB had approximately 26,040 and 29,112, respectively, vehicle loans outstanding, totalling AED 1,110.6 million and AED 1,366.3 million, respectively, and representing 0.9 per cent. and 1.1 per cent., respectively, of ADCB's total loans during such periods.

- *Mortgages (excluding Islamic portfolio)*: the consumer banking group provides mortgages for the purchase of properties and off-plan properties. Although it has significantly slowed recently due to a significant decline in the UAE property values, the residential mortgage market in the UAE had grown significantly in recent years due to the launch of landmark developments and the opening of certain free zones in the UAE to ownership by non-UAE nationals. For mass market retail banking customers, the maximum loan to value (**LTV**) ratio allowed for properties purchased by salaried employees is 85 per cent., while the maximum LTV allowed for non-salaried individuals is 70 per cent. For high net worth customers, the maximum LTV ratio allowed for properties purchased is 85 per cent. The average term of a mortgage is approximately 20 years for retail banking customers and 19 years for wealth management banking customers. All mortgages are structured with variable interest rates. Property insurance is typically bundled with mortgages. As at 30 September 2011 and as at 31 December 2010, ADCB had approximately 6,499 and 6,110 mortgages outstanding, respectively, totalling AED 4,767.8 million and AED 4,990.7 million, respectively, and representing 3.8 per cent. and 4.1 per cent., respectively, of ADCB's total loans during such periods.

- *Credit cards (excluding Islamic portfolio)*: the consumer banking group offers credit cards by Visa and MasterCard, as well as co-branded credit cards with LuLu Hypermarkets, the largest supermarket chain in the UAE and with Etihad Airways, the national airline of the UAE. As at 30 September 2011 and as at 31 December 2010, ADCB had issued 254,000 and 235,000 credit cards, respectively, with net receivables totalling AED 2,653 million and AED 2,663 million, respectively, representing 2.14 per cent. and 2.17 per cent., respectively, of ADCB's total loans and advances. As at 30 September 2011, ADCB had issued approximately 12 per cent. of all Visa and MasterCard credit cards issued in the UAE, compared to 10 per cent. as of 31 December 2010.

- *Third party bancassurance products*: the consumer banking group offers comprehensive insurance solutions and services through partnerships with international and local providers including Zurich International Life, American Life Insurance Company, Dubai Islamic Insurance & Reinsurance Co. and Oman Insurance Co. These services consist of protection plans (including whole of life cover, term insurance, accidental death and disability benefits and critical illness cover), unit linked and guaranteed savings vehicles, auto insurance, and in-patient health insurance for expatriate workers. For promoting and distributing these products ADCB receives a commission representing a percentage of insurance premiums paid during the first year of insurance cover. Insurance policies are underwritten and administered by ADCB's partner insurance companies. In the nine months ended 30 September 2011 and the year ended 31 December 2010, ADCB received commissions totalling AED 20.5 million and AED 8.5 million, respectively, for its sales of third party bancassurance products.

Sales, service and distribution channels

In order to both maintain long-term customer relationships and further expand its customer base, ADCB maintains an extensive retail branch network (including kiosk and pay offices) in the UAE, principally in Abu Dhabi and Dubai. ADCB also services its clients through a network of alternative distribution channels, including ATMs, cheque and cash deposit machines, contact and call centres, Internet banking, phone banking, SMS banking and an extensive point-of sale network.

Conventional distribution channels

As at 30 September 2011, ADCB maintained the following conventional distribution channels:

- *47 branches (not including kiosk),* located throughout all seven emirates of the UAE (with the majority concentrated in Abu Dhabi and Dubai) and two branches in India. Each of ADCB's branches in the UAE and India contains a teller and bank operations unit and a sales and service unit (which are ISO 1001 certified). These branches are organised into eight regional clusters for management purposes, although the head of each branch office has his own authority and reports directly to the head office;

- *One kiosk*, located in Tawam hospital, Al Ain;

- *Six Excellency Centres*, located in Abu Dhabi, Al Ain, Dubai and Sharjah to serve HNWI customers; and

- *LuLu Sales Counters*, which are in-store sales counters located in the LuLu Hypermarkets throughout the UAE.

Furthermore, ADCB's branches, Excellency Centres and LuLu Sales Counters are complemented by various collaborations with suppliers and brokers, including mortgage brokers, consumer finance companies and automobile dealers.

As at 30 September 2011, ADCB had 180 full-time employees who act as relationship managers for high net worth clients and affluent clients, such as members of the Excellency programme and the Privilege Club. As at 30 September 2011, ADCB also had approximately 648 exclusive outsourced sales agents and 225 telemarketing sales agents, who target retail customers in the mass market.

Alternative distribution channels

ADCB also maintains the following alternative distribution channels:

- *ADCB@ctive*, ADCB's Internet banking system. ADCB@ctive achieved a customer satisfaction level of 87 per cent. in 2010 according to ADCB's annual customer satisfaction survey. As at 30 September 2011, 177,000 customers had registered with ADCB@ctive;

- *Mobile banking*, ADCB's mobile banking system. ADCB customers can conduct certain basic banking transactions such as account transfer, bill payments and enquiries. As at 30 September 2011, 320,000 customers had registered for mobile banking;

- *SMS alerts*, provides SMS alert services and allows ADCB customers to request information on transactions conducted through ADCB's mobile banking system. As at 30 September 2011, 320,000 customers had registered for SMS banking;
- *Around 287 ATMs, including 24 cheque and 50 cash deposit machines*, located throughout the UAE (with the majority concentrated in Abu Dhabi and Dubai);
- *Contact Centres*, call centres designed to assist customers with questions concerning consumer banking products and services. ADCB's contact centres are ISO 9001 certified;
- *Interact*, call centres designed to address customer complaints. In the nine months ended 30 September 2011, Interact resolved 91.7 per cent. of complaints received within 72 hours; and
- *Point-of-sale network*, which allows ADCB customers to use their banking card to pay for goods and services at retail outlets and service centres throughout the UAE.

Competition for consumer banking group

The consumer banking market in the UAE is highly fragmented and includes a range of local and international banks. The primary competitors to ADCB's consumer banking business are Emirates NBD, Mashreqbank, National Bank of Abu Dhabi and HSBC. ADCB attempts to distinguish itself from these local and international banks by providing a full range of products and services, superior customer services, a customer-centred approach, alternate and effective distribution channels and "TouchPoints". In Islamic consumer banking, ADCB's principal competitors include Dubai Islamic Bank and Abu Dhabi Islamic Bank. Similarly, ADCB attempts to distinguish itself from these local Islamic banks by drawing on its full-service conventional banking experience in order to provide a more extensive range of Islamic banking products and services than can typically be offered by such local banks.

Awards

ADCB's consumer banking division has been recognised as one of the leading providers of retail banking products and services in the UAE. In 2009, ADCB received the "Best Premium Banking Service Award" for its Privilege banking services from Banker Middle East. In 2010, ADCB received the "Best Consumer Internet Bank 2010 – country award for UAE" from Global Finance Magazine as a part of the "Global Finance 2010 World's Best Internet Banks". In 2011, ADCB received a number of awards including the "Best Retail Bank in the UAE and GCC" award from the Asian Banker Journal, and the "Best Credit Card" award for its LuLu Hypermarkets credit card and the "Best Co-branded Card Award" for its Etihad Guest Above Credit Card at the Smart Card Awards Middle East 2011.

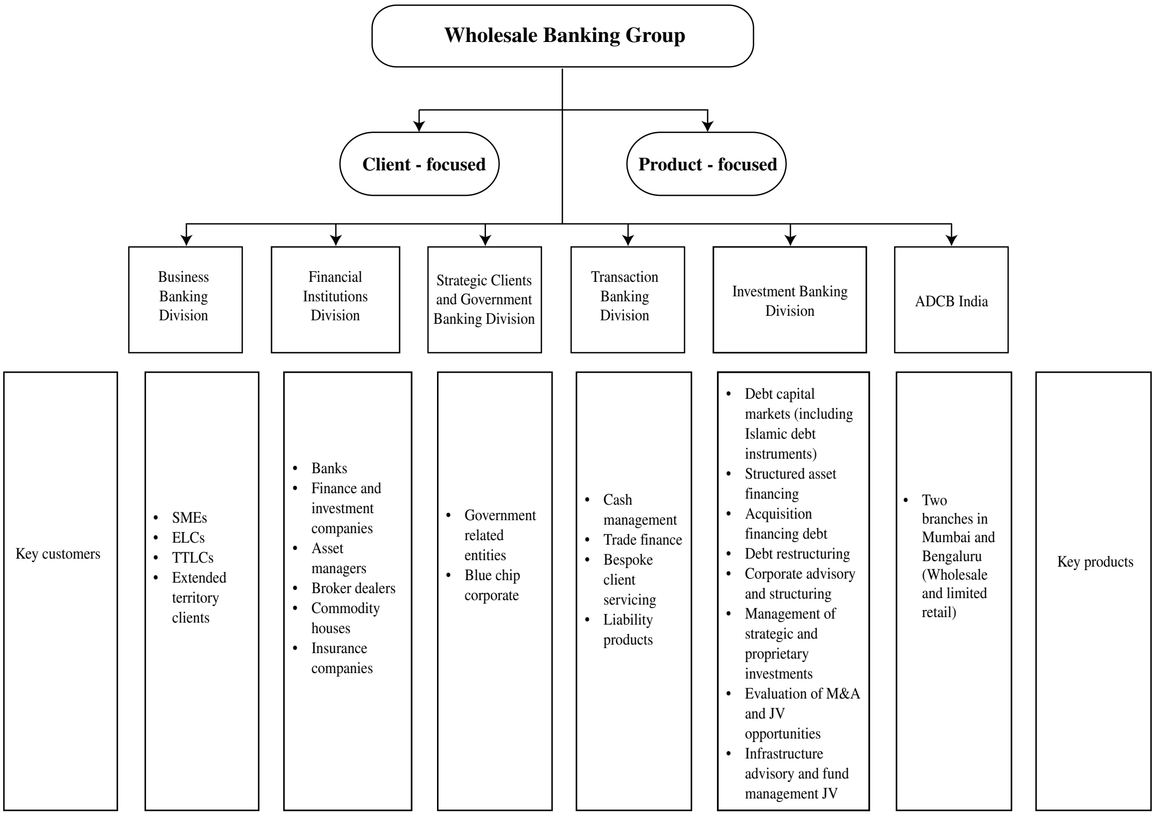
WHOLESALE BANKING GROUP

The wholesale banking group provides corporate lending and working capital finance, transactional banking, capital markets and advisory services to SMEs, local, regional and multinational corporate entities, government and government-related entities and financial institutions, primarily in the UAE.

The group's client-focused divisions include the: (i) business banking division, which focuses on SMEs, emerging local corporates (**ELCs**), top-tier local corporates (**TTLCs**) and non-UAE based clients headquartered elsewhere in the GCC (**extended territory clients**) seeking traditional bank finance and other banking services; (ii) financial institutions division, which focuses on banks, finance and investment companies, asset managers, broker dealers, commodity houses and insurance companies; and (iii) strategic clients and government banking division, which focuses on large government-related entities and local blue-chip corporates.

The group's product-focused divisions include the: (i) transactional banking division, which focuses on cash management, trade finance, bespoke client servicing and liability products such as fixed deposits; (ii) investment banking division, which focuses on conventional and Islamic debt capital markets instruments including debt underwriting and distribution services, structured asset and acquisition financing, debt restructuring, corporate advisory and structuring services and oversees and monitors ADCB's strategic investments, infrastructure fund management and the evaluation of mergers and acquisitions and joint venture opportunities; and (iii) ADCB's Indian operations.

The following chart sets out the organisational structure of the wholesale banking group.



Although the consumer banking group oversees ADCB's Islamic banking operations, the wholesale banking group draws on the expertise of ADCB's Islamic banking specialists to offer Islamic banking products and services to its clients. See "– *Islamic banking*". As at 30 September 2011, the wholesale banking group was staffed by approximately 326 employees and had over 34,000 customers, over 96 per cent. of which were based in the UAE.

Between 2008 and 2011, in order to continue to grow its wholesale banking group, ADCB has, among other things: (i) re-priced its loans to improve its profit margins through individually negotiating changes to credit spreads and introducing floor pricing (if not already present) with certain borrowers; and (ii) increased its customer deposits. ADCB is also: (i) developing new products and services for underserved and profitable market segments, such as SMEs; (ii) strengthening its risk management policies in order to further control the quality of its wholesale banking assets and liabilities; (iii) managing NPLs through actively engaging clients, rescheduling and restructuring loans through its front-office in-line with clients' ability to repay outstanding loans and/or increasing collateral; (iv) leveraging its large corporate and institutional relationships to cross-sell investment banking and treasury products to its strategic and large corporate clients; and (v) expanding its transaction banking and investment banking business to increase ADCB's fee revenues and improve profit margins.

In 2011, ADCB received the "Best Commercial Bank" award from the Banker Middle East Industry Awards for its commercial banking activities.

Client-focused divisions

Business banking

The business banking division comprises: (i) client units, which cater to different industry sectors; and (ii) the business banking support unit, which performs a front-office control and documentation function. The business banking division offers a range of products and services to SMEs (entities with annual revenue of less than AED 100 million), ELCs (entities with annual revenue between AED 100 million and AED 350 million), TTLCs (entities with annual revenue above AED 350 million) and extended territory clients (typically large corporations based in other GCC countries that have operations in the UAE). The principal products and services offered by the division include cash management, trade finance, short-term working capital loans and term loans and other corporate and project financing. The group also offers liquidity management solutions.

Client units (excluding Islamic portfolio)

SMEs. This unit provides SME customers with cash management, trade finance, corporate financing and deposit services. In order to control the costs of and risks associated with the services it provides to its SME clients, the unit provides clients with relatively standardised packages of services rather than separate solutions for each individual client. The SME division has increased customer deposits (consisting of term and demand deposits) from SMEs in each year since 2009. ADCB gained 1,393 new funded SME loan accounts among new and existing customers in the nine months ended 30 September 2011 and expects to continue to grow its SME client base in the future. As at 30 September 2011, ADCB had approximately 28,242 SME customers. In 2011, ADCB received the "Best SME Account Award for its "BusinessEdge" suite of products from Banker Middle East Product Awards.

TTLCs. The TTLC division provides a customised package of products and services for each individual client and specialised trade finance, cash management, treasury and financing services to TTLCs. The division's extended territory clients typically seek ADCB's local expertise in trade finance products, including letters of credit and export and import finance. Almost all of these clients are based in the UAE, with the balance being the extended territory clients in other GCC countries.

ELCs. The ELCs unit acquires and manages entities that have annual revenue between AED 100 million and AED 300 million for selling assets and liability products. Its clients base include mid-sized UAE companies with operations within the UAE, including branches of foreign companies and offshore entities, and those with overseas operations.

Business banking support unit

The business banking support unit provides support to the business banking division through services including portfolio monitoring, document exception management, quality controls and assurance over front office activities, as well as preparing financing documents.

Financial institutions

The financial institutions division is responsible for managing ADCB's relationships with, as at 30 September 2011, approximately 1,089 financial institutions (including non bank financial institutions) located around the globe. These financial institutions comprise banks, finance and investment companies, asset managers, broker dealers, commodity houses and insurance companies. The division provides a range of trade finance, treasury, financing and other products and solutions to these financial institutions. The division is also responsible for maintaining nostro (where ADCB holds an account with other financial institutions) and vostro (where other financial institutions hold an account with ADCB) client relationships. ADCB's revenue from financial institutions continued to decline in 2009, 2010 and the nine months ended at 30 September 2011, as the focus was to reduce exposure to financial institutions, and especially banks, due to the global financial crisis. In addition, the financial institutions division is responsible for the allocation of limits for banks to other relevant areas of ADCB, including the treasury group. The division is focused on increasing revenues from ADCB's treasury and trade finance businesses, and its funded portfolio is being managed on a run-off basis.

Strategic clients and government banking division

The strategic clients and government banking division manages the wholesale banking group's relationships with major government entities and the largest corporate entities in the UAE in terms of size that are likely users of investment banking products. The division provides such clients with financing, trade finance, cash management, treasury and investment banking products and services. These strategic clients consist primarily of government departments, government-related corporates and local private sector companies. As at 30 September 2011, ADCB had approximately 129 strategic client relationships and approximately 353 government clients.

Through the relationships managed by this division, ADCB has acted as an arranger, underwriter or lead manager in a number of corporate and project finance transactions. These include public sector and infrastructure projects (including private public partnership (**PPP**) projects), financing to quasi-sovereign investment companies and international debt capital markets offerings. See "– *Product-focused divisions – Investment banking*".

In November 2010, ADCB launched a unique banking proposition, called "Reyadah", providing for a single premium customer servicing platform to the Government departments, the Government agencies and wholly-owned Government commercial entities in the UAE. Reyadah is the first venture that includes services from all groups of ADCB including the consumer banking group, the wholesale banking group and the treasury and investments group.

Product-focused divisions

Transactional banking

The transactional banking division provides corporate banking services to support the wholesale banking group's client focused divisions. The division offers cash management, trade services and trade finance products as well as liability products such as call accounts, fixed deposits and money market related deposits. The division's principal products and services include:

- *Cash management*: the division manages cash accounts and payment and collection products for its corporate and financial institution clients. It also provides escrow services and is closely involved in the management of deposit products.
- *Trade finance*: the division provides trade finance products and services such as export/ import letters of credit, payment guarantees, bills and collections.
- *Liability products*: the division is responsible for providing and managing liability products, including deposits.
- *Service*: the division is responsible for providing an enhanced service offering dedicated support for ADCB's most important client relationships.

ADCB is focused on significantly increasing its transaction banking capabilities, including its trade finance and cash management capabilities. With respect to trade finance, ADCB has: (i) aligned its wholesale banking group coverage teams (both internally and with the credit group); (ii) built capacity for structured transactions, including the development of an Islamic trade finance delivery channel; (iii) launched an advanced internet-based trade finance platform to re-brand ADCB's trade finance offerings and enhance its capabilities; and (iv) reviewed and streamlined documentation practices. In 2011, ADCB entered into a partnership with KEXIM to provide comprehensive financing solutions for trade companies in both the UAE and Korea.

With respect to cash management, ADCB: (i) has increased clients (including government clients) using ADCB's cash management capabilities; (ii) has launched programmes to strengthen deposit retention, drive the acquisition of deposits and cross-sell existing products; (iii) is providing yield-enhancing, principal-protected investments through the treasury and investments group; (iv) is exploring opportunities for providing transactional management services to niche customer groups such as universities, law and accounting firms and insurance companies; (v) is focusing on acquiring Sharia-compliant deposits; (vi) is building a payment system to deliver end-to-end cash management; and (vii) is driving efficiencies by offering streamlined processing and payment options. In 2011, ADCB entered into a strategic relationship with BofAML. This relationship has enabled ADCB's clients to gain access to BofAML's global network of corporate banking and cash management capabilities.

Investment banking

The investment banking division primarily provides corporate advisory, origination, structuring, underwriting and syndication services to corporations, financial institutions and government controlled entities.

The division offers its products and services primarily to clients in the UAE, and especially in Abu Dhabi. Although the division does not focus on any particular industries or sectors, it has provided products and services to a disproportionately large number of real estate and energy companies due to the concentration of such companies in the region. The division routinely works with international banks as a co-arranger or co-lead manager in international debt offerings by GCC issuers and intends to position itself as the preferred local partner of these firms rather than directly competing with them.

Most of the division's clients are located in the UAE and the GCC.

The division's principal investment banking products and services include:

- *Asset-based finance*: the division offers asset-based finance (infrastructure and project financing) to local or multinational corporates.
- *Debt capital markets*: the division structures and arranges conventional bonds (including convertible bonds) on a syndicated or stand-alone basis. The division also offers structured and standardised Islamic finance, including Sharia-compliant financing and Sukuk issuances for its institutional clients, and intends to grow its Islamic debt capital markets business significantly in the future.
- *Structured financing and debt restructuring*: the division offers structured asset finance, acquisition finance (including leveraged finance) and debt restructuring for local or multinational corporates.
- *Corporate advisory and structuring*: the division provides corporate advisory and structuring services to clients to facilitate complex structured financing transactions. In addition, the division assists with investment management and transaction negotiation and performs due diligence and sell-side asset valuations.

The division also: (i) manages ADCB's strategic investments and certain of ADCB's proprietary investments; and (ii) oversees ADCB's infrastructure advisory. In addition, the division seeks and evaluates strategic opportunities for ADCB, such as mergers and acquisitions and joint ventures, and performs valuations of assets for investment purposes.

Infrastructure fund management

The division also oversees the joint venture ADCB formed with Australia's Macquarie Bank, focusing on infrastructure advisory services and infrastructure fund management.

ADCB India operations

The wholesale banking group oversees ADCB's Indian banking operations. ADCB has two branches in India, located in Mumbai and Bengaluru. These branches primarily provide corporate banking products and services, including asset liability and trade finance products, to ADCB's Indian and UAE corporate clients. While ADCB's Indian operations include certain limited consumer banking operations, such operations are small in relation to the branches' overall operations. ADCB's Indian branches are regulated by the Reserve Bank of India.

Competition for wholesale banking group

The primary competitors to ADCB's wholesale banking business include Emirates NBD, Mashreqbank, National Bank of Abu Dhabi, First Gulf Bank and HSBC. ADCB also competes with certain international banks such as Standard Chartered Bank, Barclays Bank, BNP and RBS. In debt capital markets and securities underwriting and distribution, ADCB works with international investment banks such as Goldman Sachs, Citibank, Morgan Stanley and UBS as co-lead or joint managers, rather than competing with them.

Certain aspects of ADCB's wholesale banking business, including access to deposits and trade finance, have become increasingly competitive due to tight domestic liquidity conditions for term deposits and a renewed focus on non-funded lending by local banks.

In Islamic wholesale banking, ADCB's principal competitors include Abu Dhabi Islamic Bank and Dubai Islamic Bank.

TREASURY AND INVESTMENTS GROUP

The treasury and investments group manages ADCB's commercial and proprietary treasury operations and investment securities and credit default swaps (**CDS**) portfolios.

In the nine months ended 30 September 2011, ADCB's treasury and investments group generated operating income of AED 1,020.2 million, representing 23 per cent. of ADCB's total operating income.

Treasury division

The group's treasury division offers a range of treasury services including money market, interest rate, currency and commodity services to domestic and foreign corporate, public sector and government entities, as well as to HNWI clients, international clients, investors and financial institutions. The products include interest rate, currency and commodity derivative products as well as other structured treasury solutions and risk management products.

The division is also responsible for monitoring and managing ADCB's cash flow and liquidity as well as ADCB's foreign exchange risks, investments and interest rate risks and ensures that ADCB operates within a defined loans to stable resources ratio by performing daily liquidity tests and asset to deposit ratio tests (including loan to deposit ratio tests). This is reported on a monthly basis to the Assets and Liabilities Committee (the **ALCO**).

In its treasury operations, ADCB aims to continue to leverage its wholesale and retail banking client relationships to increase its market share.

Investments division

ADCB's investments division manages ADCB's securities portfolio. Its investment strategy focuses on investments that: (i) do not compromise ADCB's short to medium-term liquidity positions; and (ii) satisfy ADCB's low risk appetite but generate attractive returns on capital. The investments are evaluated periodically and recorded on a mark-to-market or mark-to-model basis on ADCB's statement of financial position.

ADCB's investments are primarily in highly liquid sovereign and quasi sovereign 0 to 20 per cent. risk weighted senior unsecured fixed income securities issued by UAE, GCC and global issuers. As at 30 September 2011 this division had: (i) investment in senior fixed income securities of systemically important banks in the US, the UK and France; (ii) a portfolio of AED 175 million of listed or unlisted equity, primarily based in the UAE; and (iii) exposure of AED 160 million to legacy collateralised debt obligations (**CDOs**), cash flow CDOs and synthetic CDSs originated in, or with underlying exposures primarily in, the United States, Europe and India.

ADCB's liquidity is invested in liquid assets, mainly in the UAE federal government and other government related bonds in the GCC and systemically important financial institutions. The total investment securities portfolio managed by ADCB grew from AED 8,263 million as at 31 December 2010 to AED 15,156 million as at 30 September 2011. As at 30 September 2011, the net book value of the total investment securities portfolio managed by ADCB's investments division was AED 14,907 million and the net book value of ADCB's CDS portfolio was AED 115 million.

The table below sets forth ADCB's investment securities and CDS portfolios on the dates indicated.

	As at 31 December		As at 30 September
	2009	**2010**	**2011**
			(unaudited)
		(AED millions)	
Investment securities	4,373	8,263	15,156
CDS	2,007	412	115

Until 2007, ADCB had a relatively large portion of its investment securities portfolio in structured products invested outside the UAE and GCC (45 per cent. as at 31 December 2007). As at 30 September 2011, as a result of losses arising from the global credit crisis, investments outside the UAE and GCC have been reduced to 37.7 per cent. of its portfolio. Asset allocation has been to highly liquid senior unsecured bonds of systemically important financial institutions with liquidity being the key investment criteria. The geographical distribution of ADCB's investment securities portfolio as at 30 September 2011 was AED 7,417 million (48.9 per cent.) in the UAE, AED 2,015 million (13.3 per cent.) in other GCC countries and AED 5,725 million (37.8 per cent.) in the rest of the world.

Over the past two years ADCB has sold or restructured many of its investments in US structured finance assets, floating rate notes (including structured investment vehicle notes), CDOs and CDSs in the United States and Europe. In particular, ADCB has settled the largest of its CDS exposures, which related to a special purpose vehicle with a collateral pool comprised largely of collateralised debt obligations backed by a range of asset types from commercial property Tier I debt of financial institutions. Structured credit investments have now been reduced to less than 1 per cent. of the total investments portfolio. The bulk of the portfolio (approximately 95 per cent.), is invested in liquid fixed income securities. The equity exposure is to UAE equities only through direct listed equities and mutual funds.

For more information about the risks associated with these investments, see "*Risk Factors – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect ADCB's business, results of operations, financial condition and prospects*".

The table below sets forth ADCB's impairment allowances charged in relation to the investment securities portfolio on the dates indicated.

	As at 31 December		As at 30 September
	2009	**2010**	**2011**
			(unaudited)
		(AED millions)	
Impairment allowances			
Investment securities	540.1	249.1	45.5
CDS	244.5	178.3	195.7
Total impairment allowances	**784.6**	**427.4**	**241.2**

Competition for treasury operations

The management of ADCB believes that ADCB has market leading expertise in derivative products and structured treasury solutions as compared to local banks. In addition to competing with the local UAE banks, ADCB competes with a number of international banks in this business, including HSBC, Standard Chartered Bank, Citibank and Deutsche Bank. These banks have a wealth of experience in international treasury operations and market knowledge in this area and may pose a significant threat to ADCB's franchise in the UAE market. However, management believes that ADCB's strong relationships with its ELCs, TTLCs, strategic clients, SMEs and financial institutions, combined with its treasury products expertise, will help sustain or enhance its market position in the foreseeable future.

ISLAMIC BANKING

The Islamic banking division provides a comprehensive range of liability and asset products for retail, wealth management, corporate, treasury and SME clients. "ADCB Islamic Banking" is the common brand under which all of ADCB's Sharia-compliant products and services are offered through the Islamic Banking Department of ADCB and Abu Dhabi Commercial Islamic Finance, a UAE-based wholly owned subsidiary of ADCB. ADCB Islamic Banking provides corporate lending, retail lending, corporate deposits, retail deposits, treasury solutions, Sukuk arranger services, retail lending, corporate deposits and open architecture investments products. ADCB currently uses its existing processing infrastructure and distribution channels for its Islamic banking operations in order to avoid any internal competition and duplication of resources. All Islamic banking products and services are regulated by the Central Bank and overseen by an independent Sharia Supervisory Board. The Sharia Supervisory Board is responsible for reviewing, approving and overseeing all of ADCB's Sharia-compliant products and services, product structures and documentation. As at 30 September 2011 and as at 31 December 2010, ADCB Islamic Banking held AED 9,393 million and AED 8,095 million, respectively, of Islamic customer deposits. The total Islamic assets of ADCB Islamic Banking as at 30 September 2011 and as at 31 December 2010, were AED 3,542 million and AED 3,508 million, respectively.

ADCB competes with a number of Islamic banks in the region (including Dubai Islamic Bank, Emirates Islamic Bank, Al Hilal Bank and Abu Dhabi Islamic Bank), multinational banks with their own Islamic banking franchises (HSBC Amanah and Standard Chartered Bank Sadiq) and some local commercial banks with their own Islamic banking departments or Islamic finance companies (Mashreqbank, National Bank of Abu Dhabi and First Gulf Bank). ADCB's strategy is to focus on increasing the contribution of Islamic banking to ADCB's net profit, particularly through offering new Sharia-compliant products and cross-selling of Sharia-compliant products with its existing products by positioning itself as the UAE's conventional bank with a strong platform for Sharia-compliant products and services.

COMPETITIVE ENVIRONMENT

The UAE banking sector currently comprises 51 banks, of which eight are Islamic banks, and branches or subsidiaries of 28 foreign banks. The licensed foreign bank branches and subsidiaries focus mainly on consumer banking, trade finance, foreign currency operations and government-related business. Foreign bank participation in public sector financing has had a significant downward effect on margins in this area. The UAE banking market is becoming increasingly competitive and challenging.

UAE local banks enjoy tax advantages with zero corporate, income and sales tax while international banks operating in the UAE are subject to 20 per cent. corporate tax on their profits.

HUMAN RESOURCES

Employees

The total number of ADCB employees as at 30 September 2011 was 3,812 as compared to 3,824 as at 31 December 2010. ADCB experienced a steady increase in employee headcount in the five years to 2008, but restricted hiring during 2009 and 2010 in line with the slowdown in the economy and to control its operating costs. The total number of outsourced workers as at 30 September 2011 was 1,933 as compared to 1,475 as at 31 December 2010.

ADCB is committed to training and developing new and existing staff in order to ensure that ADCB continues to be supported by the skills required for its operational success. This includes the establishment of both internal and external training programmes for staff members. Training courses cover leadership skills, functional and technical skills and "soft skills" such as time management, communication and team building. For its top executives and senior managers, ADCB has partnered with leading global educational institutions, including INSEAD, to keep them up to date on latest management trends and leadership skills. Technical skill courses under ADCB's "Academy of Excellence" programme cover ADCB's products and services, anti-money laundering, customer service, internal control and ADCB's core banking system. For ADCB's new employees, ADCB offers a "Marhaba Day" induction programme.

In addition to private medical insurance, pension schemes for UAE nationals and other benefits, ADCB has variable remuneration schemes for middle and senior management under which performance bonuses and other incentives (including interests in ADCB's shares) are awarded based on annual performance. The awards are dependent on individual performance, the performance of the respective business unit and the performance of ADCB as a whole. For example, ADCB's senior executives can receive cash bonuses or stock incentive awards based on ADCB's growth in core net profit, excluding extraordinary items, under the executive reward plan. In addition, ADCB's senior executives can receive interests in ADCB's shares under the long-term incentive plan. Cash and stock incentive awards under these plans vest over a three-year period. Other cash bonuses are restricted for a period (up to 12 months) determined by the Board, on an annual basis.

ADCB also has an annual performance appraisal scheme for all staff and merit pay increases and bonuses are paid on the basis of performance rankings. ADCB also pays sales staff incentives for achieving sales and revenue targets.

Emiratisation

In 1999, as part of a policy of "Emiratisation", UAE banks were instructed by the UAE federal government to increase the number of UAE nationals on their payroll by at least 4 per cent. per annum.

In line with the UAE federal government's instructions, ADCB has made a commitment to employing and training UAE nationals. ADCB has implemented a wide number of initiatives to recruit, train and retain qualified UAE nationals across all business units and positions in ADCB. As a result, the number of UAE nationals employed by ADCB grew from 253 in 2005 to 1,322 in 2011. The percentage of UAE national employees at ADCB grew from 15.41 per cent. at 31 December 2005 to 36.3 per cent. at 31 December 2010.

GROUP BUSINESS SERVICES

ADCB's group business services is responsible for ADCB's information technology strategy and planning and all related technical services throughout ADCB. The head of the department is responsible for developing and implementing a collective IT and project management strategy across ADCB. Since ADCB's restructuring in 2004, ADCB has aimed to build a collaborative IT and project management framework that leverages IT assets and resources. The IT strategy is focused on providing reliable information and systems to its customers and employees in a secure environment. It assesses ADCB's future operational needs and implements new IT systems to meet them, in each case with reference to ADCB's overall technology strategy and with the primary aim of delivering efficient, cost-effective systems.

ADCB's IT systems are comprised of relatively new, updated modules and have been deployed largely based on commercially available systems with very limited "in-house" software. Accordingly, management believes that its IT platform is easily scalable to accommodate growth in ADCB's consumer and wholesale banking businesses. In addition, as ADCB's IT system is relatively de-centralised, it remains flexible so that it can service the different types of banking products that ADCB offers.

ADCB's disaster recovery plans aim to ensure that critical systems and data continue to be fully operational and to provide essential services to its customers. ADCB carries out daily and other periodic data back-ups which are stored at a location outside of Abu Dhabi. In cases of emergency, ADCB can switch over to the disaster recovery site within one hour. ADCB's data centre is located outside the city limits of Abu Dhabi in a Tier 4 facility providing technical facilities certified in accordance with the Uptime Institute.

Additionally, ADCB sends copies of its critical systems and data to a remote location outside of Abu Dhabi daily, in compliance with the Central Bank's instructions. ADCB also carries out regular intrusion tests on its IT network with the assistance of an external vendor.

PROPERTY

ADCB's principal fixed assets include property and equipment. Notable real estate locations inside Abu Dhabi owned by ADCB include: (i) ADCB's head-office building, situated in the central business district area of Abu Dhabi City; (ii) a site at Plot C20, Abu Dhabi National Exhibition Centre, part of the Capital Centre District; (iii) ADCB's office building, situated at Al Nahyan Camp in Abu Dhabi City; and (iv) other sites in Abu Dhabi including the ADCB Tourist Club branch building and Najda Street Buildings.

In addition, ADCB owns a number of buildings across the UAE associated with its business operations as part of its branch network, corporate space and storage facilities.

Because ADCB is not wholly owned by UAE nationals as a result of it being a public company, it is not able to be registered as an owner of real estate situated in Abu Dhabi outside restricted areas. This does not apply to ADCB's current headquarters and certain other plots, which were historically registered in ADCB's name. ADCB has, on occasion, resolved this issue by arranging for a director or executive, or companies associated with them, to hold property located in Abu Dhabi on behalf of ADCB. While this arrangement has proven an effective means of complying with Abu Dhabi law, it exposes ADCB to certain risks with respect to certain real estate properties, including the risk of such property passing to the custodian's heirs under Sharia law if the custodian were to die intestate. See "*Risk Factors – ADCB is exposed to risk of loss relating to its real estate property as a result of the interplay between ADCB's ownership structure, Abu Dhabi real estate foreign ownership restrictions and UAE laws of inheritance*". In order to mitigate any such risks, ADCB has organised a company owned by employees of ADCB who are UAE nationals specifically for the purpose of holding its UAE properties. The process of transferring the properties from such individuals to the company is ongoing. As at 30 September 2011, Jasem Al Darmaki owned AED 338.1 million worth of real estate as custodian for ADCB, including two sites located at Capital Centre and Al Nahyan Camp.

LITIGATION

There were a number of routine legal proceedings pending against ADCB as at 30 September 2011, the value of which was not material in the context of ADCB's balance sheet. Based on the advice of ADCB's legal advisors, senior management believes that no significant liability is likely to arise from these proceedings. Therefore, no material provision has been made as at 30 September 2011 regarding any outstanding legal proceedings against ADCB. Pending legal proceedings are reviewed on an ongoing basis and provisions are made at the end of each fiscal quarter subject to the approval of the CEO and the Board.

Cheyne finance

During 2008, ADCB filed, as lead-plaintiff, a claim in the courts of New York, United States against certain rating agencies and financial institutions. The claim relates to losses incurred by ADCB in 2007 in connection with its investment in a structured investment vehicle known as Cheyne. Based on advice from ADCB's legal advisors, senior management does not believe that the ultimate resolution of these proceedings will have a significant adverse effect on the financial position of ADCB.

Saad Group and Algosaibi Group

The Saad Trading, Contracting & Financial Services Limited (the **Saad Group**) and the Ahmad Hamad Algosaibi & Brothers Co. (the **Algosaibi Group**), two prominent Saudi Arabian family-owned groups, announced in March 2009 that they were experiencing serious financial difficulties.

ADCB commenced legal proceedings in August 2009 against the Saad Group and the Algosaibi Group in several jurisdictions, with the aim of recovering additional assets and thereby further reducing its exposures to the two groups. In July 2010, ADCB obtained judgment from the United Kingdom courts in a sum of approximately U.S.$33 million plus interest, in relation to its case against Saad Contracting & Trading. In October 2011, ADCB obtained a judgment from the Abu Dhabi courts in a sum of approximately U.S.$147 million plus interest, in relation to its cases against Saad Contracting & Trading and Maan Al Sanea. Enforcement of these judgments, and other substantive debt claims against the Saad Group and the Algosaibi Group in UAE and Saudi Arabia, is ongoing. As at the date of this Prospectus, ADCB is continuing to pursue various litigation actions with respect to the two groups.

As at 30 September 2011, ADCB had an aggregate exposure of AED 242 million to the Saad Group and AED 128 million to the Algosaibi Group. As at the date of this Prospectus, ADCB has made provisions against these exposures that exceed the guidelines set by the Central Bank.

Farmington

In November 2010, ADCB as sole plaintiff filed a claim in the Supreme Court of the State of New York against an international financial institution, a ratings agency and certain individuals in connection with a structured investment vehicle known as Farmington. The claim relates to losses incurred as a result of ADCB's investment in capital notes and a credit default swap. In August 2011, the Supreme Court of the State of New York dismissed ADCB's claim. However, ADCB has notified the courts of its intention to appeal and the case is ongoing. The losses incurred as a result of ADCB's investment in the capital notes have now been fully provisioned and the credit default swap has been settled (see "*Treasury and investments group – Investments division*"). Accordingly, this litigation is unlikely to have an adverse effect on the financial position of ADCB.

INSURANCE

ADCB maintains various insurance policies and coverage. These include standard property insurance coverage for its assets (premises and contents), crime and professional indemnity insurance coverage. ADCB also maintains a limited terrorism insurance cover (based on commercial viability) for its assets in the UAE. ADCB's assets are insured on reinstatement cost basis. Historically, ADCB has been under insured as the fast growth of its businesses outpaced its insurance cover. Based on advice from its insurance brokers, ADCB has embarked on a three year programme to increase its insurance coverage to sufficient levels, which commenced with its 2010 renewals. For details, see "*Risk Factors – ADCB's insurance coverage may not be adequate*".

SELECTED FINANCIAL INFORMATION OF ADCB

The following information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to, ADCB's Financial Statements, which have been incorporated by reference and form part of this Prospectus.

The following tables sets out the selected financial information of ADCB as at and for the years ended 31 December 2010 and 2009 and as at and for the nine months ended 30 September 2011, as extracted from the Financial Statements.

STATEMENT OF FINANCIAL POSITION – MATURITY PROFILE

The table below summarises the maturity profile of ADCB's assets and liabilities as at 31 December in each of 2010 and 2009, based on remaining contractual maturities (which do not take into account effective maturities as indicated by ADCB's deposit retention history and the availability of liquid funds):

	As at 31 December 2010					
	Total	**Less than 3 months**	**3 months to 6 months**	**6 months to 1 year**	**1 year to 3 years**	**Over 3 years**
	(AED thousands)					
Assets						
Cash and balances with Central Banks	5,887,630	5,637,630	–	250,000	–	–
Deposits and balances due from banks	18,397,534	18,397,534	–	–	–	–
Loans and advances, net	122,771,870	20,554,001	4,064,011	6,343,661	20,140,605	71,669,592
Derivative financial instruments	3,588,973	59,112	184,096	132,977	744,086	2,468,702
Investment securities	8,263,138	92,818	67,040	556,962	1,539,537	6,006,781
Investment in associates	5,358,199	–	–	–	–	5,358,199
Investment properties	289,192	–	–	–	–	289,192
Other assets	12,489,157	11,182,574	140,815	57,155	44,135	1,064,478
Property and equipment, net	1,070,321	–	–	–	–	1,070,321
Intangible assets	155,180	–	–	–	–	155,180
Total assets	**178,271,194**	**55,923,669**	**4,455,962**	**7,340,755**	**22,468,363**	**88,082,445**
Liabilities and equity						
Due to banks	4,841,865	3,249,718	–	734,500	416,887	440,760
Deposits from customers	106,134,185	67,003,986	18,688,598	17,613,537	2,826,650	1,414
Mandatory convertible securities – liability component	29,131	–	29,131	–	–	–
Short and medium term borrowings	21,019,694	2,954,953	1,211,840	3,281,225	9,021,949	4,549,727
Derivative financial instruments	3,487,764	257,304	166,287	197,646	677,507	2,189,020
Long term borrowings	8,906,109	–	–	–	–	8,906,109
Other liabilities	14,279,098	13,046,266	107,285	50,698	10,371	1,064,478
Equity	19,573,348	–	–	–	–	19,573,348
Total liabilities and equity	178,271,194	86,512,227	20,203,141	21,877,606	12,953,364	36,724,856
Liquidity gap	**–**	**(30,588,558)**	**(15,747,179)**	**(14,536,851)**	**9,514,999**	**51,357,589**
Cumulative liquidity gap	**–**	**(30,588,558)**	**(46,335,737)**	**(60,872,588)**	**(51,357,589)**	**–**

	As at 31 December 2009					
	Total	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	Over 3 years
			(AED thousands)			
Assets						
Cash and balances with Central Banks	4,139,015	4,139,015	–	–	–	–
Deposits and balances due from banks	18,348,988	18,348,988	–	–	–	–
Trading securities	86,561	86,531	–	–	–	–
Loans and advances, net	116,610,292	19,689,111	4,556,118	5,537,117	20,070,926	66,757,020
Derivative financial instruments	4,953,019	322,859	49,098	92,131	788,017	3,700,914
Investment securities	4,372,744	884,482	48,251	79,596	207,539	3,152,876
Investment in associates	4,582,659	–	–	–	–	4,582,659
Investment properties	549,492	–	–	–	–	549,492
Other assets	5,774,287	5,774,287	–	–	–	–
Property and equipment, net	791,721	–	–	–	–	791,721
Total assets	**160,208,778**	**49,245,303**	**4,653,467**	**5,705,844**	**27,066,452**	**79,534,682**
Liabilities and equity						
Due to banks	4,738,201	1,863,336	303,204	992,101	1,089,671	489,889
Customers' deposits	86,299,957	65,245,527	12,701,226	6,783,316	1,567,987	1,901
Mandatory convertible securities – liability component	109,049	–	–	–	109,049	–
Short and medium term borrowings	28,921,804	606,870	4,129,706	4,194,847	10,247,378	9,743,003
Derivative financial instruments	4,689,489	352,955	48,367	147,995	426,165	3,714,007
Long term borrowings	8,619,494	–	–	–	–	8,619,494
Other liabilities	7,740,665	7,740,665	–	–	–	–
Equity	19,090,119	–	–	–	–	19,090,119
Total liabilities and equity	**160,208,773**	**75,809,353**	**17,182,503**	**12,118,259**	**13,440,250**	**41,658,413**
Liquidity gap	**–**	**(26,564,050)**	**(12,529,036)**	**(6,409,415)**	**7,626,232**	**37,876,289**
Cumulative liquidity gap	**–**	**(26,564,060)**	**(39,093,086)**	**(45,502,501)**	**(37,876,269)**	**–**

FUNDING

The following table sets out the sources of funding for ADCB as at 30 September 2011 and 31 December in each of 2010 and 2009.

	As at 31 December				As at 30 September	
	2009		2010		2011	
					(unaudited)	
	(AED millions and as a percentage of the respective category)					
	AED	%	AED	%	AED	%
Customer deposits						
Demand deposits	17,511	20.3	21,440	20.2	24,632	22.8
Time deposits	56,608	65.6	67,042	63.2	62,710	58.0
Saving deposits	1,272	1.5	1,565	1.5	2,242	2.1
Other	10,909	12.6	16,087	15.2	18,449	17.1
Total customer deposits	**86,300**	**100**	**106,134**	**100.0**	**108,032**	**100**
Due to banks						
Current and demand deposits	524	11.1	1,002	20.7	783	19.7
Short and medium term deposits	4,214	88.9	3,840	79.3	3,182	80.3
Total due to banks	**4,738**	**100**	**4,842**	**100.0**	**3,964**	**100**
Mandatory convertible securities – liability component	109	–	29	–	0	–
Short and medium term borrowings	28,922	–	21,020	–	23,536	–
Long term borrowings	8,619	–	8,906	–	7,886	–
Total funding	**128,688**	**–**	**140,931**	**–**	**143,419**	**–**

ADCB's principal source of funding is its customer deposits, which as at 30 September 2011, accounted for 75.3 per cent. same as at 31 December 2010 and 67.1 per cent. at 31 December 2009.

As at 30 September 2011, the aggregate amount of customer deposits totalled AED 108 billion, AED 106.1 billion as at 31 December 2010 and AED 86.3 billion as at 31 December 2009.

INVESTMENTS

The following table sets out details of the investments held by ADCB as at 30 September 2011 and 31 December in each of 2010 and 2009.

	As at 31 December		As at 30 September
	2009	2010	2011
			(unaudited)
	(AED millions)		
Available for sale investments			
Quoted investments	3,677.54	8,240.26	15,155.33
Allowance for impairment	(407.71)	(238.70)	(244.21)
Unquoted investments	1,121.28	422.89	301.77
Allowance for impairment	(18.37)	(161.31)	(56.69)
Total available for sale	**4,372.74**	**8,263.14**	**15,156.20**
Held for maturity	**–**	**–**	**–**
Total non trading investments	**4,372.74**	**8,263.14**	**15,156.20**

PROVISIONS FOR CREDIT LOSSES

The following table sets out the movements in provisions for credit losses as at 30 September 2011 and 31 December in each of 2010 and 2009:

	As at 31 December		As at 30 September
	2009	2010	2011
			(unaudited)
	(AED millions)		
Balance at the beginning of the year	1,990.0	4,232.3	6,296.4
Currency translation adjustment	0.8	0.5	(1.2)
Release of provision	–	–	(146.3)
Net amounts written back/(off)	(726.8)	(910.3)	(1,686.3)
Recoveries	(109.3)	(283.5)	(181.2)
Charge for the period	3,077.6	3,143.0	1,787.8
On acquisition of business	–	114.4	–
Balance	**4,232.3**	**6,296.4**	**6,069.1**

The net charge to income on account of provision for possible credit losses (excluding ADCB's exposure to Dubai World entities) was AED 1,595.0 million as at 30 September 2011 and AED 2,859.5 million in 2010. As a result, non–performing loans (excluding ADCB's exposure to Dubai World entities) as a percentage of gross loans decreased from 5.8 per cent. as at 31 December 2010 to 5.4 per cent. as at 30 September 2011 and the provision (excluding ADCB's allowance for Dubai World entities), as a percentage of non–performing loans, increased from 69.6 per cent. as at 31 December 2010 to 73.3 per cent. as at 30 September 2011. ADCB adopts a conservative approach towards provisioning loans and other credit.

RELATED PARTY TRANSACTIONS

ADCB enters into transactions with major shareholders, directors, executive management and their related concerns in the ordinary course of its business and at commercial interest and commission rates. As at 31 December 2010, ADCB had made loans and advances to related parties totalling AED 18,137.9 million and had received customer deposits from related parties totalling AED 24,339.8 million. ADCB also had irrevocable commitments and contingencies with related parties in the amount of AED 247.4 million as at 31 December 2010. Due to the nature of ADCB's controlling shareholder, the Government of Abu Dhabi (which encompasses a number of government controlled entities), it is impractical to disclose fully all related party transactions between ADCB and its indirect controlling shareholder as well as ADCB's related companies as described by IAS 24.

FURTHER INFORMATION

For further detail on the financial information of ADCB, please see: (i) the notes to the consolidated financial statements for the year ended 31 December 2009, (ii) the notes to the consolidated financial statements for the year ended 31 December 2010 and (iii) the notes to the condensed consolidated interim financial information for the period ended 30 September 2011, each of which has been incorporated by reference in this Prospectus.

GOVERNANCE

The Board of Directors (the **Board**) is ADCB's principal decision-making forum. It has overall responsibility for the management and strategy of ADCB and is accountable for creating and delivering sustainable shareholder value through its guidance of ADCB's business. In particular, it sets the goals, strategies and policies of ADCB. The Board monitors the performance of ADCB's businesses and guides and supervises ADCB's executive management.

ADCB has adopted a corporate governance code which is based on international best practices. The core principles of ADCB's corporate governance code comprise: (i) responsibility and the clear division and delegation of authority; (ii) accountability in the relationships between ADCB's management and the Board, and between the Board and the shareholders and other stakeholders; (iii) transparency and disclosure to enable stakeholders to assess ADCB's financial performance and condition; and (iv) fairness in the treatment of all stakeholders. In recognition of ADCB's focus on corporate governance, internal controls and risk management, ADCB was named the top bank in the GCC in terms of liquidity, volatility and transparency according to a survey conducted by TNI (The National Investor) and Hawkamah in April 2009. Also in 2009, ADCB won the Hawkamah – UAB Award for corporate governance, which placed ADCB as the best for corporate governance in the UAE. In 2010, IFC, a division of the World Bank, selected ADCB as one of its corporate governance "success stories". In addition, in 2010 and 2011, ADCB won World Finance Magazine's award for "Best Corporate Governance in the UAE".

As of the date of this Prospectus, the Board consists of 11 members, elected by ADCB's shareholders and one adviser to the Board. The roles of the Chairman and the Chief Executive Officer (**CEO**) are separate and distinct, and there is clear division between their respective roles and responsibilities. The Chairman's main responsibility is to lead the Board and ensure the effective engagement and contribution of all Directors, so that the Board may fully discharge its legal and regulatory responsibilities. The Board appoints the CEO and specifies his powers and authority. The day-to-day management of ADCB has been delegated by the Board to the CEO, who is assisted by the Management Executive Committee (**MEC**). The CEO, assisted by the MEC, is responsible for controlling and monitoring ADCB's business on a day-to-day basis, recommending strategy to the Board, leading senior management and implementing the Board's strategic and operational decisions. The CEO also serves on the Board as an executive director. All other Directors of the Board are non-executive directors.

All Directors are required to seek re-election by shareholders every three years. Directors are permitted to elect any Director nominated to fill a vacancy, but any Director so appointed must seek election by shareholders at the next annual general assembly. One-third of the Board is required to seek re-election on an annual basis.

Any candidate for appointment as a Director must first be considered and approved by the Board's nomination, compensation and HR committee (**NCHR Committee**) and the Central Bank. Amongst other things, the NCHR Committee will consider whether the skills held by the candidate Director are suitable. Where necessary, the NCHR Committee will also consider whether the candidate meets ADCB's criteria for independence. The Council, as the majority shareholder, has the right to appoint a proportionate number of members of the Board to its shareholding in ADCB. As of the date of this Prospectus, the Chairman of the Board is one of the Directors appointed by the Council and the Council has appointed six other members of the Board. Where the Council intends to appoint a new Director, it is required to consult with the NCHR Committee in advance of such appointment. Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting.

During 2011, the Board appointed Lord Davies of Abersoch as its advisor. Lord Davies is a highly accomplished and experienced banking and business professional. As an advisor to the Board, Lord Davies advises on all aspects of ADCB's business, including strategy.

BOARD OF DIRECTORS

As of the date of this Prospectus, the Board comprises:

Position	Age	Name, background and other positions
Chairman of the Board *Chairman of the Risk and Credit Committee* *Member of the Nomination, Compensation and HR Committee*	**54**	***Mr. Eissa Al Suwaidi*** Executive Director – Abu Dhabi Investment Council; Board Member – Abu Dhabi National Oil Company for Distribution; Board Member – International Petroleum Investment Company; Board Member – Abu Dhabi Fund for Development; Board Member – Emirates Investment Authority; and Board Member – Emirates Integrated Telecommunications Company "du".
Vice-Chairman of the Board *Chairman of the Nomination, Compensation and HR Committee* *Member of the Risk and Credit Committee*	**39**	***Mr. Mohammad Sultan Ghannoum Al Hameli*** Executive Director – Finance Department of the Government of Abu Dhabi; Chairman – Health Authority Abu Dhabi; Board Member – Abu Dhabi Development Fund; Board Member – Abu Dhabi Airport Company; Board Member – Abu Dhabi Ports Co (ADPC); Board Member – Abu Dhabi Health Services Company (SEHA); Board Member – Abu Dhabi Public Service Company (Musanada); Board Member – Social Welfare & Minor Affairs Foundation.
Board Director *Chairman of the Audit and Compliance Committee* *Member of the Corporate Governance Committee*	**48**	***Mr. Mohamed Darwish Al Khouri*** Chairman of the Executive Committee – Oman & Emirates Investment Holding Company; Vice Chairman – Oman & Emirates Investment Holding Company; Executive Director – Internal Equities Department, ADIA; Board Member – Alpha Committee, ADIA; Board Member – The Financial Corporation; and Member – Investment Committee, ADIA.
Board Director *Member of the Corporate Governance Committee* *Member of the Risk and Credit Committee*	**50**	***Mr. Abdulla Khalil Al Mutawa*** General Manager – Office of Sheikh Suroor Bin Mohammed Al Nahyan; Board Member – Al Falah Exchange, U.A.E.; Board Member – Bank Al Falah Ltd., Pakistan; Chairman – Board Audit Committee, Bank Al Falah Ltd.; Member – Board Finance Credit & HR Committee, Bank Al Falah Ltd.; Chairman – Board Risk Committee, Bank Al Falah Ltd.; and Board Member – Wateen Telecom Ltd., Pakistan.

Position	Age	Name, background and other positions
Board Director *Member of the Nomination, Compensation and HR Committee*	**65**	***Mr. Jean-Paul Pierre Villain*** Head – ADIA Strategy Committee; Head – Strategy Unit at H.H. the Managing Director's Office at ADIA; Member of the Investment Committee – Abu Dhabi Fund for Retirement and Benefits; and Governor – British Community School, Abu Dhabi.
Board Director *Member of the Corporate Governance Committee* *Member of the Risk and Credit Committee*	**39**	***Mr. Mohammed Ali Al Dhaheri*** Executive Director – Accounting and Financial Services Department, – Abu Dhabi Investment Council; Board Member – Securities & Commodities Authority; Board Member – Abu Dhabi Investment Company; Board Member – Al Hilal Takaful; Chairman – Investment Committee, Al Hilal Takaful; Member – Executive Committee, Al Hilal Takaful; Member – Audit Committee, Al Hilal Takaful; and Member – Remuneration Committee, Abu Dhabi Investment Company.
Board Director *Chairman of the Corporate Governance Committee* *Member of the Audit and Compliance Committee*	**36**	***Mr. Salem Mohammed Athaith Al Ameri*** Executive Director – Private Equity Department, Abu Dhabi Investment Council; Board Member – Abu Dhabi Investment Company; Chairman – Audit Committee, Abu Dhabi Investment Company; and Chairman – Abu Dhabi National Hotels.
Board Director *Member of the Corporate Governance Committee*	**25**	***Shk. Sultan bin Suroor Al Dhaheri*** Chief Executive Officer – Al Dhaheri Group; Board Member – Abu Dhabi National Tourism and Hotels Company; and Board Member – Al Khazna Insurance Company.
Board Director *Member of the Audit and Compliance Committee*	**48**	***Mr. Mohamed Esmaeel Al Fahim*** Board Member – Burooj Properties; Board Member – Abu Dhabi Islamic Financial Services; Board Member – Takaful; Board Member – Baniyas Investment; Board Member – Al Fajer Investment; and Board Member – Green Crescent Insurance.
Board Director and Chief Executive Officer	**42**	***Mr. Ala'a Eraiqat*** Board Member – Abu Dhabi National Hotels PJSC; Director – MasterCard Asia-Pacific, Middle East and Africa Regional Advisory Board; and Member of Mubadala Infrastructure Partners Advisory Board.
Board Director *Member of the Audit and Compliance Committee* *Member of the Nomination, Compensation and HR Committee*	**45**	***Mr. Khalid Deemas Al Suwaidi*** Chief Executive Officer – Das Holdings; Chairman – Emirates & Morocco Trading & General Investment; Board Member – Takaful; Chairman – Manafa Outdoors; Chairman – United Tina; and Vice-Chairman – Manazel Real Estate.

Position	Age	Name, background and other positions
Advisor to the Board	**59**	***Lord Davies of Abersoch*** Partner and Vice Chairman – Corsair Capital; Non-Executive Chairman – PineBridge Investments Limited; Chairman of the Advisory Board – Moelis & Co.; Non-Executive Director – Diageo plc; and Non-Executive Director – Bharti Airtel.
Board Secretary	**38**	***Mr Simon Copleston*** General Counsel and Board Secretary – Abu Dhabi Commercial Bank; and Board Member – Damas International Limited.

The business address of each member of the Board is P.O. Box 939, Abu Dhabi, United Arab Emirates.

Certain members of the Board, their families and companies of which they are principal owners, or of which they are employees, are customers of ADCB in the ordinary course of business. The transactions with these parties are made at arm's length and on substantially the same terms, including interest rates, as those prevailing at the same time for comparable transactions with unrelated parties.

Except as disclosed in the next paragraph, no member of the Board named in the table above entitled "Board of Directors" has any actual or potential conflict of interest between his duties to ADCB and his private interests and/or other duties. Each of the directors of ADCB named in the table above entitled "Board of Directors" has outside interests in entities other than ADCB, including employment and/or directorships with third parties (as set out underneath their names in the table above). Given the wide scope of ADCB's operations, such entities have banking and/or other commercial relationships with ADCB. Some Board members also have personal banking relationships with ADCB. As the Directors are involved in ADCB's decision making process and have knowledge of ADCB's products and services, including the commercial terms thereof, a potential conflict of interest may arise. However, ADCB has established robust internal procedures to deal with any such potential conflict, including the relevant director being excluded from voting at board meetings on issues which relate to the relevant employer's and/or other connected entity's dealings with ADCB.

Under the Commercial Companies Law, all Directors are liable to ADCB, its shareholders and third parties for any acts of fraud, abuse of powers, violation of laws, violation of its articles of association or for mismanagement.

The table below sets out the number of shares held by each Director as at 30 September 2011:

Director	30 September 2011
Mr. Eissa Al Suwaidi	0
Mr. Mohammad Sultan Ghannoum Al Hameli	0
Mr. Ala'a Eraiqat	2,389,655*
Shk. Sultan bin Suroor Al Dhahiri	10,000
Mr. Abdulla Khalil Al Mutawa	2,347,277
Mr. Jean-Paul Pierre Villain	6,012
Mr. Mohammed Ali Al Dhaheri	0
Mr. Mohamed Darwish Al Khouri	837,325
Mr. Khalid Deemas Al Suwaidi	0
Mr. Salem Mohammed Athaith Al Ameri	0
Mr. Mohamed Esmaeel Al Fahim	0

* These include restricted units awarded to Mr. Ala'a Eraiqat under ADCB's long term incentive plan. If Mr. Ala'a Eraiqat does not resign before the respective vesting dates, 689,655 units will become unrestricted on 31 December 2012, 600,000 units on 31 August 2012 and 600,000 units on 31 December 2013.

EXECUTIVE MANAGEMENT

As of the date of this Prospectus, the executive management of ADCB includes:

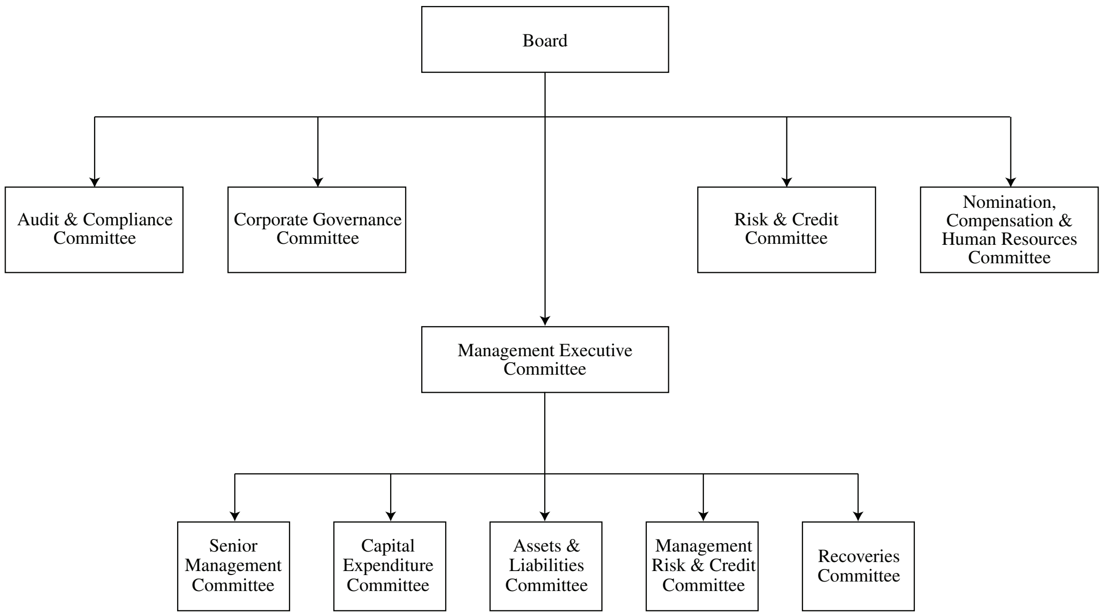
Position	Name
Chief Executive Officer	Ala'a Eraiqat
Chief Financial Officer	Deepak Khullar
Chief Risk Officer	Kishore Rao
Chief Operating Officer	Jerry Möllenkramer
Group Treasurer	Kevin Taylor
Head – Wholesale Banking	Colin Fraser
Head – Consumer Banking	Arup Mukhopadhyay
Head – Government Relations	Abdulla Khalifa Al Suwaidi
Head – Human Resources	Ali Darwish
Head – Internal Audit	Abdirizak Ali
General Counsel and Board Secretary	Simon Copleston

The business address of each member of the executive management is P.O. Box 939, Abu Dhabi, United Arab Emirates.

No member of the executive management of ADCB has any actual or potential conflict of interest between his duties to ADCB and his private interests and/or other duties.

COMMITTEES

The following chart sets out the committees of ADCB as at the date of this Prospectus:



Board committees

The Board has established four board committees: the audit and compliance committee, the corporate governance committee, the NCHR Committee, and the risk and credit committee, each of which plays an important role in governing ADCB's operations and in establishing and coordinating the policies of ADCB.

Board audit and compliance committee

The board audit and compliance committee (**BACC**) (which currently consists of four non-executive directors, one of whom is the committee chairman) is primarily responsible for: (i) managing ADCB's internal audit function; (ii) overseeing the preparation of ADCB's financial statements and disclosures; (iii) recommending the appointment of and ensuring the independence of auditors (internal and external); and (iv) monitoring internal controls over financial reporting as well as managing compliance with relevant legal and regulatory requirements. The BACC plays a predominantly advisory role, reporting its recommendations to the Board for final approval. However, in certain limited circumstances, decisions may be taken by BACC, which are binding on the Board (for example, it may approve the terms of engagement of the external auditor without Board approval).

The BACC is required to hold a minimum of four meetings per year and provides regular reports to the Board. In 2010, the BACC sat 10 times.

Board corporate governance committee

ADCB's corporate governance committee (which currently consists of four non-executive directors) is responsible for overseeing the development and implementation of ADCB's corporate governance strategy and active plan, including the development of corporate governance procedures and best practices within ADCB, compliance with regulatory requirements relating to corporate governance and public reporting on corporate governance matters. The corporate governance committee is responsible for: (i) monitoring developments in corporate governance and recommending and monitoring the implementation of ADCB's corporate governance plan; (ii) overseeing ADCB officers with responsibility for corporate governance; (iii) reviewing ADCB's corporate governance structures including the Board and its committees, management committees, and their terms of reference; (iv) reviewing disclosure practices including directors' conflicts of interest and measures to implement accepted culture and ethics within ADCB; (v) reviewing and amending ADCB's articles of association; (vi) publishing corporate governance information; (vii) making recommendations to the Board and its committees on corporate governance strategy, actions and culture; and (viii) evaluating directors' performance and professional development.

The corporate governance committee meets approximately four times per year and provides regular reports to the Board. The corporate governance committee plays an advisory role, reporting its recommendations to the Board for final approval.

Board nomination, compensation and HR committee

The NCHR Committee (which currently consists of four non-executive directors, one of whom is the committee chairman) is responsible for: (i) ensuring the appropriate composition of the Board; (ii) selecting and appointing of Directors; (iii) holding orientation and training sessions for new Directors; (iv) succession planning for Board members and senior management; (v) the performance assessment of the Board, individual Directors and senior management; (vi) developing, applying and reviewing of human resources and training policies; (vii) determining ADCB's requirements for executive managers and employees; (viii) selecting and appointing of senior management; (ix) remuneration policies for management and the Board, and ADCB's remuneration and incentive plans; (x) ADCB's public reporting of remuneration matters; and (xi) ensuring independent Directors remain independent on a continuous basis.

In determining the composition of the Board, the NCHR Committee considers the knowledge, skills and experience which are anticipated to be required by Board members. No Director may participate in any decision regarding his own appointment.

The NCHR Committee holds approximately four meetings per year and provides regular reports to the Board and is authorised to take certain appointment and remuneration decisions which may bind the Board. In all other cases, recommendations are made to the Board for final approval.

Board risk and credit committee

The board risk and credit committee (**BRCC**) (which currently consists of five non-executive directors, one of whom is the committee chairman) is responsible for credit decisions involving up to an aggregate of 7 per cent. of ADCB's capital per single borrower or group of related borrowers and, in all other cases, making recommendations to the Board for approval. It is also responsible for overseeing: (i) the development of risk measurement tools; (ii) the development and implementation of risk management strategies and limits; (iii) compliance with regulatory requirements relating to risk management; (iv) public reporting on risk management matters; and (v) reviewing and approving credit commitments within its scope of authority.

The BRCC meets approximately twice per month and provides regular reports to the Board.

Management committees

Day-to-day management is coordinated by the MEC, which oversees all other management committees and working groups, including the management risk and credit committee (the **MRCC**), the Assets and Liabilities Committee (**ALCO**), the management recoveries committee (**MRC**), the capital expenditure committee (the **Capex Committee**) and the senior management committee (**SMC**). The MEC has delegated certain responsibilities to its reporting committees.

Management executive committee

The MEC is the highest management level authority overseeing matters relating to corporate organisation, strategy recommendations, finance and operations. All management committees report to the MEC, which has full authority to review and reorganise the composition and terms of reference of the management committees and working groups.

The MEC is composed of key members of management, whose appointments are approved by the NCHR Committee. The members of the MEC include the CEO (who serves as Chairman of the MEC), the chief financial officer (**CFO**), the chief risk officer (**CRO**), the chief operating officer (**COO**) and the heads of wholesale banking, treasury and investments, human resources and consumer banking. Permanent invitees include the General Counsel and Board Secretary and the Managing Directors of ADCP and ADCES. The MEC meets weekly and reports to the Board.

The responsibilities of the MEC include:

- establishing the organisation structure for management and management committees;
- implementing strategy set by the Board and recommending strategy and policy decisions;
- recommending ADCB's annual budget;
- approving key performance indicators for each business line;
- reviewing periodic performance reports;
- executing proposals from the Board (including proposals regarding any increase or decrease to ADCB's capital);
- approving expenditures within the guidelines of ADCB's annual budget, expenditures not captured by the annual budget up to AED 10 million during a quarter and other expenditures within certain delegated limits set by the Board;
- approving the establishment or sale of branches, agencies, joint ventures and subsidiaries and appointments of directors to subsidiaries;
- approving debt-funding issues, up to certain delegated limits set by the Board, treasury investments and related hedging transactions;
- approving recovery settlements relating to NPLs up to certain limits set by the Board;
- approving ADCB's policies, excluding those falling within the Board's responsibility; and
- approving credit transactions up to certain limits set by the Board.

Management risk and credit committee

The MRCC is responsible for appraising credit decisions within the limits that have been set by the MEC. In addition, the MRCC makes recommendations to the Board or the BRCC, as appropriate, on risk strategy matters and credit exposures.

Assets and liabilities committee

The ALCO is responsible for reviewing and monitoring all major investments and strategic commitments and developing policies relating to the management of all assets and liabilities (such as balance sheet structuring, funding, pricing, hedging, investing and the setting and monitoring of liquidity ratios).

The ALCO seeks to manage assets and liabilities in order to enhance profitability and protect ADCB from any adverse consequences that may result from extreme changes in market conditions and other financial risks.

The ALCO's primary functions include: (i) managing ADCB's wholesale debt lending and deposit liabilities; (ii) the formulation and implementation of market risk and liquidity risk policies and strategies for addressing market and liquidity risks; (iii) ensuring market risk and liquidity risk are identified, assessed, monitored, mitigated and controlled; (iv) the formulation and implementation of balance sheet structure policies and strategies for addressing issues relating to balance sheet structure and (v) the purchase of assets within ADCB's treasury investment portfolio.

In carrying out these key functions, the ALCO:

- reviews ADCB's financial performance, economic reports and forecasts;
- reviews ADCB's balance sheet structure and evaluates the risk exposure and assesses its potential impact on the income statement;
- reviews interest rate trends, yields, cost of funds and margins;
- makes recommendations on strategic directions leading to changes in balance sheet composition to achieve a desired structure including: (i) asset allocation strategies; (ii) buying and selling of assets; (iii) changing liability structure and mix; (iv) balance sheet growth, structure and maturity; and (iv) hedging;
- formulates policy guidelines on limits of exposure to liquidity and market risk (such as Value at Risk, liquidity ratios, large depositors, sources of funds, investment and other assets);
- reviews base lending rate or reference rate and its guidelines;
- reviews transfer pricing between business units and sets the overall direction and approval criteria for purchase and sale of investments; and
- classifies investments into held-for-trading, available-for-sale and held to maturity.

Management recoveries committee

The MRC is responsible for reviewing and approving settlements relating to certain NPLs within the limits that have been set by the MEC. A matter is forwarded to the MRC after the Remedial Risk Department has attempted to recover the amount outstanding from the borrower and has either been unable to recover such amount or has provisionally agreed with the borrower to restructure the loan. See "*Risk Management – Collection procedures*".

Capital expenditure committee

The Capex Committee is ADCB's key governance forum for managing its investment portfolio. The primary function of the Capex Committee is to consider, review and approve capital expenditure projects with a value of over AED 200,000. The projects almost exclusively relate to new technology systems, system upgrades and real estate (specifically relating to improvements and acquisitions required to conduct ADCB's business and to execute its long term plans, for example, in respect of branches). The Capex Committee is chaired by the COO and membership consists of the CFO, the CRO and the heads of consumer banking, wholesale banking and treasury.

Senior management committee

The SMC acts as a management forum regarding a wide range of issues, including ADCB's HR policies, management strategy, projects and dissemination of information.

In addition to the foregoing standing management committees, from time to time the MEC establishes working groups tasked to handle specific issues or areas of focus. The MEC has established the following working groups: compliance, risk and credit, corporate governance, operational risk management, insurances and liabilities.

OTHER MANAGEMENT FUNCTIONS

Audit arrangements

The external auditor is appointed annually by ADCB's shareholders. At the 2011 Annual General Meeting, PricewaterhouseCoopers was appointed as the external auditor of ADCB, replacing Deloitte & Touche (M.E.). The BACC's terms of reference and articles of association include measures to ensure the ongoing independence of ADCB's external auditor:

- no audit firm may be appointed for more than five consecutive years without shareholders' approval;
- no individual audit partner may be responsible for the audit for more than three consecutive years;
- the BACC will make recommendations on the rotation of the external audit firm, or of the partner of the firm in charge of ADCB's audit, to ensure the independence of the external auditor; and
- the external auditor may not, without the consent of the BACC, carry out any additional work for ADCB which is not part of the audit programme.

The scope of an audit is agreed between the BACC and the auditor. The external audit partner attends meetings of the BACC and attends the Board meetings when needed. The BACC also periodically meets separately with ADCB's internal auditors and the auditor in the absence of management.

Internal controls

ADCB's internal controls over financial reporting comprise processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting principles. ADCB's internal controls include policies and procedures that: (i) are designed to ensure the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ADCB; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles, and that receipts and expenditures of ADCB are being made only in accordance with authorisations of management and directors of ADCB; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of ADCB's assets.

Notwithstanding the above, internal controls are subject to inherent limitations. Please see "*Risk Factors – ADCB's risk management and internal controls may leave it exposed to unidentified or unanticipated risks, which could result in material losses*".

Disclosure standards

ADCB has created a website in order to provide information to stakeholders. ADCB's web address is www.adcb.com. Information on ADCB's website does not form part of this Prospectus.

RISK MANAGEMENT

Efficient and timely management of the risks involved in ADCB's activities is critical to its financial soundness and profitability. Risk management involves identifying, measuring, monitoring and managing risks on a regular basis. The objective of risk management is to protect ADCB's asset values and income streams in order to protect the interests of its shareholders and external fund providers, increase shareholder value and achieve a return on equity that is commensurate with the risks assumed. The risk management framework is integral to the operations and culture of ADCB. Risks are proactively managed within the defined risk framework of ADCB.

To achieve its risk management objectives, ADCB's senior management (including the CRO) and internal audit department routinely review the risk management systems implemented by ADCB.

ADCB's key quantitative risk policies include:

- maintaining or exceeding the minimum levels of capital adequacy calculated in accordance with the rules and regulations concerning capital adequacy standards of the Central Bank issued as per the circular dated 30 August 2009;
- complying with the recommended risk management standards of the Basel II Accord, as amended, with respect to capital allocations, internal review and market discipline to minimise credit risk, market risk, operational risk, liquidity risk, interest rate risk and other risks;
- establishing and implementing maximum size limits for retail, commercial and other lending products, securities underwriting and investments aligning with local regulatory requirements, all of which are linked to the size of total assets and shareholders' equity (size limits are reviewed at least annually and more regularly for those countries on the "watch" lists);
- restricting certain economic sector, country and single obligor exposures to specified percentages of capital;
- limiting the tenor and size of certain credit products; and
- limiting maximum overnight foreign exchange exposures.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK

In common with other financial institutions, ADCB faces a range of risks in its business and operations including: (i) credit risk; (ii) funding and liquidity risk; (iii) interest rate risk; (iv) market risk (including currency risk and equity price risk); and (v) legal, reputational and operational risk.

Credit risk

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

ADCB's primary exposure to credit risk arises through its loans and advances to customers. ADCB is also exposed to credit risk on various other financial assets, including derivative instruments and debt investments. ADCB, like other financial institutions, undertakes short-term lending in the inter-bank market. ADCB has procedures in place to manage the risks involved with inter-bank exposure. Lending limits are assigned to each financial institution based on internal assessments, external credit ratings and country ratings.

ADCB regularly reviews and monitors compliance with lending limits to individual financial institutions and country limits. ADCB manages credit risk by monitoring credit exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties, monitoring lending activities to manage concentrations of risks with individuals or groups of customers or industries, and by obtaining security when appropriate. In addition to monitoring credit limits, ADCB manages the credit exposure relating to its derivatives trading activities by entering into master ISDA and related arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure.

ADCB's credit group is responsible for the formulation of credit policies and processes in line with growth, risk management and strategic objectives. See "*Governance*".

For further information regarding ADCB's credit risk, see "*Risk Factors – ADCB's business, results of operations, financial condition and prospects have been adversely affected by credit risks and will likely continue to be affected by credit risks if economic conditions do not improve*.

Concentration of credit risk

ADCB conducts business with a range of Government-controlled and Government-related entities, members of the ruling family of Abu Dhabi and other HNWIs. ADCB's ten largest group exposures constituted approximately 34 per cent. of ADCB's total funded and unfunded exposures as at 30 September 2011. Approximately 44 per cent. of this exposure is to members of the ruling family or entities controlled by them. As at 30 September 2011, ADCB's ten largest group exposures (funded and unfunded) represented three times equity. ADCB's largest group exposure alone (although to a private entity/investment firm linked to prominent individuals in Abu Dhabi) represented 52 per cent. of equity as at 30 September 2011, which, although highly collateralised, is a material risk position for ADCB. All loans and other funded or unfunded exposures are approved based on commercial terms and all loans are substantially covered by collateral.

Analysis of performing and non-performing loans

In accordance with Basel II requirements, all loans are classified as non-performing loans once they are 90 days overdue. Retail loans (other than mortgages) are written off once they are 180 days overdue. For non retail loans, the policy is to write off a loan after it has been deemed irrecoverable and is not linked to a time line.

The table below shows a breakdown of ADCB's loan portfolio as at 30 September 2011 by grade category (AED million):

Business Group	**I Performing**	**II PDNI***	**III Non-performing**	**IV Doubtful**	**V Loss**	**Total**
Wholesale Banking Group	49,284.5	12,036.7	3,060.9	210.8	178.4	**64,771.3**
Consumer Banking Group	55,512	6,419.5	2,803.2	751.1	21.7	**65,508.0**
Total	**104,797**	**18,456.2**	**5,864.1**	**961.8**	**200.1**	**130,279.2**
Less provision for doubtful debts						(6,069.1)
Loans, net of provisions						**124,210.1**

* Past due but not impaired.

Derivatives

ADCB continuously monitors limits on net open derivative positions (i.e. the difference between purchase and sale contracts) with respect to its clients, by both amount and term. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to ADCB (i.e. positive fair value of assets). This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where ADCB requires margin deposits from counterparties. Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risks arising from ADCB's market transactions on any single day.

Funding and liquidity risk

Funding and liquidity risk is the risk that ADCB will be unable to meet the payment obligations associated with its financial liabilities when they fall due, replace funds when they are withdrawn. Funding and liquidity risk are caused by institution-specific or market disruptions. ADCB's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to ADCB's reputation.

For further information regarding ADCB's liquidity risk, see "*Risk Factors – ADCB's business, results of operations, financial condition and prospects could be affected by liquidity risks*".

Liquidity risk management process

The ALCO sets and monitors liquidity ratios, regularly revises and updates ADCB's liquidity management policies and seeks to ensure that ADCB is in a position to meet its obligations as they fall due.

ADCB's liquidity management process, as carried out within ADCB and monitored by ADCB's treasury and investments group, includes:

- monitoring of liquidity position on a daily/weekly/monthly basis;
- forecasting of future cash inflows/outflows and ensuring that ADCB can meet the required outflows;
- regularly conducting liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions with well defined triggers and suggested action;
- ensuring regular compliance with the liquidity ratios against internal and regulatory targets and requirements; and
- monitoring composition of funding sources and has set triggers for avoiding concentration of funding sources.

Funding approach

Sources of liquidity are regularly monitored to maintain a wide diversification by counterparty, currency, tenor and product.

The analysis of maturities of assets and liabilities is conducted on a daily basis to determine ADCB's on-going funding needs and to ensure adequate liquidity is maintained across the defined time horizon.

For further information regarding the maturity profile of ADCB's assets and liabilities, see "*Selected Financial Information of ADCB*".

Interest rate risk

Interest rate risk arises from interest rate sensitive financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of these financial instruments or the related income derived from them. Interest rates sensitivity risk positions in ADCB's trading and loan books are managed by ADCB's treasury, which uses derivative instruments to manage the overall position arising from ADCB's interest bearing financial instruments.

Financial assets and liabilities exposed to cash flow interest rate risk are financial assets and financial liabilities with a floating interest rate. A significant portion of ADCB's loans and advances, deposits and balances due from banks, investment securities, capital notes, customer deposits, short- and medium-term borrowings fall under this category.

However, as most of ADCB's financial assets and liabilities are floating rate, deposits and loans generally re-price simultaneously, providing a natural hedge which reduces interest rate exposure. Moreover, the majority of ADCB's assets and liabilities re-price within one year, thereby further limiting interest rate risk. Furthermore, as a general practice, ADCB typically swaps any fixed rate financial assets and liabilities it holds to floating rates of interest.

ADCB uses simulation modelling tools to periodically measure and monitor interest rate sensitivity. The results are analysed and monitored by the ALCO. The scenarios used for interest rate risk assess the changes in the portfolio or funding value which would result from interest rate shocks. The scenarios simulate results arising from steepening, flattening and twisting interest rate scenarios. Financial assets that are not subject to any fair value or cash flow interest rate risk mainly comprise investments in equity instruments. The effective interest rate (effective yield) of a monetary financial instrument is generally more indicative of the instrument's yield than its coupon, as it is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

The off-balance sheet gap represents the net notional amounts of the off-balance sheet financial instruments, such as interest rate swaps which are used to manage the interest rate risk.

Market risk

Market risk is the risk that ADCB's income and/or the value of a financial instrument will fluctuate because of changes in market factors such as foreign exchange rates, commodity rates and market prices of equity.

ADCB is exposed to market risk with respect to its investments in balance sheet securities to the extent it has not hedged such risks through derivatives positions. ADCB aims to limit market risk by maintaining a diversified portfolio and by monitoring developments in the market. In addition, ADCB actively monitors the key risk factors that affect stock and market movements, including an analysis of the operational and financial performance of the entities in which it invests.

ADCB has set market risk limits based on statistical (including VaR) and non-statistical risk metrics and notional limits which are closely monitored by ADCB's risk control function, and which are reported periodically to senior management and are reviewed monthly by the ALCO. ADCB's operations also expose it to risks arising from changes in foreign currency exchange rates and interest rates. ADCB enters into a variety of derivative financial instruments to hedge and manage its exposure to interest rate and foreign exchange risk. ADCB uses various risk metrics, including non-statistical risk measures and sensitivity analyses, to quantify market risk. Non-statistical risk measures, other than scenario stress testing, include net open positions, basis point values, option sensitivities, market values and tenor limits. ADCB uses non-statistical, scenario-based risk metrics to monitor and control market risk on a day-to-day basis.

For further information regarding ADCB's market risk, see "*Risk Factors – ADCB's business, results of operations, financial condition and prospects could be affected by market risks*".

Foreign exchange risk, measurement and monitoring

ADCB's financial position and cash flows are sensitive to both current and expected foreign currency exchange rates. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. ADCB is exposed to market risk with respect to its investments in marketable securities and other financial securities including derivatives. ADCB aims to limit market risks by maintaining and monitoring activities with established and approved limits and by the continuous monitoring of developments in the market.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The trading and non-trading equity price risk exposure arises from ADCB's investment portfolio. In addition, ADCB actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

Management of market risk

The Board approves risk limits based on sensitivity analysis and notional limits which are closely monitored daily by the Risk Management Division, reported immediately to senior management and reviewed monthly by the ALCO. ADCB separates its exposure to market risk between trading and non-trading (available for sale) portfolios. Trading portfolios are held by ADCB's treasury and investments group and include positions arising from market making and proprietary position taking. Non-trading risk includes securities and other assets held for longer-term investments used to manage ADCB's asset/liability exposures.

Market risk is identified, measured, monitored, and controlled by an independent risk control function. Market risk management aims to reduce volatility in operating performance. Market risk management is overseen by the MRCC and performs the following primary functions:

- establishment of a comprehensive market risk policy framework;
- independent measurement, monitoring and control of market risk; and
- setting up, approval and monitoring of limits.

Derivatives

In the ordinary course of its business, ADCB enters into a range of transactions that involve derivative instruments. ADCB provides its customers and counterparties with structured transactions to reduce their risk profile in a particular area of risk. Hedging positions accumulated from such activities are typically offset through transactions with other market counterparties. ADCB manages the risks involved in these activities through appropriate limits and stop loss parameters. These limits vary by product and maturity. ADCB also uses derivative instruments for hedging purposes as part of its asset and liability management in order to reduce its exposure to fluctuations in foreign exchange, interest rates and other risks. ADCB uses forward foreign exchange contracts, cross currency swaps and interest rate swaps to hedge exchange rate and interest rate risks. ADCB also uses interest rate swaps to hedge against the fair value risks arising on certain fixed rate financial instruments.

Legal risk

Legal risk is the risk of losses occurring due to: (i) non-compliance with laws or regulations; or (ii) legal or regulatory action that invalidates contractual protections. ADCB seeks to mitigate this risk through the use of experienced internal and external lawyers to review documentation and provide legal advice in relation to such documentation when appropriate. There is also an independent compliance department established to ensure compliance with the UAE banking laws and compliance with laws and regulations in all other jurisdictions under which ADCB and its subsidiaries operate.

Reputational risk

Reputational risk is the risk of loss occurring due to a decrease in the value of the ADCB brand. ADCB's brand and reputation could be adversely affected by a number of factors, including, but not limited to, substandard work product, higher transactional costs than competitors, major adverse credit events, negative publicity in local and international press, legal disputes or lower than expected financial results. ADCB seeks to mitigate this risk through internal risk management policies and procedures and active use of the media and advertising.

Operational risk

Operational risk is the risk of loss arising from system failure, inadequate or failed internal processes, human error or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. ADCB cannot eliminate all operational risks, but ADCB aims to manage risks through an operational risk identification and management framework which includes identification assessment, monitoring, reporting, controlling/mitigating and staff awareness. The framework also includes the use of tools such as segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, internal audits, key risk indicators and data loss management. See "*Risk factors – ADCB's business, results of operations, financial condition and prospects could be affected by market risks*", "*Risk factors – ADCB's business may be adversely affected if there is any disturbance to its operational systems or a loss of business continuity*", "*Risk factors – ADCB is exposed to the risk of loss as a result of employee misrepresentation, misconduct and improper practice" and "Risk factors – ADCB's risk management and internal controls may leave it exposed to unidentified or unanticipated risks, which could result in material losses*".

DECISION MAKING

ADCB's governance structure is headed by the Board, which has overall responsibility for risk management. ADCB has a number of Board committees and management committees that, amongst their other responsibilities, oversee and monitor the day-to-day risk management of ADCB. These committees are responsible for the overall approval and implementation of ADCB's risk management policies, while the formulation, monitoring and reporting of such policies and any exceptions thereto or any required corrective actions is the primary responsibility of the credit and risk division that is headed by the CRO.

Managing risk is a process operated independently of the business units of ADCB. ADCB aims to reinforce a strong risk management culture through a comprehensive set of processes that are designed to effectively identify, measure, monitor, report, mitigate and control risk exposures.

Risk governance at ADCB is based on the following four layers of defense:

- involvement of the Board and sub-committees under the Board such as the BRCC;
- senior management level committees for risk management such as the MRCC and MRC;
- dedicated risk management group, which is the credit and risk group, that independently evaluates the control systems within ADCB; and
- independent assurance provided by internal and external audit to provide an important feedback on the effectiveness of this process.

The Board evaluates risk in co-ordination with ADCB's Board committees and management committees. For further information regarding ADCB's Board committees and management committees, see "*Governance – Committees – Board Committees*" and "*Governance – Committees – Management Committees*".

Execution

Execution of ADCB's risk management system is co-ordinated by the credit and risk group which is headed by the CRO. The credit and risk group is supported by the following sub groups: credit risk management, operational risk management, market risk management, consumer risk management, credit, remedial risk management and group compliance. The internal audit department (**IAD**) also oversees and reviews ADCB's risk management practices and the integrity of information systems and databases. These groups operate under the supervision of the Board of Directors and its committees, the CEO, the CRO and the MEC.

Chief risk officer

The CRO is responsible for overall implementation of the risk objectives of ADCB. His responsibilities are to:

- identify and plug gaps in ADCB's risk infrastructure/framework and formulate plans to address the same;
- establish and nurture the independence of the risk function;
- guide and influence provisioning policies, risk strategy and credit/risk process changes;
- introduce process, policy and approach changes to energise risk awareness amongst front office business personnel and decision makers;
- continually tune the risk organisation in line with market best practices;
- manage ADCB's portfolio and associated risks to international best practice; and
- establish a clear risk culture encompassing all areas of risk.

The CRO was appointed by ADCB in July 2009 in order to centralise ADCB's risk management and reports to the Board and the CEO. The CRO directly oversees the credit group, the remedial risk group, the compliance department, the consumer risk management group, the market risk group, the credit risk group and the operational risk group. The CRO is responsible for reviewing ADCB's policies and procedures for managing exposure to credit, market and liquidity risk, including risk limits for both market and credit risk, value at risk, liquidity models and other relevant models.

Treasury division

Alongside its profit-generating and treasury management activities, the treasury division is responsible for the day-to-day management of interest rate, liquidity and currency risk, ensuring a minimum percentage is maintained in liquid assets and diversifying ADCB's funding sources. The treasury division reviews any liquidity gaps, ADCB's funding policies, availability of contingent liquidity and projected future cash flows associated with significant investments/divestures and discusses these with the ALCO. The division reports directly to the CEO and works closely with the market risk department.

Credit department

The credit department is responsible for reviewing wholesale credit applications and oversees ADCB's wholesale credit portfolio. The credit department monitors the loans it has extended to wholesale borrowers in order to calculate potential losses and make provisions accordingly, classifies loans as NPLs as appropriate, refers certain NPLs to the remedial risk department and generally controls ADCB's exposure to credit risk. In addition, the credit department periodically reviews ADCB's data collection procedures, restructuring methodologies, information management and credit evaluation practices. The department also oversees the credit administration unit and documentation unit.

Legal department

Alongside its day-to-day activities of providing legal assistance and advice to ADCB, the General Counsel and his team are responsible for managing ADCB's legal risk by reviewing, monitoring and interpreting applicable legal and regulatory issues in the UAE and other relevant overseas jurisdictions.

Remedial risk department

The remedial risk department attempts to recover outstanding loans in excess of AED 1 million after such loans are classified as NPLs and referred to the remedial risk department by the credit department. If the remedial risk department's collection attempts are unsuccessful, it may require the borrower to provide further collateral, initiate a legal action to recover the outstanding amount or restructure the terms of the loan and forward such terms to the MRC for its approval.

Compliance department

The compliance department assesses the adequacy of and compliance with internal procedures at all levels throughout ADCB. The department applies a risk-based approach that ranks ADCB's operations according to the likelihood and magnitude of potential losses for ADCB. The head of the department reports directly to the CRO. The compliance department enables ADCB to fulfil its compliance obligations by creating regulatory awareness, assessing risks inherent in the business and enabling compliance with applicable rules and regulations.

Compliance with applicable regulations is the responsibility of each ADCB employee. Accordingly, the compliance department has made efforts to institute a sound process in order to ensure group-wide awareness and implementation of control procedures.

One of the key responsibilities of the compliance department is ensure there are policies and procedures in place to adequately control and mitigate risk in respect of money laundering and combating the financing of terrorism.

Consumer risk management department

The consumer risk management department is responsible for overseeing the approval and verification of consumer credit merchant authorisation, collections, risk mitigation, repossession and foreclosure management and fraud. The consumer risk management department is also responsible for reviewing key performance and key risk indicators, changes in the economic environment, feedback on fraud and collections, customer service issues and competition.

Market risk department

The market risk department is responsible for identifying, measuring, monitoring and controlling risks associated with on and off balance-sheet positions held by ADCB. The market risk department aims to reduce income performance volatility and to make ADCB's market risk profile transparent to senior management, the Board and regulators.

Credit risk department

The credit risk department is responsible for formulating the credit strategy and policy in terms of risk measurement and aggregation techniques, prudential requirements, risk assessment and review, reporting requirements, risk grading, product and documentation guidelines. The department is also responsible for portfolio monitoring and ensuring adequate risk systems support is in place. This department is the central co-ordination point for regulatory risk changes, liaison with external risk stakeholders such as rating agencies, for spearheading Basel II and similar initiatives and for acting as the business partner in the implementation of risk systems.

Operational risk department

The operational risk department is responsible for the identification, measurement, monitoring, control and reporting of operational risks throughout ADCB. This is the group support function responsible for rolling out and implementing the operational risk framework throughout ADCB, recording loss data, conducting risk self assessment workshops, identifying and tracking key risk indicators and developing action plans to plug identified operational risk gaps.

Internal audit department

The IAD was established to provide an independent, objective assurance and consulting function. The IAD aims to apply a systematic and disciplined approach to evaluating and improving the effectiveness of ADCB's risk management, control and governance processes. The IAD reports directly to the BACC. The IAD consists of a team of more than 38 auditors, whose tasks are, among other things, to evaluate the quality of ADCB's lending portfolio, controls in operational processes and the integrity of ADCB's information systems and databases. The IAD's auditors, alongside the compliance department, also ensure that transactions undertaken by ADCB are conducted in compliance with applicable legal and regulatory requirements, and in accordance with ADCB's internal procedures, thereby minimising the risk of fraudulent, improper or illegal practices.

In carrying out their audit activities and responsibilities, internal auditors have unrestricted access to all of ADCB's records (either manual or electronic), assets, physical properties and personnel. The IAD performs its function in accordance with a risk-based audit methodology. Although all of ADCB's units are audited, the frequency of internal audits carried out with respect to each of ADCB's units depends on the inherent risk of that unit and its related control risk evaluation. All audits are conducted in accordance with the annual audit plan, which is approved by the BACC.

Group business services

The group business services is responsible for the implementation, maintenance and control of all of ADCB's IT and operating systems, including risk management systems. For more information about the department, see "*Business – Group business Services*".

CREDIT APPROVAL PROCEDURES

Overview

ADCB requires credit approvals in compliance with the Board–approved credit procedures for both consumer and wholesale loans. As the UAE's central credit bureaus are at their early stages, this function is independently managed by each UAE bank, subject to certain limited blacklists maintained by the Central Bank. ADCB's credit approval procedures are closely monitored by the Board of Directors through the BRCC and by senior management through the MRCC. ADCB's credit group and consumer credit risk group are responsible for the development and implementation of ADCB's credit approval procedures in conjunction with the BRCC and the MRCC as well as the development of ADCB's central credit information database.

ADCB applies different credit limits and approval criteria depending on the types of loans, customers and industry sectors. The approvals are made at various levels of the organisation, ranging from the Board of Directors, the BRCC under the Board supervision, the MRCC up to a credit officer in the consumer risk management division for approval of retail loans, in each case within ADCB's established credit limits.

Wholesale and HNWI loan approval procedures

For wholesale and HNWI loans, the Board of Directors is responsible for approving all credit commitments in excess of 7 per cent. of ADCB's capital base. The BRCC, which is appointed by the Board, is mandated with approving credit commitments on behalf of ADCB over and above the management committee delegation and up to an aggregate level of 7 per cent. of ADCB's capital base per single borrower or group of related borrowers. The BRCC is comprised of four non-executive directors and several invitees from the management team including the CEO, the CFO, the CRO, the head of internal audit and the heads of credit, wholesale banking and treasury groups. The MRCC has delegation that is linked to the customer internal rating and is capped at the prudential limits established by ADCB for each customer rating. These ratings are internal ratings for customers given by ADCB to each customer based on ADCB's credit policy. The MRCC is comprised of the CEO, the CRO, the CFO, the heads of the credit division, consumer banking, wholesale banking, treasury, consumer risk, private accounts, business banking, operational risk, asset restructuring, market risk and remedial risk as well as the General Counsel. The CRO has the right of escalation of any matter in this committee to the level of the BRCC should he feel the need to do so.

Wholesale and HNWI credit commitments that fall under the mandate of the MRCC are addressed by the credit group's "functional delegated lending authorities" approved by the MEC. Certain cases can be escalated to the MRCC/BRCC based on the recommendation of the CEO, the CRO or the head of the credit division. Functional lending authorities are typically valid only in relation to temporary, one-off transactions and for established levels delegated by the MEC/MRCC. The CEO or the head of the credit division may also further sub-delegate "specific delegated lending authorities" that are generally limited to short-term commitments (i.e. a maximum of one year).

In addition to categorising wholesale and HNWI credit commitments by value, ADCB also divides its wholesale and HNWI credit commitments into the following main product categories: loans, trade finance, contract guarantees (such as performance bonds), financial commitments (such as financial guarantees and undrawn commitments), market variation (foreign exchange contracts, options and derivatives), settlement (foreign exchange and other delivery), syndication and others. ADCB applies specific standards of review for each category of credit commitment, which enables ADCB to examine both the credit risk of the borrower as well as ADCB's overall lending exposure per product category. The credit department also complies with product specific policy manuals, including manuals for ADCB's asset based finance, commercial vehicle financing and real estate and property development finance. Analysing applications by product category also allows ADCB to respond to market developments. This approach allows the credit department to apply different credit approval procedures of ADCB to different clients as required.

New wholesale and HNWI borrowers are sourced through ADCB's sales channels including its relationship managers at wholesale and HNWI client divisions such as the business banking division, financial institutions division and strategic clients and government banking divisions as well as through ADCB's local branch network. Once a new customer has been identified, the relationship manager prepares a due diligence report on the client as part of the approval process. This due diligence report is based on ADCB's review of all relevant information and generally includes: (i) borrower information (including its legal constitution, ownership structure, organisational structure and financial strength); (ii) management (including a list of directors, key officers and their qualifications and affiliations); (iii) industry sector and market information; (iv) relationship with ADCB and other banks; (v) financial analysis of the borrower (turnover and profitability, EBITDA, return on equity and other financial ratios); (vi) sources of repayment; and (vii) appropriateness of certain covenants to be included in loan documents. ADCB also reviews the borrower's payment history with ADCB or other banks, competitive strengths, levels of collateral and other factors to reach its credit decision. This due diligence report is then validated independently by the credit group, which prepares a brief assessment of the reports summarising its salient features and recommendation for approval at the appropriate delegated lending authority.

The credit division also uses a risk grading and security categorisation system to assess and monitor the credit quality of credit applicants as well as existing borrowers. In accordance with ADCB's rating matrices, wholesale banking and HNWI clients are assigned credit grades based on various qualitative and quantitative factors including financial strength of the borrower, industry risk factors, management quality, operational efficiency and company standing. These credit grades are used by ADCB to decide the maximum lending amount per customer group and to set minimum pricing thresholds. The risk grading system attempts to grade a borrower based solely on the borrower's characteristics, and therefore does not take into consideration any security provided by the borrower. In addition to facilitating loan approval decision making, credit scores are also used by ADCB to set credit facility limits for specific clients. The credit quality of the client and the guarantor, the fair value of security interests and other relevant factors are all considered prior to setting the terms of the facility agreement (including the payment period, processing fee and interest rate).

It can take up to four weeks to approve new loans for wholesale clients from the submission of the initial application including all required documents. However, in practice approval times tend to be three days based upon service level agreements between the business and credit divisions. The credit division reviews the credit limits of its wholesale customers at least once each year.

Consumer credit approval procedures

ADCB has developed a comprehensive consumer credit policy and procedures manual, which establishes the retail banking division's overall risk management framework. The manual establishes operating policies and procedures relating to credit approval and verification, merchant authorisation, collections, risk mitigation, repossession and foreclosure management and fraud. The policy acts as a guideline for the formulation of individual product credit policy and procedures manuals. Additional policies and procedures manuals have been established with respect to the use of vendors, agents, dealers, brokers and other third parties or intermediaries that directly or indirectly impact credit risk, such as appraisers, realtors, brokers, servicing agents and collection agencies.

For retail loans, the Board has delegated its authority to the consumer risk management division. This division applies a tiered hierarchy of delegated approval authorities based on the value of the credit commitment sought. Such authorities are set out in authority matrices which must be approved by appropriate internal committees. Credit parameters for retail lending include age, qualifications and work experience, number of years in the UAE, number of dependants, income level, payment history and leverage ratio.

New retail borrowers are sourced through ADCB's sales channels, including direct sales agents and ADCB's retail branch network. The consumer risk management division makes credit decisions based on its review of the criteria described above but has no authority to approve loans exceeding AED 29 million to a single borrower or a group of borrowers. Acceptance of new retail clients typically depends on the size and type of loans as well as the type of customers. It typically takes three to four days for personal loans and up to one week for mortgage loans to be approved from the submission of the initial application including all the required documents. Credits extended to retail customers are reviewed every 30 days as part of a general portfolio review.

COLLECTION PROCEDURES

Consumer banking collection procedures

If a consumer banking group loan is in arrears, it is processed in accordance with standard operating procedures whereby the loan is considered to be in default one day after it has become delinquent. The account is recorded as NPL after 90 days past due in line with Basel II requirements.

The collections and fraud unit, which reports directly to the head of consumer risk management, may also, in certain cases, approach a delinquent borrower in order to settle an outstanding loan or assess how an outstanding loan may be restructured. The collection and fraud unit will pursue all avenues available to collect the outstanding amount from a debtor and/or its guarantor by, among other methods, filing a claim with the court and starting a court proceeding to foreclose on relevant collateral.

Wholesale banking collection procedures

If a wholesale banking group loan is in arrears, the credit department is responsible for taking the initial steps to determine if the default can be remedied. If: (i) the loan remains in default for more than 90 days (and is thereby recorded as a NPL as per Basel II requirements); (ii) negative information about the debtor surfaces, which makes collection of the outstanding loan unlikely; or (iii) the loan is in excess of AED 1 million, then the credit department refers the loan to the remedial risk department.

Initially, the remedial risk department contacts the borrower to discuss repayment of the amount of the loan outstanding. If the borrower is unable to repay the amount outstanding under the original terms of the loan, the remedial risk department may attempt to reschedule interest and principal payments or otherwise restructure the loan in conjunction with the debtor and its advisors. As part of such restructuring, the remedial risk department may request additional collateral, increase applicable interest rates or accelerate payment schedules. Restructuring plans negotiated by the remedial risk department with the borrower must be approved by the recoveries committees under the MEC, which is comprised of ADCB's management officers and chaired by the CRO. The recoveries committees can review and approve settlements relating to NPLs wherein the principal waiver does not exceed AED 25 million. Any amount in excess of this threshold must be approved by the MRCC, the BRCC or the Board itself, based upon threshold amounts. If the foregoing measures do not result in payment, the remedial risk department will pursue all other avenues available to collect the outstanding amount from the debtor and/or its guarantor by, among other methods, filing a claim with the court and starting a court proceeding to foreclose on relevant collateral. Under UAE federal law, however, creditors are prevented from foreclosing on a UAE national's primary residence.

CAPITAL MANAGEMENT

The Central Bank is ADCB's principal regulator and sets and monitors its capital requirements. ADCB's objective is to have an adequate capital base to enable it to pursue its strategic initiatives and to support the growth of its business.

ADCB's senior management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank, monitors capital adequacy and the use of regulatory capital. Returns are filed with the Central Bank on a quarterly basis.

The Central Bank requires each bank to: (i) hold the minimum level of regulatory capital; and (ii) maintain a ratio of total regulatory capital to risk-weighted assets, at or above a minimum of 12 per cent. (this is more than the 8 per cent. minimum ratio recommendation of the Basel II Accord).

Basel II was introduced in the UAE with effect 1 January 2008. ADCB has implemented a capital adequacy calculation system in accordance with Basel II but continues to provide the Central Bank with parallel Basel I and Basel II reports as currently required by the Central Bank. The parallel reporting scheme commenced on a quarterly basis in June 2007.

Details of ADCB's capital base and risk-weighted assets reported in accordance with Basel II as at 30 September 2011 and 31 December 2010 are set out in the table below:

	As at 31 December 2010	As at 30 September 2011
		(*unaudited*)
	(*AED thousands*)	
Capital Base		
Tier I capital	19,427,680	21,450,176
Deductions from capital	(3,211,575)	(113,441)
Tier II capital	9,547,029	9,168,183
Deductions from capital	(3,211,574)	(113,440)
Capital Base (I)	**22,551,560**	**30,391,478**
Risk-weighted assets		
Pillar 1		
Credit risk	126,558,829	128,999,704
Market risk	3,464,224	2,207,626
Operational risk	5,405,406	5,805,137
Total risk-weighted assets (II)	**135,428,459**	**137,012,467**
Capital Adequacy Ratio	**16.65%**	**22.18%**

ADCB currently calculates its capital ratio with respect to the Basel II reports in accordance with Basel II's standardised approach.

In accordance with the Commercial Companies Law, ADCB transfers 10 per cent. of its annual profits to its statutory reserve and will continue to do so until such time as the reserve equals 50 per cent. of the issued share capital of ADCB. The reserve is not available for distribution.

OVERVIEW OF THE UNITED ARAB EMIRATES AND ABU DHABI

THE UAE

The UAE is a federation of seven emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each emirate has a local government headed by the Ruler of the emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

According to data published by the IMF in 2011, the UAE is the third largest economy in the Gulf region after the Kingdom of Saudi Arabia and the Islamic Republic of Iran, based on nominal GDP. It has a more diversified economy than most of the other countries in the GCC. According to OPEC data, at 31 December 2010, the UAE had approximately 6.7 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, 33.9 per cent. of the UAE's GDP in 2010. Based on IMF data (extracted from the World Economic Outlook (September 2011)) real GDP growth in the UAE increased by 3.2 per cent. in 2010 after having decreased by 3.2 per cent. in 2009 and increased by 5.3 per cent. in 2008.

On 23 April 2010, Moody's reaffirmed the UAE's long-term credit rating of Aa2 with a stable outlook. The principal reason cited for this high investment grade rating is the assumption that the obligations of the federal government will be fully supported by Abu Dhabi. The UAE is not rated by the other rating agencies.

ABU DHABI

Abu Dhabi is the richest and largest of the seven emirates and the city of Abu Dhabi is also the capital of the UAE.

According to ADNOC, Abu Dhabi produces over 2.0 million barrels of oil per day and has approximately 94.0 per cent. of the UAE's total oil reserves. 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 3.2 per cent. of the world's natural gas reserves of 192,549 billion standard cubic metres (according to OPEC at 31 December 2010).

The table below shows Abu Dhabi's crude oil production, exports and average selling prices for each of the years indicated.

	2010	**2009**	**2008**	**2005**
Crude oil production (million b/d)	2.3*	2.2	2.5	2.2
Crude oil exports (million b/d)	2.0	1.9	2.3	2.1
Crude oil exports (U.S.$ per barrel)	75.7*	53.5*	98.1	50.3
Average selling price (U.S.$ per barrel)	78.5	62.7	96.6	51.9

* Preliminary figures. Source: Abu Dhabi National Oil Company – ADNOC.

The population of the UAE, based on a census carried out in 2005, was approximately 4.1 million, of whom approximately 1.4 million resided in Abu Dhabi. In mid-2010, 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 2010. The current census for 2010 is underway but, as at the date of this 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.

	2005	**2001**	**1995**	**1985**	**1980**	**1975**
Abu Dhabi population	1,399,484	1,170,254	942,463	566,036	451,848	211,812
Total UAE population	4,106,427	N/A	2,411,041	1,379,303	1,042,099	557,887

Source: 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 Abu Dhabi Statistics Centre.

Since 2005, Abu Dhabi's population has grown by 40.6 per cent. to 1,967,659 in 2010, according to estimates from the Abu Dhabi Statistics Centre (the **Statistics Centre**).

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 years 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 population average annual population growth rate was 7.7 per cent. The population mix in 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 GDP per capita was approximately U.S.$85,854 in 2010, 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.$83.9 billion, or 49.7 per cent., of nominal GDP in 2010. 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. 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 crises and declining oil prices.

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 during the course of 2011.

The table below shows Abu Dhabi's nominal GDP, its percentage growth change, the UAE's nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the UAE's nominal GDP for each of the years indicated.

	2010	**2009**	**2008**
	(AED billions, except for percentage)		
Abu Dhabi nominal GDP (current price)	620.3	535.3	705.1
Percentage change in Abu Dhabi nominal GDP	15.9	(24.1)	29.3
UAE nominal GDP (current prices)	1,093.1*	992.8**	1,156.3
Abu Dhabi as a percentage of U.A.E	56.7	53.9	60.9

* 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 58.5 per cent. of nominal GDP in 2008, 44.6 per cent. in 2009 and 49.7 per cent. in 2010. Outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2008, 2009 and 2010 have been: construction; real estate and business services; manufacturing; transport, storage and communications; financial corporations sector; and wholesale, retail trade and repairing services, which together accounted for 36.0 per cent. of nominal GDP in 2008, 48.1 per cent. in 2009 and 43.9 per cent. in 2010.

In terms of growth, the fastest growing sectors between 2008 and 2010 were hotels and restaurants; construction; financial corporations sector; public administration and defence; and electricity, gas and water, with compound annual growth rates (**CAGRs**) of 13.9 per cent., 17.6 per cent. and 10.7 per cent., respectively.

Public administration and defence accounted for 3.7 per cent. of GDP in 2010 (as per preliminary estimates published by the Statistics Centre).

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.

	2010			**2009**			**2008**		
	(AED millions)	**(%)**	**(2010 compared to 2009, % change)**	**(AED millions)**	**(%)**	**(2009 compared to 2008, % change)**	**(AED millions)**	**(%)**	**(2008 compared to 2007, % change)**
Sector									
Mining and Quarrying**	308,022	49.7	28.9	239,006	44.6	(42.1)	412,774	58.5	34.3
Manufacturing	33,860	5.5	10.8	30,560	5.7	(22.1)	39,211	5.6	11.2
Public administration and defence	23,321	3.7	13.0	20,559	3.8	10.2	18,653	2.6	61.2
Construction	80,925	13.0	2.0	79,310	14.8	20.8	65,655	9.3	39.6
Real estate and business services	53,414	8.6	6.4	50,223	9.4	7.4	46,749	6.6	16.6
Wholesale, retail trade and repairing services	29,999	4.8	5.3	28,484	5.3	(12.3)	32,479	4.6	24.2
Financial corporations sector	34,498	5.6	14.4	30,154	5.6	2.0	29,575	4.2	8.4
Transport, storage and telecommunications	39,661	6.4	1.3	39,134	7.3	(2.0)	39,918	5.7	19.9
Agriculture, livestock and fishing	6,111	1.0	2.1	5,988	1.1	3.5	5,786	0.8	3.5
Electricity, gas and water	14,366	2.3	(0.6)	14,458	2.7	3.2	14,010	2.0	11.3
Hotels and restaurants	6,572	1.1	4.6	6,283	1.2	(7.1)	6,762	1.0	39.0
Other	15,648	2.6	14.0	13,728	2.6	2.4	13,405	1.9	29.0
Less: Imputed Bank Service Charge	(25,990)	(4.2)	15.1	(22,575)	(4.2)	13.9	(19,815)	(2.8)	22.1
Total GDP	**620,316**			**535,311**			**705,159**		

* Preliminary estimates

** Includes oil

Source: Statistics Centre.

The Government'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 on 23 April 2010. Reasons cited for these high investment grade ratings include a very strong government balance sheet, abundant hydrocarbon resources, high (albeit volatile) GDP per capita, domestic political stability and strong international relations. On the other hand, Moody's also noted the troubled regional political environment, the fact that Abu Dhabi has weaker institutions than other highly rated countries, its volatile GDP caused by a concentration on hydrocarbons and its substantial, in Moody's opinion, domestic contingent liabilities.

The Government's long-term sovereign credit ratings were affirmed at AA long-term and A-1+ short-term by Standard & Poor's on 25 November 2010. Standard & Poor's commented that the ratings on Abu

Dhabi were supported by the Government's very strong asset position, which provides significant financial flexibility and which has allowed Abu Dhabi to face the global economic downturn with a high degree of resilience.

The Government's long-term foreign and local currency issuer default ratings were affirmed at AA and short-term foreign currency issuer default ratings at F1+ by Fitch on 23 September 2011. Fitch commented that the affirmation reflected the continuing strength of Abu Dhabi's sovereign balance sheet, which conveys exceptional fiscal flexibility, and the fact that the 2008-2009 global financial crisis had left Abu Dhabi's balance sheet largely undented.

GOVERNMENT

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan.

Departments, authorities and councils are established by Emiri Decree.

The Supreme Petroleum Council was established by law No. (1) of 1988, and the Chairman of the Supreme Petroleum Council is H.H. Sheikh Khalifa bin Zayed Al Nahyan, Ruler of Abu Dhabi and President of the UAE In accordance with Law No. (1) of 1988, the Supreme Petroleum Council is the highest authority responsible for petroleum affairs in Abu Dhabi and formulates and oversees Abu Dhabi's policies and objectives in all sectors of the petroleum industry. The Supreme Petroleum Council has twelve board members and four of the Company's board members sit on the Supreme Petroleum Council.

The Executive Council is the principal executive authority below the Ruler and the Crown Prince and currently comprises 14 members, appointed by an Emiri Decree issued on 11 December 2010.

Departments manage administration within the Emirate and manage specific portfolios, including, for example, the Department of Economy and Planning, the Department of Finance, the Department of Municipal Affairs, the Department of Transport and the Judicial Department. Authorities manage the Emirate's resources and strategies and include the Abu Dhabi Accountability Authority, the Abu Dhabi Tourism Authority, the Abu Dhabi Water and Electricity Authority, the Executive Affairs Authority and the Health Authority. Councils act as controlling bodies for certain Government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards, and include the Civil Service Council, the Council for Economic Development, the Education Council, the Supreme Petroleum Council and the Urban Planning Council.

The Government owns or has material shareholdings in a number of significant companies and institutions, including ADNOC, Abu Dhabi Investment Authority (**ADIA**), the Council, Mubadala Development Company (**Mubadala**), International Petroleum Investment Company (**IPIC**) and Tourism Development and Investment Company (**TDIC**). Each of these companies and institutions are wholly-owned by the Government and one or more board members of each of these companies and institutions are represented on the Executive Council.

ADNOC was established in 1971 to operate in all areas of Abu Dhabi's oil and gas industry. Since 1971, ADNOC has steadily broadened its activities establishing various companies and subsidiaries to create an integrated oil and gas industry in Abu Dhabi. ADNOC manages and oversees oil production of more than 2.0 million barrels a day which would rank it among the top ten oil producers in the world.

ADIA was established in 1976. The Government provides funds to ADIA on a periodic basis that are surplus to its budgetary requirements and other funding requirements. ADIA carries out its investment strategy independent of and without reference to the Government or other entities that also invest funds on the Government's behalf. In addition, at certain times, in practice only during periods of extreme and/or prolonged weakness in commodity prices, ADIA is required to make available to the Government its financial resources to secure and maintain the future welfare of Abu Dhabi.

IPIC was established in 1984. IPIC has a mandate to invest in energy and energy-related assets globally. IPIC has eight board members, including H.H. Sheikh Mansour bin Zayed Al Nahyan, the

Chairman of the board of directors, a member of the ruling family of Abu Dhabi, the Deputy Prime Minister of the UAE and the UAE Minister of Presidential Affairs.

The Council started its operations in 2007. The Council is another investment arm of the Government and is also responsible for investing the Government's financial resources. The Council is empowered by the Government with a direct investment mandate to broaden Abu Dhabi's economic base and facilitate the international development of Abu Dhabi companies.

Mubadala was established in 2002. Mubadala is a business development and investment company mandated by the Government to act as a primary catalyst in the implementation of Abu Dhabi's development strategy in a commercial and profitable manner.

TDIC was established in 2005. TDIC is a wholly-owned subsidiary of the Abu Dhabi Tourism Authority. TDIC is mandated to implement the strategy of the Abu Dhabi Tourism Authority through tourism development and is charged with fulfilling Abu Dhabi's ambition to become a leading global tourist destination.

ABU DHABI'S ECONOMIC STRATEGY

The Government's development strategy is articulated in the Abu Dhabi Policy Agenda 2007-2008 (the **Policy Agenda**) and the Abu Dhabi Economic Vision 2030, issued by the Government in January 2009 (the **2030 Economic Vision**). Drawing on the Policy Agenda, the 2030 Economic Vision sets forth a roadmap for developing the Government's strategy for economic development over the period to 2030.

The Policy Agenda establishes broad, long-term policy goals to drive economic, social and geopolitical/governance change in Abu Dhabi. Under the Policy Agenda, diversifying the energy sector and the economy through investments by entities such as IPIC and Mubadala is a key step in achieving economic development, including through the strengthening of downstream hydrocarbon capabilities (refining, transportation and distribution), the application of better processes, products and technologies and the expansion of the proportion of value-added exports, such as refined and semi-refined products in the petrochemicals sector, from Abu Dhabi. The Policy Agenda also calls for the pursuit of the geographic diversification of Abu Dhabi's assets through strategic investments in upstream, midstream and downstream hydrocarbon assets outside the UAE and the leveraging of Abu Dhabi's strengths in the hydrocarbon sector to diversify into other industrial sectors, such as the development of Abu Dhabi as a world leader in the petrochemicals industry.

INTERNATIONAL RELATIONS

The foreign policy of the UAE is based upon a set of guiding principles, laid down by the country's first President, H.H. Sheikh Zayed bin Sultan Al Nahyan.

The UAE participates in a number of multi-lateral aid-giving institutions, including the International Bank for Reconstruction and Development, the International Development Agency, the IMF and regional bodies like the Arab Bank for Economic Development in Africa, the Arab Gulf Fund for the United Nations, the Abu Dhabi-based Arab Monetary Fund, the Islamic Development Bank and the OPEC Fund for International Development. In addition, the UAE is a member of various other international organisations, including, among others, the Asia-Pacific Economic Co-operation, the GCC, the International Organisation for Industrial Development, the League of Arab States, OPEC, the Organisation of Arab Petroleum Exporting Countries, the Organisation of Islamic Countries, the United Nations, the World Health Organisation and the World Trade Organisation. In December 2009, the UAE entered into a bilateral agreement with the United States for peaceful nuclear co-operation which establishes the legal framework for commerce in civilian nuclear energy between the two countries.

The UAE enjoys good relations with the other states in the GCC. However, the UAE has an ongoing dispute with the Islamic Republic of Iran and continuing discussions with the Kingdom of Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by the Islamic Republic of Iran. The UAE believes that the islands should be returned to the

Emirate of Sharjah which claims sovereignty over them and is seeking to resolve the dispute through negotiation.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with the Kingdom of Saudi Arabia on the border between the two countries, which the UAE believes should be substantially amended. In addition, the UAE is involved in discussions with the governments of the Kingdom of Saudi Arabia and the State of Qatar relating to a maritime corridor which the State of Qatar has purported to grant to the Kingdom of Saudi Arabia, from within the State of Qatar's own maritime waters, which crosses part of the route of the gas pipeline constructed by Dolphin Energy Limited. The UAE believes that this grant is in breach of existing agreements between the UAE and the State of Qatar and, in June 2009, the UAE's Ministry of Foreign Affairs stated this position in a letter to the UN Secretary General.

THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

SUMMARY

The global financial crisis has had an effect on the UAE banking sector and the key concerns facing 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's membership in the WTO will require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

As a banking regulator, the Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the Central Bank.

Historically, the Central Bank does not act as a ''lender of last resort'', instead this role tends to fall on the individual Emirs of each Emirate.

CHARACTERISTICS OF THE BANKING SYSTEM

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**)), serving a population estimated to be in the region of approximately 5 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 and some commentators suggest that the recent financial crisis has created more favourable conditions for consolidation. The federal structure of the country 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, Emirates Bank International and National Bank of Dubai merged.

The relatively small size of most UAE banks has sometimes hindered them from competing for large financing deals 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, possibly even creating banks with pan-Gulf franchises.

Domestic Focus

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross border business.

With a large number of players chasing a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a consequence, IT costs have been a prominent feature of many banks' expenses.

Limited Foreign Ownership

In 1987, the UAE federal government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the Central Bank following an agreement to allow market access to banks of GCC state origin in line with continuing efforts in regional integration. 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

Sharia (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 Sharia-compliant products.

Legal Environment

There are three primary sources of law in the UAE: federal laws and decrees, local laws and Sharia (Islamic) law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government will apply his or its own rules, regulations and practices.

Supervision of Banks

The main piece of legislation covering the banking system is Union Law No. 10 of 1980 (the **Union Law**) which established the Central Bank. The Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the ''bank for banks'' within the UAE, although it is not the ''lender of last resort''. In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the 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 Central Bank to issue government debt. However, the Central Bank does issue certificates of deposit (**CDs**) to the banks, denominated in both U.S. dollars and UAE dirham, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the Central Bank at any time. In 2007, the Central Bank introduced an auction system and allowed U.S. dollar drawings against UAE dirham CD holdings.

The UAE dirham is linked to the International Monetary Fund's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in reality, 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 Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering. It has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

The UAE further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the **NATC**). The NATC serves as a UAE inter-agency liaison.

Although the Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. The Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

Lack of Developed Capital Markets

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the 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.

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 NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009 the Dubai Financial Market announced its intention to acquire the NASDAQ Dubai, with completion of the acquisition having occurred in July 2010.

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 country 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 IFRS (formerly International Accounting Standards (IAS)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector. Basel II was introduced effective as from 1 January 2008.

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 are currently 23, are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by UAE nationals. Licensed foreign banks, of which there are currently 28, need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the U.A.E. The Union Law also licenses "financial institutions'' (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

RECENT TRENDS IN BANKING

Profitability

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the global financial crisis, represented a significant risk to the UAE banking system. In addition, 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. As a result of declining economic conditions since late 2008 and increasing insolvencies and restructurings, the provisions recorded by banks in the UAE have increased from AED 25.0 billion, or 1.7 per cent. of total UAE bank assets, at 31 December 2008 to AED 43.3 billion, or 2.7 per cent. of total UAE bank assets at 31 December 2009 and AED 56.8 billion, or 3.4 per cent. of total UAE bank assets, at 31 December 2010. Equity prices declined generally in the UAE in 2008 and have remained subdued 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 2009, 2,719.9 at 31 December 2010 and 2,533.4 at 30 September 2011, and the Dubai Financial Market index rising from 1,636.3 at 31 December 2008, to 1,803.6 at 31 December 2009 to 1,630.5 at 31 December 2010 and 1,431.7 at 30 September 2011.

Liquidity

The Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan deposit ratio of 100 per cent. set by the Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. Together, these deposits constituted approximately 63.7 per cent. of total deposits of the UAE banking sector as at 30 June 2011. The UAE federal government and the public sector contributed approximately 23.2 per cent. as at 30 June 2011. Non-resident and other sources contributed approximately 13.1 per cent. as at the same date.

In response to the global financial crisis, the Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the Central Bank established an AED 50.0 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the Central Bank.

In addition to these measures, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE have 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, in aggregate, a sum of AED 16.0 billion in subordinated Tier I Capital Notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi, ADCB, First Gulf Bank, Union National Bank and Abu Dhabi Islamic Bank.

A press statement issued by the Department of Finance of the Government of Dubai on 25 February 2009 announced that it had established a U.S.$20.0 billion funding programme and that the first tranche, valued at U.S.$10.0 billion with a five year tenure and paying a coupon rate of four per cent. per annum, had been issued in its entirety to the Central Bank. In November 2009, the Department of Finance of the Government of Dubai announced that a second U.S.$5.0 billion tranche was fully subscribed equally by National Bank of Abu Dhabi and Al Hilal Bank.

Position of Depositors

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the U.A.E. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

Prudential Regulations

The Central Bank has supervisory responsibility for banking institutions in the UAE Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the Central Bank with more up to date information on credit, market and operational risks within the banking sector.

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 1 January 2008. Since 1993, the Central Bank has imposed a 10 per cent. minimum total capital ratio. In a circular dated 30 August 2009, the 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 I ratio of not less than 7 per cent., by 30 September 2009 and at least 12 per cent., with a Tier I 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 and will be reviewed at the start of 2011. As at the date of this 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. GCC sovereign debt is risk-weighted at zero per cent.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent. Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the Central Bank.

Reserve Requirements

Reserve requirements are used by the Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

Credit Controls

Banks are required to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

The Central Bank defines large exposures as any funded on-or-off balance sheet exposure to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) are 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 Central Bank approval. Exposures to the government and sovereign risk are exempt from the regulations. In addition, the Central Bank lending limits also require that:

- no commercial bank can hold shares or bonds issued by commercial companies in excess of 25 per cent. of the bank's own funds; and
- no bank is permitted to grant loans or advances for the purpose of funding commercial or residential real estate construction in an amount exceeding 20 per cent. of its total deposits, unless it has prior authorisation from the Central Bank as an institution specialising in this type of business.

In a circular dated 23 February 2011 on retail banking, the Central Bank introduced regulations regarding bank loans and other services offered to individual customers. The regulations, among other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products. 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 and that the repayment period must not exceed 48 months.

Provisions for Loan Losses

The Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent., respectively. Any loans with either interest or principal in arrears by more than 180 days must be placed on a non-accrual basis and classified as non-performing. In addition, the banks should build up general provisions equal to 1.5 per cent. of risk weighted assets over a period of 4 years, up from the previous requirement of 1.25 per cent. In practice, several banks operate more stringent policies and place loans on a nonaccrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans carried on the balance sheets of UAE banks when compared to banks operating in other economies.

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).

Wakala Purchase Agreement

The Wakala Purchase Agreement will be entered into on the Issue Date between ADCB Islamic Finance (Cayman) Limited (in its capacity as Purchaser) and ADCB (in its capacity as Seller) and will be governed by English law. Pursuant to the Wakala Purchase Agreement, the Seller will sell to the Purchaser, and the Purchaser will buy from the Seller, 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 U.S.$460,000,000 (the **Purchase Price**), payable on the Issue Date. The Wakala Assets the subject of the Wakala Purchase Agreement comprise Non-Real Estate Ijara Assets, Other Tangible Sharia Compliant Assets, which for the purposes of the Wakala Portfolio must be non-real estate related and Salam Assets. The details of the initial Wakala Portfolio purchased pursuant to the Wakala Purchase Agreement are set out in the schedule to the Wakala Purchase Agreement.

The proportion of the Purchase Price payable in respect of each such Non-Real Estate Ijara Asset, Other Tangible Sharia Compliant Asset or Salam Asset shall be an amount in U.S. dollars equal to the Value of such asset.

For the purposes of the Transaction Documents, the ***Value*** *of a Sukuk Asset means the amount in U.S. dollars (following conversion, if necessary, of any relevant amount(s) at the applicable exchange rate) determined by ADCB (acting in its relevant capacity) on the relevant date as being equal to:*

(a) in the case of a Real Estate Ijara Asset, Non-Real Estate Ijara Asset or applicable Other Tangible Sharia Compliant Asset, the aggregate of all (i) outstanding fixed rental instalment amounts payable by the lessee (whether then due and unpaid or due and payable on or after such date) or (ii) other equivalent fixed instalment amounts payable by the obligor, in each case in the nature of capital or principal payments in respect of the relevant asset, to ADCB under the relevant contract, agreement or other document related to or otherwise in respect of that asset;

(b) in the case of a Salam Asset or applicable other Tangible Sharia Compliant Asset, the amount paid as the original purchase price for the (i) Salam Asset (including where such asset is still to be delivered) or (ii) relevant associated underlying tangible asset(s); and

(c) in the case of a Sharia Compliant Investment or applicable other Tangible Sharia Compliant Asset, its then outstanding face amount or par value,

and in respect of the Wakala Portfolio (the ***Wakala Portfolio Value****) or the Mudaraba Portfolio (the* ***Mudaraba Portfolio Value****), the aggregate of (i) the relevant amounts determined under (a) to (c) above and (ii) any principal revenues held by the Managing Agent or the Mudarib, as applicable, in each case in respect of the Wakala Assets or the Mudaraba Assets, as the case may be, comprising the Wakala Portfolio or Mudaraba Portfolio, respectively, on such date.*

Management Agreement

The Management Agreement will be entered into on the Issue Date between the Trustee and ADCB (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 manage the Wakala Portfolio. In particular, the Managing Agent:

(a) will manage the Wakala Portfolio in accordance with the investment plan set out in the schedule to the Management Agreement, which includes an annual amount of expected Wakala Portfolio

Income Revenues of 4.071 per cent. per annum of the Wakala Portfolio Value (the **Expected Wakala Portfolio Income Revenues Amount**);

(b) will ensure that, at all times, at least 70 per cent. of the Wakala Portfolio Value is derived from Tangible Wakala Assets and in the event that, at any time, the aggregate Value of the Tangible Wakala Assets comprised within the Wakala Portfolio should fall below 70 per cent. of the Wakala Portfolio Value, the Managing Agent shall use all reasonable endeavours to acquire as soon as reasonably practicable thereafter (through the reinvestment of Wakala Portfolio Principal Revenues (as defined below) in acquiring, for and on behalf of the Trustee pursuant to (e) below, further Tangible Wakala Assets) sufficient Tangible Wakala Assets to raise such percentage to a level that is equal to or greater than 70 per cent. of the Wakala Portfolio Value at such time;

(c) use its best efforts to manage the Wakala Portfolio such that the Wakala Portfolio Value is, at all times, at least equal to the Purchase Price paid by the Trustee under the Wakala Purchase Agreement less (i) the Wakala Percentage of any Surrender Amount (as defined below) and (ii) any Wakala Portfolio Principal Revenues held by the Managing Agent;

(d) it will, on behalf of the Trustee, ensure arrangements are in place (i) in the case of any Salam Asset, for the sale of that Salam Asset to a third party purchaser following its delivery to ADCB for an amount equal to its original purchase price together with an amount of Salam Profit (as defined below) thereon and (ii) in the case of any applicable other Tangible Sharia Compliant Asset, for the repurchase by the relevant obligor of the associated underlying tangible asset(s) for an amount at least equal to the original purchase price of such asset(s);

(e) will use all reasonable endeavours to reinvest all Wakala Portfolio Principal Revenues in originating, for and on behalf of the Trustee, further eligible Wakala Assets such that the further eligible Wakala Assets so 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 Salam Assets, equal to, the consideration given for, the purchase price of or the amounts otherwise applied in the origination of such assets and (ii) such further eligible Wakala Assets being eligible Wakala Assets in respect of which the same representations and warranties can be given by ADCB as those given under the Wakala Purchase Agreement;

(f) will 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 applicable law and the relevant contractual terms;

(g) will discharge or procure the discharge of all obligations to be discharged by ADCB (in whatever capacity) in respect of any of the Wakala Assets, it being acknowledged that the Managing Agent may appoint one or more agents to discharge these obligations on its behalf;

(h) will pay on behalf of the Trustee any 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;

(i) will use all reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues (as defined below), and the delivery and subsequent sale of all Salam Assets, investigate non-payment of Wakala Portfolio Revenues and non-delivery of Salam Assets, and generally make all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues, and to enforce the delivery and subsequent purchase of Salam Assets, as and when the same shall become due or enforceable;

(j) will use all reasonable endeavours to ensure that the Wakala Portfolio Income Revenues are at least equal to the Expected Wakala Portfolio Income Revenues Amount;

(k) will maintain the Wakala Collection Accounts in accordance with the terms of the Management Agreement;

(l) will obtain all necessary authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Management Agreement;

(m) will use all reasonable endeavours to ensure all lessees in respect of the Non-Real Estate Ijara Assets (each in its relevant capacity other than as lessee) and other obligors in respect of Tangible Wakala Assets maintain industry standard insurances, and fulfil all structural repair and major maintenance obligations, in respect of the relevant Non-Real Estate Ijara Assets or other tangible assets in each case in accordance with the applicable contractual terms;

(n) may provide a Liquidity Facility in the circumstances and on the terms described below; and

(o) shall carry out any incidental matters relating to any of the above.

For these purposes:

Salam Profit means, in the case of any Salam Asset, any Wakala Portfolio Revenues in respect of that Salam Asset realised on its sale by the Managing Agent pursuant to any third party arrangements put in place in accordance with paragraph (e) above and following delivery to ADCB, to the extent such Wakala Portfolio Revenues are in excess of the Value of the Salam Asset;

Surrender Amount means the aggregate face amount of any Certificates cancelled pursuant to Condition 9 (*Redemption following a Change of Control and Purchase*); and

Tangible Wakala Asset means a Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset that is not real estate related and, in each case, that is an eligible Wakala Asset.

The Managing Agent shall perform its duties under the Management Agreement in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets.

In the Management Agreement, the Trustee and the Managing Agent agree that, provided no Dissolution Event has occurred and is continuing, the Managing Agent may at any time substitute (and, upon any default in respect of any Tangible Wakala Asset, shall use all reasonable endeavours to so substitute) any one or more Tangible Wakala Assets as the Managing Agent may select (subject to any Tangible Wakala Asset(s) to be substituted being the defaulting Tangible Wakala Asset(s), if applicable) in accordance with the Sale Undertaking. The substitute Tangible Wakala Asset(s) for these purposes shall be a Tangible Wakala Asset(s) of a Value not less than the Value of the Tangible Wakala Asset(s) to be substituted, such that a minimum of 70 per cent. of the Wakala Portfolio Value continues to be derived from Tangible Wakala Assets (subject only to paragraph (c) above) and any such substitution shall otherwise be undertaken on the terms and subject to the conditions of the Management Agreement and the Sale Undertaking.

In addition, the Managing Agent may agree at any time of behalf of the Trustee to the delivery of alternative Salam Asset(s) to the Trustee in place of any Salam Asset(s) then comprised within the Wakala Portfolio (including following the delivery of such Salam Asset(s) on any failure by a third party to purchase such Salam Asset(s) pursuant to any arrangements put in place with the third party in accordance with paragraph (e) above and in these circumstances the Managing Agent shall use all reasonable endeavours to arrange the delivery of such alternative Salam Asset(s)). The Value of any such alternative Salam Asset(s) must be equal to the Value of the Salam Asset(s) in place of which the alternative Salam Asset(s) are to be delivered, such that a minimum of 70 per cent. of the Wakala Portfolio Value continues to be derived from Tangible Wakala Assets (subject only to paragraph (c) above). The Managing Agent shall notify the Trustee in writing of any agreement reached for such replacement of any Salam Asset(s) (including a description of the quality and quantity of the alternative Salam Asset(s) and the delivery date for such alternative Salam Asset(s)).

The Managing Agent will maintain three separate book-entry ledger accounts (referred to as the **Wakala Principal Collection Account**, the **Wakala Income Collection Account** and the **Wakala Reserve**

Collection Account, respectively, and, together, the **Wakala Collection Accounts**) in which all revenues from the Wakala Assets (the **Wakala Portfolio Revenues**) will be recorded. The Wakala Portfolio Revenues include all rental payments in respect of the Non-Real Estate Ijara Contracts, amounts received in respect of Other Tangible Sharia Compliant Assets and amounts received on the sale of the relevant Salam Assets.

All Wakala Portfolio Revenues in the nature of capital or principal payments (the **Wakala Portfolio Principal Revenues**), including all amounts received in respect of the Salam Assets other than amounts representing a profit on the purchase price paid by the Trustee for the relevant Salam Asset, shall be credited to the Wakala Principal Collection Account and reinvested by the Managing Agent in acquiring further eligible Wakala Assets. All Wakala Portfolio Revenues other than Wakala Portfolio Principal Revenues, which equate to the Wakala Portfolio Income Revenues, shall be credited to the Wakala Income Collection Account.

Amounts standing to the credit of the Wakala 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:

(a) *first*, in payment to the Managing Agent of any amounts advanced by it by way of a Liquidity Facility;

(b) *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 for any previous period to the extent such amounts remain unpaid;

(c) *third*, in payment into the Transaction Account of an amount equal to the lesser of the Wakala Percentage of the Required Amount payable on that Periodic Distribution Date or the balance of the Wakala Income Collection Account; and

(d) *fourth*, any amounts still standing to the credit of the Wakala Income Collection Account following payment of all of the above amounts shall be debited from the Wakala Income Collection Account and credited to the Wakala Reserve Collection Account.

For these purposes:

Business Day means a day on which commercial banks and foreign exchange markets in London are open for general business; and

Management Liabilities Amount means the amount of any claim, 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, in each case in providing the relevant services during the relevant period.

If there is a shortfall at any relevant time 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. Following such application, together with the corresponding application of any amounts standing to the credit of the Mudaraba Reserve Account as described below, the Managing Agent may also advance 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 paragraph (a) above or on the Dissolution Date.

The Managing Agent will be entitled to deduct amounts standing to the credit of the Wakala Principal Collection Account, Wakala Income Collection Account and Wakala Reserve Collection Account at any time and use such amounts for its own account, provided that such amounts are repaid as and when required under the Management Agreement.

The Managing Agent shall keep detailed records of all movements in the Wakala Collection Accounts and, if so requested, provide the Trustee with copies of such records and any other information or details in relation to the Wakala Collection Accounts as the Trustee may reasonably request. Following payment of all amounts due and payable under the Certificates on the 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 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 and, in the event that 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 are and will be direct, unconditional, unsubordinated, unsecured and general obligations of the Managing Agent and shall rank at least *pari passu* with all other unsecured, unsubordinated and general obligations of the Managing Agent.

Restricted Mudaraba Agreement

The Restricted Mudaraba Agreement will be entered into on the Issue Date between the Trustee (in its capacity as rab-al-maal) and ADCB (in its capacity as mudarib) and will be governed by English law.

Pursuant to the Restricted Mudaraba Agreement, the Rab-al-Maal is authorised and agrees that, on the Issue Date, it shall invest the Mudaraba Capital with the Mudarib and the Mudarib agrees to invest and manage the Mudaraba Capital, in each case, in accordance with the Restricted Mudaraba Agreement (including the Mudaraba Investment Plan). The Mudaraba Investment Plan will specify, among other things, the services and activities of the Mudarib and the Rab-al-Maal's share of the Mudaraba Profit which the parties commercially intend to achieve from the Mudaraba Assets during the term of the Mudaraba, which is 4.071 per cent. of the Mudaraba Capital per annum.

Pursuant to the Restricted Mudaraba Agreement, the Mudarib unconditionally and irrevocably undertakes to:

(a) invest the Mudaraba Capital in accordance with the terms of the Restricted Mudaraba Agreement, including the Mudaraba Investment Plan;

(b) on the Issue Date, invest the Mudaraba Capital solely in Tangible Mudaraba Assets (as defined below) (including an undivided ownership interest in such assets) the Value of each of which is not less than the value of the consideration given for such asset as at the date upon which it becomes part of the Mudaraba Portfolio, by entry into of a purchase agreement duly approved by ADCB's Sharia Supervisory Board;

(c) ensure that, at all times, at least 70 per cent. of the Mudaraba Portfolio Value is derived from Tangible Mudaraba Assets and in the event that, at any time, the aggregate Value of the Tangible Mudaraba Assets comprised within the Mudaraba Portfolio should fall below 70 per cent. of the Mudaraba Portfolio Value, the Mudarib shall use all reasonable endeavours to identify for investment as soon as reasonably practicable thereafter sufficient Tangible Mudaraba Assets to raise such percentage to a level that is equal to or greater than 70 per cent. of the Value of the Mudaraba Portfolio at such time and on such identification shall promptly reinvest in the Tangible Mudaraba Assets it has so identified an amount of Mudaraba Portfolio Principal Revenues (as defined below) and/or to the extent no further Mudaraba Portfolio Principal Revenues are then held by the Mudarib, Sharia Compliant Investments comprised within the Mudaraba Portfolio equal to the Value of such Tangible Mudaraba Assets;

(d) 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, which are Real Estate Ijara Assets or, to the extent insufficient Real Estate Ijara Assets are available, Non-Real Estate Ijara Assets or, to the extent insufficient Non-Real Estate Ijara Assets are available, Other Tangible Sharia Compliant Assets or, to the extent insufficient Other Tangible Sharia Compliant Assets are available, Sharia Compliant Investments, as the Mudarib and ADCB may determine in each case in accordance with the terms of the Restricted Mudaraba Agreement, including the Mudaraba Investment Plan. Such additional assets will form part of the Mudaraba Portfolio from the date of such investment and the value of the consideration given for such assets shall be (i) in the case of any Tangible Mudaraba Assets, not less than and (ii) in the case of any Sharia Compliant Investments, equal to the Value of such assets;

(e) use its best efforts to monitor, subject to, and in accordance with the usual and standard practices of ADCB from time to time, the Value and income generating properties of the Mudaraba Assets on a monthly basis and manage the Mudaraba Portfolio such that the Mudaraba Portfolio Value is at all times at least equal to the Mudaraba Capital less (i) the Mudaraba Percentage of any Surrender Amount and (ii) any Mudaraba Portfolio Principal Revenues held by the Mudarib;

(f) use all reasonable endeavours to ensure that lessees (each in its relevant capacity other than as a lessee) and other obligors in respect of Other Tangible Sharia Compliant Assets maintain industry standard insurances in respect of the 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);

(g) exercise such rights, powers and discretions as arise under the Restricted Mudaraba Agreement (together with any other incidental rights, powers, authorities and discretions), and take such action as it deems appropriate, in each case:

   (i) in accordance with material applicable laws; and

   (ii) with the degree of skill and care that it would exercise in respect of its own assets,

   it being acknowledged and agreed that the Mudarib is responsible for doing all acts and things as may be necessary or desirable to implement the intended purpose of the Restricted Mudaraba Agreement in relation to the investment of the Mudaraba Capital in Mudaraba Assets and to preserve and enforce the rights of the Mudarib and the Rab-al-Maal in respect of such investment (provided that the acts and things to be so done by the Mudarib shall be at its sole and absolute discretion, although without in any way limiting its responsibility for any failure to do any such act or thing);

(h) maintain separate ledger accounts (referred to as the **Mudaraba Principal Account**, the **Mudaraba Profit Account** and the **Mudaraba Reserve Account**, respectively, and, together, the **Mudaraba Accounts**) to record:

   (i) any amounts received in the nature of capital or principal payments in respect of the Mudaraba Assets for each period corresponding to a Return Accumulation Period, including all amounts received in respect of Sharia Compliant Investments other than amounts representing a profit on the amount invested in a Sharia Compliant Investment (**Mudaraba Portfolio Principal Revenues**);

   (ii) the amount of Mudaraba Profit for each period corresponding to a Return Accumulation Period; and

   (iii) the Rab-al-Maal's share of any amount of Mudaraba Profit remaining on the Business Day immediately preceding each Periodic Distribution Date after the allocation and payment of the Mudaraba Profit as set out below,

which Mudaraba Accounts shall be prepared and maintained by the Mudarib as book-entry ledger accounts only and shall include such details as the Mudarib sees fit.

For these purposes, **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.

In the Restricted Mudaraba Agreement, the Mudarib and the Rab-al-Maal acknowledge and agree that, provided no Dissolution Event has occurred and is continuing, the Mudarib may at any time (and shall, upon any breach of the representations and warranties given in relation to a Mudaraba Asset) substitute (and, upon any default in respect of any Mudaraba Asset, shall use all reasonable 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 defaulting Mudaraba Asset(s) or the Mudaraba Asset not in compliance with such representations and warranties), if applicable). The substitute Mudaraba Asset(s) for these purposes shall be a Tangible Mudaraba Asset(s) of a Value not less than (or to the extent insufficient Tangible Mudaraba Assets are available, a Sharia Compliant Investment of a Value equal to) the Value of the Mudaraba Asset(s) to be substituted, provided further that a minimum of 70 per cent. of the Mudaraba Portfolio Value continues to be derived from Tangible Mudaraba Assets, and any such substitution shall otherwise be undertaken on the terms and subject to the conditions of the Restricted Mudaraba Agreement.

The Mudaraba Profit for each period corresponding to a Return Accumulation Period will be determined by the Mudarib on the Business Day immediately preceding each Periodic Distribution Date or the Dissolution Date, as the case may be, or no later than the Dissolution Date, in the case of any redemption of the Certificates following a Dissolution Event, and will be the amount equal to all revenues received in respect of the Mudaraba Assets during such period less (i) all Mudaraba Portfolio Principal Revenues received in respect of the Mudaraba Assets during the relevant period, (ii) any costs and/or specific provisions associated with the Mudaraba Assets during such period and (iii) any taxes incurred in connection with the Mudaraba Agreement (including in connection with any transfer, sale or disposal of any Mudaraba Assets) during the period.

The Mudaraba Profit will first be allocated and, in the case of any interest of ADCB, distributed on a pro rata basis in accordance with any respective undivided ownership interests of (a) ADCB and (b) the Mudaraba in the Mudaraba Portfolio, and, following such initial allocation and distribution, the Mudarib and Rab-al-Maal’s interest in the Mudaraba Profit (including any interest of ADCB as additional rab-al-maal following any grant of a co-ownership interest in the Mudaraba Portfolio to ADCB as described below) will be allocated (and, in the case of any such interest of ADCB as additional rab-al-maal, distributed) between the Rab-al-Maal and the Mudarib in accordance with a profit sharing ratio of 99 per cent. for the Rab-al-Maal (subject to any co-ownership interest of ACDB as additional rab-al-maal, in which case the Rab-al-Maal’s share of the Mudaraba Profit shall be shared between the Rab-al-Maal and ADCB in accordance with their respective co-ownership interests in the Mudaraba Portfolio) and one per cent. for the Mudarib. The Mudarib will pay the Rab-al-Maal’s share of such Mudaraba Profit by payment of the same into the Transaction Account on the date of its determination. The Mudarib shall be entitled to use for its own account any amounts received in the nature of Mudaraba Profit pending such allocation, distribution and payment.

In the event that the Rab-al-Maal’s share of any Mudaraba Profit to be paid by the Mudarib into the Transaction Account on any relevant date is greater than the Mudaraba Percentage of the Required Amount 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 between the amounts standing to the credit of the Transaction Account 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 Mudaraba Reserve Account may be applied towards such shortfall.

The Mudarib will be entitled to deduct amounts standing to the credit of the 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 any shortfall as described above. After all amounts due and payable under the Certificates 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.

On the Dissolution Date, ADCB and the Mudarib shall liquidate the Mudaraba and through such liquidation the Mudarib shall transfer to the Rab-al-Maal an amount in U.S. dollars equal to the Mudaraba Portfolio Value on the relevant Dissolution Date less the Mudaraba Percentage of any relevant Surrender Amount (the **Mudaraba Exercise Price**) by paying the same into the Transaction Account on the Business

Day immediately preceding the Dissolution Date or no later than the Dissolution Date, in the case of any redemption of the Certificates following a Dissolution Event. The Rab-al-Maal further acknowledges and agrees that, as part of the liquidation process relating to the Mudaraba, the Mudarib shall dispose (by entry into of a sale and purchase agreement duly approved by ADCB's Sharia Supervisory Board) of all or part of the Mudaraba Portfolio to any third party or, at its discretion, itself acting in its own capacity.

Following any purchase of Certificates by ADCB or any Subsidiary of ADCB pursuant to Condition 9 (*Redemption following a Change of Control Event and Purchase*), ADCB may be granted a percentage co-ownership interest in the Mudaraba Portfolio equal to the Mudaraba Percentage of the aggregate face amount of the Certificates so purchased, following the delivery of such Certificates to the Principal Paying Agent for cancellation.

On any exercise by Certificateholders of their right to require the Trustee to redeem their Certificates following the occurrence of a Change of Control Event, the Mudarib shall sell together with the Rab-al-Maal a percentage co-ownership interest in the Mudaraba Portfolio to ADCB equal to the Mudaraba Percentage of the aggregate face amount of the Certificates in respect of which Certificateholders have exercised their redemption option (the **Change of Control Certificates**). The exercise price for the sale of such co-ownership interest to ADCB (the **Change of Control Mudaraba Exercise Price**) shall be an amount in U.S. dollars equal to the Mudaraba Percentage of the (a) aggregate face amount of the relevant Change of Control Certificates and (b) all accrued and unpaid Periodic Distribution Amounts (if any) relating to such Change of Control Certificates. The Mudarib shall pay the Change of Control Mudaraba Exercise Price into the Transaction Account on the Business Day immediately preceding the Change of Control Redemption Date.

Following any grant of a co-ownership in the Mudaraba Portfolio to ADCB as described above, ADCB shall have an interest in the Mudaraba Portfolio as additional rab-al-maal to the extent of such co-ownership interest.

In the Restricted Mudaraba Agreement, the Rab-al-Maal will undertake, acknowledge and agree that nothing in the Restricted Mudaraba Agreement is intended to create or result in (whether by operation of contract, law or otherwise) the Rab-al-Maal having any direct interest, rights, claim or priority in, to, against, over or otherwise in respect of any of the Mudaraba Assets or any part thereof or any right to cause the sale or other disposition of any of the Mudaraba Assets or for there to be any specific identification of Mudaraba Assets by the Mudarib and the sole right of the Rab-al-Maal shall be to enforce compliance by the Mudarib with the terms of the Restricted Mudaraba Agreement and in respect of which the obligations of ADCB as Mudarib shall be direct, unconditional, unsubordinated, unsecured and general obligations of ADCB only which rank at least *pari passu* with all other unsecured, unsubordinated and general obligations of ADCB, and to the extent the Rab-al-Maal may have any other interest, rights, claim or priority on the bankruptcy or insolvency of the Mudarib or otherwise, the Rab-al-Maal expressly waives all such interest, rights, claim and priority.

The Declaration of Trust

The Declaration of Trust will be entered into on the Issue Date between ADCB, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, ADCB Islamic Finance (Cayman) Limited will declare the Trust for the benefit of the Certificateholders over, among other things, all of its rights, title, interest and benefit in, to and under the Sukuk Assets and the Transaction Documents (other than in relation to any representations given to the Trustee by ADCB pursuant to any of the Transaction Documents), all moneys standing to the credit of the Transaction Account and all proceeds of the foregoing.

Pursuant to the Declaration of Trust, the Trustee will, in relation to the Certificates, among other things:

(a) hold the Trust Assets on trust absolutely for the Certificateholders as beneficial tenants in common pro rata according to the face amount of Certificates held by each Certificateholder; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

In the Declaration of Trust, the Trustee by way of security for the performance of all covenants, obligations and duties of the Trustee will irrevocably and unconditionally appoint the Delegate to be its attorney and in its name and on its behalf execute, deliver and perfect all documents and to exercise all the present and future duties, powers, authorities and discretions (including but not limited to the authority to request instructions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust) vested in the Trustee by the Declaration of Trust that the Delegate may consider to be necessary or desirable in order to perform the present and future duties, powers, authorities and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust. The appointment of such 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 trustee.

The Delegate will undertake in the Declaration of Trust that, following it becoming aware of the occurrence of a Dissolution Event in respect of any Certificates and subject to Condition 12 (*Dissolution Events*), it shall (a) promptly notify the Certificateholders of the occurrence of such Dissolution Event, and (b) subject to being indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing, take all such steps as are necessary to enforce the obligations of ADCB under the Declaration of Trust, the Purchase Undertaking and any other Transaction Document to which ADCB is a party.

The Declaration of Trust specifies, among other things, that:

(a) following the distribution of the net proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with the Conditions and the Declaration of Trust, neither the Trustee nor the Delegate shall be liable for any further sums and, accordingly, the Certificateholders may not take any action against the Trustee, the Delegate or any other person to recover any such sum in respect of the Certificates or the Trust Assets;

(b) no Certificateholder shall be entitled to proceed directly against the Trustee and/or ADCB under any Transaction Document unless (i) the Delegate having become bound so to proceed, fails to do so within 30 days of becoming so bound and such failure is continuing and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Trustee or ADCB, as the case may be) holds at least 20 per cent. of the then aggregate outstanding face amount of the Certificates. Under no circumstances shall the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets, and the sole right of the Delegate and the Certificateholders against the Trustee and ADCB shall be to enforce their respective obligations under the Transaction Documents;

(c) the Delegate shall not be bound in any circumstances to take any action to enforce or realise the Trust Assets or take any action against the Trustee and/or ADCB under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 20 per cent. of the then aggregate outstanding face amount of the Certificates and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing; and

(d) after enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the terms of the Declaration of Trust, the obligations of the Trustee and the Delegate in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee and the Delegate to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of ADCB Islamic Finance (Cayman) Limited.

Purchase Undertaking

The Purchase Undertaking will be executed as a deed on the Issue Date by ADCB in favour of the Trustee and the Delegate and will be governed by English law.

ADCB will irrevocably undertake in favour of the Trustee and the Delegate to purchase the Wakala Portfolio, together with all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Portfolio on the Scheduled Dissolution Date or any earlier due date for dissolution following the occurrence of a Dissolution Event, as the case may be, at the **Exercise Price**, being an amount in U.S. dollars equal to the aggregate of:

(a) the Wakala Portfolio Value on the relevant Dissolution Date less (i) the amount of any Wakala Portfolio Principal Revenues held by the Managing Agent on such Dissolution Date and (ii) the Wakala Percentage of any relevant Surrender Amount; and

(b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates, less any U.S. dollar amounts held by the Trustee in the Transaction Account for the payment of such Periodic Distribution Amounts on the date on which payment of the Wakala Portfolio Exercise Price is made, which amounts shall represent the relevant income and profit amounts received in respect of the Sukuk Assets pursuant to the relevant Transaction Documents; and

(c) the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility and (ii) any Management Liabilities Amounts.

The amount referred to in (a) above does not include any capital or principal amounts in respect of the Sukuk Assets held by ADCB on the relevant Dissolution Date, as these are to be separately paid into the Transaction Account in accordance with the relevant Transaction Documents.

If the Delegate exercises its option prior to the Scheduled Dissolution Date, an exercise notice will be required to be delivered by the Delegate under the Purchase Undertaking.

The Trustee will also be entitled to exercise the Purchase Undertaking following any exercise by the Certificateholders of their right to require the Trustee to redeem their Certificates following the occurrence of a Change of Control Event, in which case ADCB will be required to purchase a percentage co-ownership interest in the Wakala Portfolio equal to Wakala Percentage of the aggregate face amount of the Certificates to be redeemed.

ADCB will undertake in the Purchase Undertaking that, to the extent that the sale, purchase and/or transfer of any of the Wakala Portfolio, or any interest in ADCB's rights, title, interests, benefits and entitlements in, to and under any of the the Wakala Portfolio is not effective in any jurisdiction for any reason, it will agree in consideration for the payment to it by ADCB Islamic Finance (Cayman) Limited of the purchase price for the Wakala Portfolio to make payment of an amount equal to the purchase price by way of restitution to ADCB Islamic Finance (Cayman) Limited immediately upon request.

ADCB will undertake in the Purchase Undertaking that if it fails to pay all or part of any Exercise Price when due (such amount not paid, the **Outstanding Exercise Price**), it will automatically continue to act as managing agent in respect of the Relevant Wakala Portfolio with effect from the date immediately following the due date for payment of the Outstanding Exercise Price until payment of the Exercise Price in full is made by it. For this purpose, **Relevant Wakala Portfolio** means the Wakala Portfolio (or a part thereof having a Value as near as possible to, but not less than, the Outstanding Exercise Price).

ADCB 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 and, in the event that there is any deduction or withholding, ADCB 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 ADCB under the Purchase Undertaking are and will be direct, unconditional, unsubordinated, unsecured and general obligations of the Obligor and shall rank at least *pari passu* with all other unsecured, unsubordinated and general obligations of ADCB.

In the Purchase Undertaking, ADCB will undertake that, until the Certificates have been redeemed in full in accordance with the Conditions, ADCB shall not, and ADCB shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness or Sukuk Obligation or guarantee of Indebtedness or any Sukuk Obligation, other than a Permitted Security Interest, without (a) at the same time or prior thereto securing all amounts payable by it to ADCB Islamic Finance (Cayman) Limited under the Transaction Documents equally and rateably therewith or (b) providing such other security for the payment of such amounts by it under the Transaction Documents as may be approved by Extraordinary Resolution.

For these purposes:

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

(a) any obligation to purchase such Indebtedness;

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

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

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

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

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

Permitted Security Interest means:

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

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

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

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

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

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

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

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

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

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

In addition, ADCB has agreed that each of the following events will constitute an ADCB Event:

(a) ***Non Payment***: default is made in the payment of any amount payable by ADCB under the Transaction Documents to which it is a party and the default continues for a period of seven days in the case of any such amount payable for the payment of the Dissolution Distribution Amount under the Certificates and 14 days in the case of any such amount payable for the payment of any Periodic Distribution Amount under the Certificates; or

(b) ***Breach of Obligations***: ADCB fails to perform or observe any of its other obligations relating to the Certificates under the Transaction Documents (other than the Agency Agreement) to which it is a party and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure is not, in the opinion of the Delegate, remedied within a period of 30 days following the service by the Delegate on ADCB of notice requiring the same to be remedied; or

(c) ***Cross Acceleration***: (i) any Relevant Indebtedness of ADCB or any of ADCB's Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such Relevant Indebtedness becomes due and payable prior to its stated maturity by reason of default (however described) or (iii) ADCB or any of ADCB's Principal Subsidiaries fails to pay when due any amount payable by it under any guarantee of any Relevant Indebtedness, provided that the events mentioned in this paragraph (c) shall not constitute an ADCB Event unless the aggregate amount of all such Relevant Indebtedness, either alone or when aggregated with all other indebtedness in respect of which such an event shall have occurred and be continuing, shall be more than USD 25,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Unsatisfied Judgments***: one or more final non-appealable judgments or orders for the payment of any sum which amount shall not be less than USD 15,000,000 is rendered against ADCB or any of ADCB's Principal Subsidiaries and continues unsatisfied and unstayed for a period of 30 days after the service by the Delegate on ADCB of notice requiring the same to be remedied/paid; or

(e) ***Liquidation and Other Events***:

(i) any order is made by any competent court or resolution passed for the winding up or dissolution of ADCB or any of ADCB's Principal Subsidiaries, save in connection with a Permitted Reorganisation; or

(ii) ADCB or any of ADCB's Principal Subsidiaries ceases or threatens to cease to carry on the whole or a Substantial Part of its business, save in connection with a Permitted Reorganisation, or ADCB or any of ADCB's Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(iii) (A) proceedings are initiated against ADCB or any of ADCB's Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by ADCB or the relevant Principal Subsidiary, as the case may be,), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to ADCB or any of ADCB's Principal Subsidiaries or, as the case may be, in relation to the whole or a Substantial Part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a Substantial Part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a Substantial Part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 45 days; or

(iv) ADCB or any of ADCB's Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or, save in connection with a Permitted Reorganisation, any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(v) any event occurs which under the laws of the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (iii) above;

(f) ***Illegality***: at any time it is or becomes unlawful for ADCB to perform or comply with any or all of its obligations under or in respect of the Certificates or any of the material obligations of ADCB thereunder are not or cease to be legal, valid, binding or enforceable; or

(g) ***Nationalisation etc.***: by or under the authority of any government, (i) the management of ADCB or any of ADCB's Principal Subsidiaries is wholly or partially displaced or the authority of ADCB or any of ADCB's Principal Subsidiaries in the conduct of its business is wholly or partially curtailed or (ii) all or a majority of the issued share capital of ADCB or any of ADCB's Principal Subsidiaries or the whole or any part (the book value of which is 20 per cent. or more of the book value of the whole) of its revenues or assets is seized, nationalised, expropriated or compulsorily acquired,

provided, however, that, in the case of paragraph (b) above, such event will only constitute an ADCB Event if the Delegate has certified in writing to the Trustee that such event, in the opinion of the Delegate, is materially prejudicial to the interests of Certificateholders.

For these purposes:

Principal Subsidiary means a Subsidiary of ADCB the book value of the assets of which exceeds ten per cent. of the book value of the consolidated assets of ADCB and its Subsidiaries, taken as a whole, or the revenues of which exceed ten per cent. of the consolidated revenues of ADCB and its Subsidiaries, taken as a whole and, for these purposes:

(a) the book value of the assets and the revenues of each Subsidiary which is, or might be, a Principal Subsidiary shall be determined by reference to its then most recently audited annual financial statements (consolidated if the same are prepared) or, if none, its then most recent annual management accounts; and

(b) the book value of the consolidated assets and the consolidated revenues of ADCB and its Subsidiaries, taken as a whole, shall be determined by reference to ADCB's then most recently audited consolidated annual financial statements,

all as more fully set out in the Declaration of Trust. A report by two Directors of ADCB that in their opinion a Subsidiary of ADCB is or is not or was or was not at any particular time or through any particular period a Principal Subsidiary shall (in the absence of manifest or proven error) be conclusive and binding on the parties

Permitted Reorganisation means:

(a) any disposal by any Subsidiary of ADCB of the whole or a substantial part of its business, undertaking or assets to ADCB or any Relevant Subsidiary of ADCB;

(b) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other Relevant Subsidiary of ADCB; or

(c) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution;

Subsidiary means in relation to any Person (the **first Person**) at any particular time, any other Person (the **second Person**) whose affairs and policies the first Person controls or has power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise.

Relevant Subsidiary means any Subsidiary which is, directly or indirectly, wholly owned by ADCB or which is so wholly-owned except for any nominal third party shareholding required by law;

Substantial Part means 15 per cent. of the assets of ADCB and its consolidated Subsidiaries, taken as a whole; and

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

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 30 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement or Islamic financing) having the commercial effect of a borrowing.

Sale Undertaking

The Sale Undertaking will be executed as a deed on the Issue Date by the Trustee in favour of ADCB and will be governed by English law.

Pursuant to the Sale Undertaking and subject to the Trustee being entitled to redeem the Certificates for tax reasons in accordance with Condition 8.2 (*Capital Distributions of the Trust – Early Dissolution for*

Tax Reasons), ADCB may, by exercising its right under the Sale Undertaking and serving notice on the Trustee no later than 45 days prior to the Tax Redemption Date, oblige the Trustee to sell the Wakala Portfolio, together with all of its rights, title, interests, benefits and entitlements in, to and under the Wakala Portfolio on the Tax Redemption Date at the Exercise Price (as defined above).

ADCB may also exercise its rights under the Sale Undertaking to effect the in kind substitution of Tangible Wakala Assets, subject to any substitute Tangible Wakala Assets being Tangible Wakala Assets of a Value not less than Value of the Tangible Wakala Assets to be substituted, and, following any purchase of Certificates by ADCB or any Subsidiary of ADCB pursuant to Condition 9 (*Redemption following a Change of Control Event and Purchase*), to provide for the grant by the Trustee to ADCB of a percentage co-ownership interest in the Wakala Portfolio equal to the Wakala Percentage of the aggregate face amount of the Certificates so purchased, against the delivery of such Certificates to the Principal Paying Agent for cancellation.

TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates. Prospective purchasers of Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Certificates and receiving payments of profit, principal and/or other amounts under the Certificates. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

UAE

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the oil industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Abu Dhabi taxation in respect of payments of profit and principal to any holder of the Certificates. If any such withholding or deduction is required to be made in respect of payments due by ADCB under any Transaction Document to which it is party, ADCB 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) ADCB 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.

Cayman Islands

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.

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation. The Trustee has applied for and expects to obtain 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 grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profit, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment (as defined in the Tax Concessions Law (1999 Revision)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. An instrument of transfer in respect of a Certificate may be stampable if executed in or brought to the Cayman Islands. An annual registration fee is payable by the Trustee to the Cayman Islands Registry 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.$731.71. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income which may include Periodic Distribution Amounts) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending as of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

SUBSCRIPTION AND SALE

Under the terms and conditions contained in a subscription agreement (the **Subscription Agreement**) dated 17 November 2011 between the Trustee, ADCB, J.P. Morgan Securities Ltd., Merrill Lynch International and Standard Chartered Bank (together, the **Joint Lead Managers**), Al Hilal Bank PJSC, Dubai Islamic Bank PJSC and Sharjah Islamic Bank (together, the **Co-Managers** and, together with the Managers, the **Managers**), the Trustee has agreed to issue and sell to the Managers U.S.$500,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Managers have agreed to subscribe for the Certificates.

The Subscription Agreement provides that the obligations of the Managers to pay for and accept delivery of the Certificates are subject to the approval of certain legal matters by their counsel and certain other conditions. Pursuant to the Subscription Agreement, the Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Managers will also be reimbursed in respect of certain of their expenses, and each of the Trustee and ADCB has agreed to indemnify the Managers against certain liabilities incurred in connection with the issue of the Certificates.

Selling Restrictions

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, any U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented, warranted and agreed that it has not offered or sold, and agreed that it will not offer or sell, any Certificates constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates, nor any persons acting on its behalf has engaged or will engage in any directed selling efforts with respect to the Certificates. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by any dealer that is not participating in the offering of the Certificates may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 Certificate in circumstances in which section 21(1) of the FSMA does not apply to the Trustee and ADCB; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

Kingdom of Bahrain

Each Manager has represented and agreed that it has not offered, and will not offer, Certificates to the public (as defined in Articles 142-146 of the Commercial Companies Law (Decree Law No. 21/2001) of Bahrain) or (ii) any person in Bahrain who is not an "accredited investor". For this purpose, an "accredited investor" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Cayman Islands

Each Manager has represented and agreed that it has not made and will not make any offer or invitation to any member of the public in the Cayman Islands to subscribe for the Certificates.

Malaysia

Each Manager has represented, warranted and agreed that:

(a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA; and

(b) accordingly, the Certificates have not been and will not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under (i) paragraphs 9, 10 or 11 of Schedule 6 (or paragraphs 9, 10 or 11 of Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)), and (ii) Schedule 9 (or Section 257(2)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Hong Kong

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (i) to persons whose ordinary business is to buy or sell shares on debentures (whether as principal or agent); or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) (the **SFO**) and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap 32) of Hong Kong (the **CO**) or which do not constitute an offer to the public within the meaning of the CO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under the SFO.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Manager has represented and agreed that it will not offer or sell any Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign

Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (the **Securities and Futures Act**). Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold and will not offer or sell any Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Qatar (excluding the Qatar Financial Centre)

Each Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Certificates in Qatar, except (a) in compliance with all applicable laws and regulations of Qatar and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Manager has represented, warranted and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Each Manager has also acknowledged and agreed that the information contained in this Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

Each Manager has represented, warranted and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the **DFSA**); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

General

Each Manager has agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Certificates or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, ADCB, the Delegate or any of the other Managers shall have any responsibility therefor.

None of the Trustee, ADCB, the Delegate or any of the Managers represents that the Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of the Certificates.

GENERAL INFORMATION

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 17 November 2011. The Trustee has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents to which it is a party. The entry into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Management Executive Committee of ADCB on 14 November 2011 and by a circular written resolution of the Board of Directors of ADCB on 10 November 2011.

Listing

Application has been made to the UK Listing Authority for the Certificates to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Certificates is expected to be granted on or before 22 November 2011.

Documents Available

For so long as any Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the offices of the Trustee and the Principal Paying Agent in London:

(a) the Transaction Documents;

(b) the Memorandum and Articles of Association of the Trustee;

(c) the Memorandum and Articles of Association of ADCB;

(d) the audited consolidated financial statements of ADCB in respect of the financial years ended 31 December 2010 and 31 December 2009 and the unaudited condensed consolidated interim financial information for the nine month period ending 30 September 2011, in each case together with any auditors' or review reports, as the case may be, prepared in connection therewith;

(e) the most recently published audited annual consolidated financial statements of ADCB and the most recently published unaudited condensed consolidated interim financial information ADCB, in each case together with any auditors' or review reports, as the case may be, prepared in connection therewith; and

(f) this Prospectus.

Any English language translations of the documents listed above are accurate and direct translations of the original foreign language documents. In the event of a discrepancy between the English language translation and the foreign language version, the foreign language version will prevail.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the Certificates is XS0708308845. The Common Code for the Certificates is 070830884.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

There has been no significant change in the financial or trading position of ADCB and its subsidiaries, taken as a whole since 30 September 2011 and there has been no material adverse change in the financial position or prospects of ADCB and its subsidiaries (the **ADCB Group**), taken as a whole since 31 December 2010.

Litigation

The Trustee is not, nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) in the 12 months preceding the date of this Prospectus which may have, or have in such period had, a significant effect on the Trustee and/or the ADCB Group's financial position or profitability.

Save as disclosed on page 81 of this Prospectus under "*Description of ADCB – Litigation*", ADCB is not, nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ADCB is aware) in the 12 months preceding the date of this Prospectus which may have, or have in such period had, a significant effect on ADCB and/or the ADCB Group's financial position or profitability.

Auditors

The first financial period of the Trustee will end on 31 December 2011. The Trustee has no subsidiaries. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

The current auditors of ADCB are PricewaterhouseCoopers. Deloitte and Touche (M.E.) have audited ADCB's financial statements (which have been prepared in accordance with IFRS), without qualification, for each of the financial years ended on 31 December 2009 and 31 December 2010. There is no professional body of auditors in the UAE and, accordingly, the auditors of ADCB are not a member of any professional body in the UAE. However, the auditors of ADCB are registered under the Register of Practicing Accountants at the UAE Ministry of Economy and Planning as required by the UAE Federal Law No. 22 for the year 1995. The auditors have no material interest in ADCB.

Expenses

The expenses relating to the admission to trading of the Certificates on the London Stock Exchange's regulated market are expected to amount to £4,200.

Managers Transacting with ADCB

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, ADCB and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, ADCB or their affiliates. Certain of the Managers or their affiliates that have a lending relationship with ADCB routinely hedge their credit exposure to ADCB consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of Certificates. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRUSTEE

ADCB Islamic Finance (Cayman) Limited
Walkers SPV Limited
Walker House
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George Town
Grand Cayman
KY1-9002
Cayman Islands

MANAGING AGENT, MUDARIB AND OBLIGOR

Abu Dhabi Commercial Bank PJSC
PO Box 939
Abu Dhabi
United Arab Emirates

DELEGATE

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London EC2N 2DB
United Kingdom

PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REPLACEMENT AGENT

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London EC2N 2DB
United Kingdom

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United Arab Emirates

SHARIA ADVISERS TO ADCB

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United Arab Emirates

LEGAL ADVISERS

To the Trustee as to Cayman Islands law

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To ADCB

As to English and UAE law

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To the Managers and the Delegate

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As to UAE law

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