

IMPORTANT NOTICE

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

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RESTRICTIONS: UNDER NO CIRCUMSTANCES SHALL THE ATTACHED DOCUMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN CERTAIN TRANSACTIONS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE ATTACHED DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE JOINT LEAD MANAGERS AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

THE ATTACHED DOCUMENT IS DIRECTED ONLY AT (I) PERSONS WHO ARE OUTSIDE THE UNITED KINGDOM; (II) PERSONS IN THE UNITED KINGDOM WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATED TO INVESTMENTS AND WHO ARE INVESTMENT PROFESSIONALS WITHIN THE MEANING OF ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 OF THE UNITED KINGDOM AS AMENDED (THE “**FINANCIAL PROMOTION ORDER**”); (III) PERSONS WHO FALL WITHIN ARTICLE 49(2)(A) TO (D) (“HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC.”) OF THE FINANCIAL PROMOTION ORDER; AND OTHER PERSONS TO WHOM THIS DOCUMENT MAY OTHERWISE LAWFULLY BE DIRECTED, (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY OTHER PERSONS IN THE UNITED KINGDOM.

ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS.

CONFIRMATION OF YOUR REPRESENTATION: The attached document is delivered to you at your request and on the basis that you have confirmed to Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, J.P. Morgan Securities plc and Standard Chartered Bank (together, the “**Joint Lead Managers**”) and National Bank of Fujairah PJSC (the “**Issuer**”) that: (i) you are located outside the United States and not a U.S. person, or acting for the account or benefit of any U.S. person; (ii) you consent to delivery by electronic transmission; (iii) you will not transmit the attached document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Joint Lead Managers; and (iv) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Capital Securities.

Neither the Joint Lead Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made therein, in connection with the Issuer or the offer. The Joint Lead Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Lead Managers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document.

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

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

This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Joint Lead Managers nor any person who controls or is a director, officer, employee or agent of the Issuer, the Joint Lead Managers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing this document, you consent to receiving it in electronic form. A hard copy of the document will be made available to you only upon request to the Joint Lead Managers.

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

If you received this document by e-mail, you should not reply by e-mail to this communication. Any reply e-mail communications, including those you generate by using the “Reply” function on the e-mail software, will be ignored or rejected. Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Restrictions on marketing and sales to retail investors

The Capital Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as, or with features similar to those of, the Capital Securities to retail investors.

In particular, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the “**PRIIPs Regulation**”) became directly applicable in all EEA member states and (ii) the Markets in Financial Instruments Directive 2014/65/EU (as amended) (“**MiFID II**”) was required to be implemented in EEA member states by 3 January 2018. Together, the PRIIPs Regulation and MiFID II are referred to as the “**Regulations**”.

The Regulations set out various obligations in relation to (i) the manufacturing and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products, such as the Capital Securities.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Capital Securities (or any beneficial interests therein), including the Regulations.

By purchasing, or making or accepting an offer to purchase, any Capital Securities from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

- (a) it is not a retail client (as defined in MiFID II);
- (b) whether or not it is subject to the Regulations, it will not:
 - (i) sell or offer the Capital Securities (or any beneficial interest therein) to retail clients in the EEA (as defined in MiFID II); or

- (ii) communicate (including the distribution of this Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Capital Securities (or any beneficial interests therein) where that invitation or inducement is addressed to, or disseminated in such a way that it is likely to be received by, a retail client (as defined in MiFID II);
- (c) if it is a person in Hong Kong, it is a “professional investor” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; and
- (d) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Capital Securities, including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Capital Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each prospective investor further acknowledges that:

- (a) the identified target market for the Capital Securities (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and
- (b) no key information document under the PRIIPs Regulation has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Capital Securities from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time (the “SFA”), and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”) the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are “prescribed capital markets products” (as defined in the CMP Regulations 2018).



National Bank of Fujairah PJSC
(incorporated with limited liability in the United Arab Emirates)

U.S.\$350,000,000 Perpetual Additional Tier 1 Capital Securities

The U.S.\$350,000,000 Perpetual Additional Tier 1 Capital Securities (the “**Capital Securities**”) shall be issued by National Bank of Fujairah PJSC (the “**Issuer**” or “**NBF**”) on 1 October 2019 (the “**Issue Date**”). Interest Payment Amounts (as defined in the Conditions) shall be payable subject to and in accordance with terms and conditions set out in the “*Terms and Conditions of the Capital Securities*” (the “**Conditions**”) on the Prevailing Principal Amount (as defined in the Conditions) of the Capital Securities from (and including) the Issue Date to (but excluding) 1 October 2024 (the “**First Call Date**”) at a rate of 5.875 per cent. per annum. If the Capital Securities are not redeemed in accordance with the Conditions on or prior to the First Call Date, Interest Payment Amounts shall continue to be payable from (and including) the First Call Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Call Date and every five years thereafter, equal to the Relevant Five-Year Reset Rate (as defined in the Conditions) plus a margin of 4.301 per cent. per annum. Interest Payment Amounts will (subject to the occurrence of a Non-Payment Event (as defined in, and as more particularly provided in, Condition 6.1 (*Interest Cancellation – Non-Payment Event*))) be payable semi-annually in arrear on 1 April and 1 October in each year, commencing on 1 April 2020 (each, an “**Interest Payment Date**”). Payments on the Capital Securities will be made free and clear of, without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed, levied, collected, withheld or assessed by or within the Tax Jurisdiction (as defined in the Conditions) (the “**Taxes**”) to the extent described under Condition 12 (*Taxation*). All payments by the Issuer in respect of the Capital Securities shall be conditional upon satisfaction of the Solvency Conditions (as defined in the Conditions) and no bankruptcy order in respect of the Issuer having been issued by a court in the United Arab Emirates, as more particularly described in Condition 4 (*Status and Subordination*) (see, in particular, “*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer*”).

If a Non-Viability Event (as defined in the Conditions) occurs, a Write-down (as defined in the Conditions) shall occur on the relevant Non-Viability Event Write-down Date (as defined in the Conditions), as more particularly described in Condition 10 (*Write-Down at the Point of Non-Viability*). In such circumstances, the Capital Securities shall automatically be deemed to be irrevocably and unconditionally written-down by the relevant Write-down Amount (as defined in the Conditions) and, in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities, the Capital Securities shall be cancelled (see “*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The right to receive repayment of the principal amount of the Capital Securities and the right for any further interest will be permanently written-down upon the occurrence of a Non-Viability Event*”).

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

The Capital Securities are undated and have no final maturity. Unless the Capital Securities have previously been redeemed or purchased and cancelled as provided in the Conditions, the Capital Securities may, at the option of the Issuer, subject to the prior approval of the Regulator (as defined in the Conditions), be redeemed (in whole but not in part) at the Early Redemption Amount (as defined in the Conditions) on the First Call Date or any Interest Payment Date thereafter. In addition, the Capital Securities may, upon the occurrence of a Tax Event or Capital Event (each as defined in the Conditions), be redeemed (in whole but not in part) at the Tax Redemption Amount or the Capital Event Redemption Amount (each as defined in the Conditions), respectively, or the terms of the Capital Securities may be varied, in each case, subject to the prior approval of the Regulator and subject to the Conditions.

The payment obligations of the Issuer under the Capital Securities (i) constitute direct, unsecured, conditional (as described in Conditions 4.2(b) (*Subordination of the Capital Securities*) and 4.3 (*Solvency Conditions*)) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (ii) rank subordinate and junior to all Senior Obligations (as defined in the Conditions) (but not further or otherwise); (iii) rank *pari passu* with all *Pari Passu* Obligations (as defined in the Conditions); and (iv) rank in priority only to all Junior Obligations (as defined in the Conditions). **Notwithstanding any other provisions in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.**

Upon the occurrence of an Enforcement Event (as defined in the Conditions), any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent (as defined in the Conditions), effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10 (*Write down at the point of Non-Viability*) and Condition 11.4 (*Enforcement Events – Restrictions*) become forthwith due and payable at its Early Redemption Amount (as defined in the Conditions), without presentation, demand, protest or other notice of any kind.

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

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

This Prospectus has been approved by the Central Bank of Ireland (the “**CBI**”), in its capacity as competent authority under Regulation (EU) 2017/1129 (and any amendments thereto) (the “**Prospectus Regulation**”), as a prospectus. This Prospectus constitutes a prospectus for the purposes of the Prospectus Regulation. The CBI only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Capital Securities which are the subject of this Prospectus. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) for the Capital Securities to be admitted to its official list (the “**Official List**”) and to trading on the regulated market of Euronext Dublin (the “**Regulated Market**”). References in this Prospectus to the Capital Securities being “**listed**” (and all related references) shall mean that the Capital Securities have been admitted to the Official List and have been admitted to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended (“**MiFID II**”).

References in this Prospectus to Capital Securities being “**listed**” (and all related references) shall mean that such Capital Securities have been admitted to the Official List and have been admitted to trading on the regulated market of Euronext Dublin. Amounts payable under the Capital Securities, following the First Call Date, will be calculated by reference to rates for U.S. Treasury securities which are published by the U.S. Federal Reserve System. As of the date of this Prospectus, the U.S. Department of Treasury does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“**ESMA**”) pursuant to Article 36 of Regulation (EU) 2016/1011 (the “**Benchmarks Regulation**”). As far as the Issuer is aware, the U.S. Department of Treasury does not fall within the scope of the Benchmarks Regulation by virtue of article 2 of the Benchmarks Regulation.

The Issuer has been assigned long-term credit ratings of Baa1, BBB+ and A- by Moody’s Investors Service Cyprus Limited (“**Moody’s**”), S&P Global Ratings Europe Limited (“**S&P**”) and Capital Intelligence Ratings Ltd (“**Capital Intelligence**”) respectively, each with a stable outlook. The Issuer has been assigned short-term credit ratings of P-2, A-2 and A2 by Moody’s, S&P and Capital Intelligence, respectively, each with a stable outlook. As at the date of this Prospectus, the Capital Securities are not rated. Each of Moody’s, S&P and Capital Intelligence is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as amended (the “**CRA Regulation**”). As such each of Moody’s, S&P and Capital Intelligence is included in the list of credit rating agencies published by ESMA on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation.

This Prospectus will be valid for a year from 26 September 2019. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid. For the purposes of this Prospectus, “**valid**” means valid for admissions to trading on a regulated market by or with the consent of the Issuer and the obligation to supplement this Prospectus is only required within its period of validity between the time when this Prospectus is approved and the closing of the offer period for the Capital Securities or the time when trading on a regulated market begins, whichever occurs later. The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to retail clients in the EEA, as defined in MiFID II.

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

The Capital Securities 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, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Capital Securities may be offered or sold solely to persons who are not U.S. Persons outside the United States in reliance on Regulation S. Each purchaser of the Capital Securities is hereby notified that the offer and sale of Capital Securities to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Structuring Agent

HSBC

Joint Lead Managers

First Abu Dhabi Bank

Emirates NBD Capital

J.P. Morgan

HSBC

Standard Chartered Bank

IMPORTANT NOTICE

This Prospectus comprises a prospectus for the purposes of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (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.

Any opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Issuer are honestly held by the Issuer, have been reached after considering all relevant circumstances and are based on reasonable assumptions and are not misleading in any material respect.

Certain information contained in “*Risk Factors*”, “*Description of the Issuer*” and “*The UAE Banking Sector and Regulations*” (as indicated therein) has been extracted from independent, third party sources. The Issuer confirms that all third party information contained in this Prospectus has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information contained in this Prospectus is stated where such information appears in the Prospectus.

The accuracy or completeness of the information contained or incorporated by reference in this Prospectus has not been independently verified by the Joint Lead Managers or any of their respective directors, officers, affiliates, advisers or agents. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or any of their respective directors, officers, affiliates, advisers or agents (i) as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the Capital Securities or their distribution or (ii) for any acts or omissions of the Issuer or any other person in connection with the Prospectus or the issue and offering of the Capital Securities. To the fullest extent permitted by law, the Joint Lead Managers do not accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Capital Securities or their distribution.

No person is or has been authorised by the Issuer or the Joint Lead Managers to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the issuance of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in contract, tort or otherwise which it might otherwise have in respect of any such information or representation.

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

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Capital Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or the financial or trading position of the Issuer since the date hereof or that any other information supplied in connection with the issuance of the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the issuance or to advise any investor in the Capital Securities of any information coming to their attention.

Investors should review, *inter alia*, the information contained or incorporated by reference in this Prospectus when deciding whether or not to purchase any Capital Securities.

The Capital Securities have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Capital Securities may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Capital Securities is hereby notified that the offer and sale of Capital Securities to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Capital Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Capital Securities may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of any Capital Securities or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Capital Securities may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Capital Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of any Capital Securities. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of any Capital Securities in the United States, the United Kingdom, the EEA, the Kingdom of Bahrain, the State of Qatar (including the Qatar International Financial Centre), the Kingdom of Saudi Arabia, the Dubai International Financial Centre, the UAE (excluding the Dubai International Financial Centre), Hong Kong, Japan and Singapore (see “*Subscription and Sale*”).

The Capital Securities may not be a suitable investment for all investors. Each potential investor in the Capital Securities must determine the suitability of that investment in light of its own circumstances, and is advised to consult its own tax advisers, legal advisers and business advisers as to tax, legal, business and related matters (as applicable) concerning the purchase of any Capital Securities.

In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where the currency for payments of principal or interest is different from the potential investor's currency;
- (d) understands thoroughly the terms of the Capital Securities and is familiar with the behaviour of any relevant indices and financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus including, without limitation, any statements regarding the financial position of the Issuer, or the business strategy, management plans and objectives for future operations of the Issuer, may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “continue” or similar terminology. Although the Issuer believes that the expectations reflected in their forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's actual results, performance or achievements, or industry results, to be materially different from any expressed or implied by forward-looking statements. Forward-looking statements may be based on numerous assumptions regarding the Issuer's present, and future, business strategies and the environment in which the Issuer expects to operate in the future. Important factors that could cause the Issuer's actual results, performance or achievements to differ materially from any in the forward-looking statements are discussed in this Prospectus (see “*Risk Factors*”). Forward-looking statements speak only as at the date of this Prospectus and, subject as required by applicable law or regulation, the Issuer expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in the expectations of the Issuer or any change in events, conditions or circumstances on which any forward-looking statements are based. Given the uncertainties of forward-looking statements, the

Issuer cannot assure potential investors that any projected results or events will be achieved and the Issuer cautions potential investors not to place undue reliance on these statements.

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPS REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time (the "**SFA**"), and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**") the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are "prescribed capital markets products" (as defined in the CMP Regulations 2018).

STABILISATION

In connection with the issue of the Capital Securities, HSBC Bank plc (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Capital Securities and 60 days after the date of the allotment of the Capital Securities. Any stabilisation

action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

NOTICE TO THE RESIDENTS OF HONG KONG

Offers and sales to “professional investors” only as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offers of Securities and Continuing Obligations issued by the Capital Market Authority of Saudi Arabia (the “**Capital Market Authority**”).

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

NOTICE TO THE RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the Capital Securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of the Capital Securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Capital Securities will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

This Prospectus incorporates by reference the following financial statements relating to the Issuer:

- unaudited condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2019 (the “**2019 Interim Financial Statements**”);
- unaudited condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2018 (the “**2018 Interim Financial Statements**” and together with the 2019 Interim Financial Statements, the “**Interim Financial Statements**”);
- audited consolidated financial statements as at and for the financial year ended 31 December 2018 including comparative information as at and for the financial year ended 31 December 2017 (the “**2018 Financial Statements**”); and
- audited consolidated financial statements as at and for the financial year ended 31 December 2017 including comparative information as at and for the financial year ended 31 December 2016 (the “**2017 Financial Statements**” and together with the 2018 Financial Statements, the “**Annual Financial Statements**” and, together with the Interim Financial Statements, the “**Financial Statements**”).

The Issuer’s financial year ends on 31 December, and references in this Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (the “**IASB**”). The Annual Financial Statements have been audited in accordance with International Standards on Auditing by PricewaterhouseCoopers (Dubai branch) (“**PwC**”), without qualification as stated in their audit reports appearing therein. The Interim Financial Statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34: Interim Financial Reporting. All financial information in this Prospectus as at, or for the six-month periods ended, 30 June 2019 and 30 June 2018 is unaudited. The financial information in this Prospectus as at, and for the six-month period ended, 30 June 2019 is derived from the 2019 Interim Financial Statements reviewed by Ernst & Young Middle East (Dubai Br.) (“**EY**”), and the financial information in this Prospectus as at, and for the six-month period ended, 30 June 2018 is derived from the 2018 Interim Financial Statements reviewed by PwC, in each case in accordance with the International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” (ISRE 2410), as stated in their respective review conclusions appearing therein.

The Issuer presents its financial statements in UAE dirham.

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.

PRESENTATION OF OTHER INFORMATION

In this document, references to:

- “**DIFC**” are to the Dubai International Financial Centre;

- “**Dirham**”, “**UAE dirham**” and “**AED**” are to the lawful currency of the UAE and references to fil are to the sub-unit of the dirham;
- “**Fujairah**” are to the Emirate of Fujairah;
- the “**GCC**” are to the Cooperation Council of the Arab States of the Gulf (otherwise known as the Gulf Co-operation Council);
- “**Group**” are to the Issuer and its consolidated subsidiaries taken as a whole;
- the “**MENA**” region are to the Middle East and North Africa region;
- the “**UAE**” are to the United Arab Emirates; and
- “**U.S.\$**”, “**USD**” and “**U.S. dollars**” are to the lawful currency of the United States.

ALTERNATIVE PERFORMANCE MEASURES

A number of the financial measures presented by the Issuer in this Prospectus are not defined in IFRS and the Issuer considers such metrics to constitute Alternative Performance Measures (“**APMs**”) as defined in the European Securities and Markets Authority Guidelines on APMs dated 5 October 2015. However, the Issuer believes that these measures provide useful supplementary information to both investors and the Issuer’s management, as they facilitate the evaluation of company performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Accordingly, these APMs should not be seen as a substitute for measures defined in the IFRS. APMs included in this Prospectus are as follows:

- **Cost to income ratio:** Total operating expenses divided by operating income for the relevant period. This measures cost efficiencies, comparing cost to income.
- **Dividend payout ratio:** This ratio represents the return attributable to shareholders on their holding in the share capital of the Issuer. It is calculated as the sum total of proposed cash dividends and proposed bonus issue amount divided by the share capital of the Issuer.
- **Loans to deposits ratio:** The net financing loan-to-deposit ratio is a commonly used statistic for assessing a bank’s liquidity by dividing the Bank’s loans and advances and Islamic financing receivables by the customer deposits and Islamic customer deposits. This number is expressed as a percentage. This ratio measures the ability of a bank to fund its loan book through its deposit base. A ratio of 100 per cent. or less shows that a bank is funding all its loans from deposits rather than relying on wholesale funding.
- **Net interest margin:** Calculated as yield minus cost of funds. Yield is calculated as interest income and income from Islamic financing and investment activities divided by the daily average of Loans and advances and Islamic financing receivables, interest/profit bearing Investments and Islamic instruments and due from banks and financial institutions. Cost of funds is calculated as interest expense and distribution to Islamic depositors divided by the daily average of Customer deposits and Islamic customer deposits and interest bearing Due to banks and Term borrowings. This is a profitability ratio, measuring the income/spread the Issuer makes on its interest/profit bearing assets and liabilities.
- **Non-performing loans ratio:** Impaired or Stage 3 gross loans and advances and Islamic financing receivables as at the end of the year/period divided by gross loans and advances and Islamic financing receivables at the end of the year/period. This measures non-performing loans as a percentage of total loans. This is a measure to assess the asset quality of banks.

- Profit retention ratio: This ratio represents the percentage of profit retained in the business as part of reserves in the shareholders' equity for strengthening the capital base and supporting the future growth of business. It is calculated by deducting the proposed cash dividend from the profit, which is divided by the profit.
- Ratio of deposits to total assets: Calculated as the customer deposits and Islamic customer deposits divided by total assets. This measures the proportion of assets funded by customer deposits.
- Return on average assets: Profit for the year/period divided by the average of assets (average of balances at the beginning and the end of the relevant period/year). This is a profitability ratio and efficiency measure, indicating how effectively the Issuer's assets are being used to generate profits.
- Return on average equity: Profit for the year/period divided by the average of total shareholders' equity (average of balances at the beginning and the end of relevant period/year). This is a profitability ratio, indicating how effectively the Issuer's shareholders' equity is being used to generate profits.
- Provisions coverage ratio: allowance for impairment losses/total expected credit losses (ECL) as at the end of the year/period divided by Stage 3 loans and advances and Islamic financing receivables as at the end of the year/period. This ratio measures the sufficiency of provisions set aside to cover impaired loans, and helps assess the asset quality of banks.
- Specific provision coverage ratio: Sum of specific allowance for impairment losses/total expected credit losses (ECL) for stage 3 and specific impairment reserves as at the end of the year/period divided by impaired/stage 3 loans and advances and Islamic financing receivables as at the end of the year/period. This ratio measures the sufficiency of specific provisions set aside to cover impaired/stage 3 loans and advances and Islamic financing receivables, and helps assess the asset quality of banks.
- Capital adequacy ratio: Being the ratio of the Bank's capital divided by the risk weighted assets calculated according to the Basel guidelines issued by the UAE Central Bank. It measures the Bank's financial strength by using capital and assets.
- Tier 1 ratio: Being the ratio of the Bank's Tier 1 capital divided by the risk weighted assets calculated according to the Basel guidelines issued by the UAE Central Bank.
- Common equity tier 1 ratio: Being the ratio of the Bank's common equity Tier 1 capital divided by the risk weighted assets calculated according to the Basel guidelines issued by the UAE Central Bank.
- Liquidity coverage ratio (LCR): Being the ratio of high-quality liquid assets divided by total net cash flows over a 30-day period calculated according to the Basel guidelines on Liquidity issued by the UAE Central Bank. The LCR requires banks to continuously maintain a stock of 'high quality unencumbered liquid assets' that is sufficient to cover net cash outflows for a 30 calendar day period under a prescribed significantly severe stress scenario.
- Net stable funding ratio (NSFR): Being the ratio of available stable funding divided by the amount of required stable funding over a one year period calculated according to the Basel guidelines on Liquidity issued by the UAE Central Bank. This ratio ensures a more stable funding profile for banks according to the maturity profile of assets and other exposures they present.
- Eligible liquid assets ratio: Being the ratio of liquid assets divided by the liabilities computed as per the UAE Central Bank guidelines. This measures the liquidity position of the Bank.

APMs are not measurements of the Issuer's operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of the Issuer's liquidity.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Capital Securities. All of these factors are contingencies which may or may not occur. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Capital Securities, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Capital Securities for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Capital Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus prior to making any investment decision.

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

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

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

Factors that may affect NBF's ability to fulfil its obligations under or in connection with the Capital Securities

Risks relating to the Issuer's business

In the course of its business activities, the Issuer is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk, operational risk and internal control, compliance risk and concentration risk (each of which is described below). Investors should note that any failure to adequately control these risks could result in adverse effects on the Issuer's financial condition and reputation.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk could arise from a deterioration in the credit quality of specific counterparties of the Issuer, from a general deterioration in local or global economic conditions or from systemic risk with the financial system. Credit risk arises principally through the Issuer's loans and advances and Islamic financing receivables and amounts due from banks and financial institutions and its investments and Islamic instruments.

The Issuer assesses credit on the basis of specific guidelines which are reviewed and approved by the Board Risk Committee ("BRC") and the Board of Directors (the "Board"). In addition, credit risk is managed by the Issuer through the implementation of its credit policy, monitoring credit exposures and continually assessing the creditworthiness of counterparties.

The Issuer sets credit limits for industry segments and individual counterparties according to its knowledge of the relevant industry and/or counterparty's creditworthiness in line with its credit policy and an independent credit department is responsible for reviewing, recommending and approving underwriting proposals. The Issuer has developed and implemented comprehensive procedures and information systems to monitor the condition of individual credits across the various portfolios and identify early warning signals aided by its dedicated credit monitoring unit. Furthermore, the Issuer provides credit risk oversight through its risk management department which is responsible for the formulation of credit policies in line with, amongst other things, the Issuer's strategic objectives, business growth and risk management standards. In addition, the

Issuer's risk management department, through the credit portfolio risk unit, is responsible for undertaking a portfolio review of the Issuer's credit risk and quality through a periodic credit risk asset review process.

Whilst the Issuer seeks to mitigate credit risk through the above, there can be no assurance that such measures will continue to eliminate or reduce credit risk and, should any of these measures fail to operate as intended, the Issuer's business, financial condition, results of operations and prospects may be adversely affected.

Concentration risk

Concentrations 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 similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Issuer's performance to developments affecting a particular industry or geographical location.

The Issuer seeks to mitigate concentration risk through compliance with specific guidelines aimed at maintaining diversified portfolios through a series of country, counterparty, industry, sector and product limits. Credit exposures to individual customers or customer groups are controlled through a tiered hierarchy of delegated approval authorities. In addition, the Issuer monitors concentrations of credit risk by industry, sector and geographic location.

The Issuer assesses borrower concentration risk on two levels: (i) on the basis of exposure to any single group of borrowers, being a collection of separate corporate entities within the same corporate group comprising a parent company or a majority shareholder and relevant subsidiaries (each such borrower, a "**group borrower**"); and (ii) on the basis of exposure to any single company, each being a single corporate entity (each such borrower, a "**single borrower**").

As at 31 December 2018, the Issuer's 10 and 20 largest group borrowers represented 19.0 per cent. and 26.0 per cent. of its total financings and receivables, respectively. Further, borrowings by Government and related entities represented 13.3 per cent. of the borrowings by the top 10 and 20 highest borrowers, respectively, as at 31 December 2018.

As at 31 December 2018, the Issuer's 10 and 20 largest single borrowers represented 14.4 per cent. and 21.2 per cent. of its total financings and receivables, respectively. Further, borrowings by Government and related entities represented 5.8 per cent. and 13.8 per cent. of the borrowings of the top 10 and 20 borrowers, respectively, as at 31 December 2018.

In terms of the industry concentration of the Issuer's credit risk arising from loans and advances and Islamic financing receivables as at 31 December 2018, the trade sector accounted for 46.8 per cent. of the sum of loans and off-balance sheet exposures (*see: "Risks relating to the Issuer's business – Trade sector exposure may contribute to increased liquidity risk"*).

Investors should note that the Issuer is incorporated in, and has all of its material operations, assets and liabilities located in, the UAE. Therefore, the Issuer's deposit and loan portfolio is concentrated, geographically, in the UAE. Accordingly, any deterioration in general economic conditions in the UAE or any failure of the Issuer to effectively manage its geographic, sectoral and client risk concentrations could have a material adverse effect on its business, results of operations, financial condition and prospects.

As at 31 December 2018, deposits from the Issuer's 10 and 20 largest group depositors represented 29.3 per cent. and 42.1 per cent. of its total deposit base, respectively. Further, deposits from Government and related entities represented 49.6 per cent. and 37.5 per cent. of the total deposits for the top 10 and 20 largest group depositors, respectively, as at 31 December 2018.

Deposits from the Issuer's 10 and 20 largest single depositors represented 20.2 per cent. and 33.8 per cent. of its total deposit base, respectively. Further, deposits from Government and related entities represented 39.8 per cent. and 36.0 per cent. of the top 10 and 20 largest single depositors, respectively, as at 31 December 2018.

Given the Issuer has no material operations or assets outside of the UAE, the Issuer may have insufficient assets located outside the UAE to satisfy in whole or in part any judgment obtained from an English court relating to amounts owing in connection with the Capital Securities. If investors were to seek enforcement of an English judgment in the UAE or to bring proceedings in relation to the Capital Securities in the UAE, then certain limitations would apply (*see: "Risk factors relating to enforcement – Enforcement risk"*).

Further, the majority of the population in the UAE comprises non-nationals who require renewable work permits sponsored by their employers to work and reside in the UAE. Therefore, most of the Issuer's customer base and retail loan portfolio is comprised of UAE-based expatriates. The Issuer is exposed to a "skip risk" that such customers may leave the UAE without making repayments on their loans. Although the Issuer takes overseas enforcement action against "skip" borrowers in certain countries, regularly reviews its credit exposures and has in place systems for assessing the financial condition and creditworthiness of its debtors, its failure to do so accurately or effectively may result in an increase in the rate of default for the Issuer's loan portfolio, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

Additionally, as all of the Issuer's material operations and assets are located in the UAE, its business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East (*see: "Risk factors relating to the UAE and the Middle East – Majority of business in the UAE"*). Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

A negative impact on the Issuer's depositors or creditors, or in the sectors in which they operate, could have an adverse effect on the business, results of operations, financial condition and prospects of the Issuer.

Corporate exposure concentration risk

Corporate lending has historically been, and continues to be, at the centre of the Issuer's core banking business. As at 31 December 2018, gross loans to corporate clients constituted 61.3 per cent. of the Issuer's total assets, with corporate loans contributing 53.3 per cent. and small and medium-sized enterprise ("SME") loans contributing 7.9 per cent. Many factors may affect customers' ability to repay their loans or meet their other obligations to the Issuer. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, banking rates and increased market volatility, may be difficult to anticipate and outside of the Issuer's control.

Other factors are dependent upon the Issuer's strategy for loan portfolio growth (including sector focus) and the viability of the Issuer's internal credit application and monitoring systems. The aforementioned risk could have an adverse impact on the Issuer's business, financial condition, results of operations and prospects.

SME exposure concentration risk

The Issuer's SME customer base is particularly sensitive to adverse developments in the economy, which renders such financing activities riskier than financing to larger corporate customers. As at 31 December 2018, 11.5 per cent. of the Issuer's total gross loan portfolio consisted of loans to SMEs compared with 12.5 per cent. as at 31 December 2017. Although SMEs typically have less financial strength than larger companies, they are a significant component of the Issuer's current business strategy. The availability of accurate and comprehensive financial information and general credit information on which to base credit decisions is more limited for SMEs than is the case for larger corporate clients. Given the risk associated with the SME Segment, the Issuer has

implemented measures to monitor the financial performance of its SME customers and has defined a number of key risk indicators, which has resulted in an improvement in asset quality. The non-performing loans ratio for the business banking segment improved from 7.0 per cent. at the end of 2017 to 3.4 per cent. at the end of June 2019. Notwithstanding the credit risk determination procedures that the Issuer has in place, the Issuer may be unable to evaluate correctly the current financial condition of each prospective SME customer and to determine their long-term financial viability.

Financing to SMEs generally includes a higher degree of risk than financing to larger corporate customers and, should there be a significant deterioration in macroeconomic conditions in the UAE or should the Issuer be unable to accurately model the risk associated with SMEs or other customers to which it extends credit, there is a risk that the Issuer's exposure to SMEs within its loan portfolio (including any non-performing loans ("NPLs") to SMEs) may result in an adverse impact on the Issuer's business, financial condition, results of operations and prospects.

Trade sector exposure may contribute to increased liquidity risk

Trade financing involves the financing of international trade through the use of globally standardised documentary credits such as letters of credit, and is governed through the operation of internationally recognised conventions and codes.

The trade sector comprises a number of industries, including large corporates, mid-tier corporates and SMEs that engage in a number of business activities across a number of sectors.

Lending decisions are made based upon the financial performance of the underlying borrowers, their sectoral classification and their business requirements. The maturity of trade finance facilities is often short-term, including two-month or six-month maturity.

The varied client base in terms of industries, short-term tenors of the underlying facilities and product-based classification of trade facilities provides the required diversification to mitigate any significant potential increases in concentration by sector or by borrower within the trade finance portfolio. However, the significant exposure to and reliance on short-term assets may carry additional associated risk, including the Issuer's reliance on the ongoing generation of new business and increased exposure of the Issuer to broader economic conditions having an impact on the Issuer's borrowers' credit requirements, and therefore the ability of the Issuer to generate business and generate profits. Accordingly, a deterioration in general economic conditions in the UAE could have a material adverse effect on its business, results of operations, financial condition and prospects.

Precious metals and diamond business risk

The Issuer is an active participant in a niche sector of the precious metals and diamond financing business, which relates to the supply chain and financing of precious metals and precious and semi-precious gems in the jewellery trade. As this trade is often across international borders, trade financing methods are regularly utilised. In addition, the Issuer utilises receivables discounting products to facilitate this trade.

The precious metals segment deals in physical gold with a customer base predominantly composed of jewellery manufacturers, bullion/jewellery wholesale traders and retail jewellers based in the UAE. The precious metals are sourced from international bullion banks or refineries and traders accredited by the London Bullion Market Association ("LBMA") or Dubai Multi Commodities Centre ("DMCC"), thereby ensuring the quality of the product and the Issuer's compliance with international standards.

The market risk originating from price fluctuations is managed effectively via a daily mark-to-market monitoring system on the lending side coupled with risk margining, and by raising the liquidity in the same currency, XAU, in the form of customer deposits and inter-bank borrowings/swaps, on the funding side. Market

risk is further mitigated through hedging solutions to ensure that the Issuer does not carry open market risk for this business.

As the precious metals and diamond industry has a degree of reputational risk due to the fact that these commodities, particularly diamonds, are prone to be used in money laundering and terrorist financing, the Issuer has made the conscious decision to only target the top global diamond companies with a minimum turnover of U.S.\$150 million. The Issuer has also developed a tailor-made enhanced due diligence process to mitigate any potential operational risk specific to this industry. The Issuer has established a representative office in Antwerp, which houses additional business, credit and compliance resources to monitor the risk and compliance obligations associated with the precious metals and diamond business in order to further manage this risk effectively. In addition, the Issuer has capped its exposure to the diamond industry at 6 per cent. of the sum of loans and advances and Islamic financing receivables and off-balance sheet exposures and the actual exposure as at 30 June 2019 was 4.6 per cent. sum of loans and advances and Islamic financing receivables and off-balance sheet exposures. However, notwithstanding the procedures and controls implemented by the Issuer, there is still inherent risk in conducting business within the precious metals and diamond segment, which, if it were to materialise, could have a material adverse effect on its business, results of operations, financial condition and prospects.

Non-performing loans risk

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

As at 30 June 2019, the Issuer had NPLs of AED 1.4 billion (which corresponds to the NPL ratio of 4.8 per cent. as at 30 June 2019) and carried total impairment allowances of AED 1.5 billion. In accordance with IFRS, the Issuer is required to reflect the impairment calculated (which is established based on its best estimates of recoveries and judgements leading to the calculation of probable losses) as an upfront charge to the income statement. This is written back to the income statement as and when interest or principal (as appropriate) on the debt is received.

The NPL ratio of the CIBG segment as at 31 December 2017 was 5.5 per cent., which marginally increased to 5.6 per cent. as at 31 December 2018 and then reduced to 5.0 per cent. as at 30 June 2019. The specific provisions coverage ratio (including Impairment Reserve – Specific) for the CIBG segment was 54.6 per cent. as at 31 December 2017, which increased to 72.5 per cent. as at 31 December 2018 and further increased to 75.7 per cent. as at 30 June 2019. The NPL ratio of the Business Banking segment as at 31 December 2017 was 7.0 per cent., which improved to 2.8 per cent. as at 31 December 2018 and stood at 3.4 per cent. as at 30 June 2019. The provisions coverage ratio (including Impairment Reserve – Specific) for the Business Banking segment as at 31 December 2017 was 75.0 per cent. compared to 71.1 per cent. as at 31 December 2018 and 78.3 per cent. as at 30 June 2019. The NPL ratio of the Retail Banking segment as at 31 December 2017 was 3.8 per cent., which increased to 3.9 per cent. as at 31 December 2018 and further increased to 4.5 per cent. as at 30 June 2019. The provisions coverage ratio (including Impairment Reserve – Specific) for the Retail Banking segment as at 31 December 2017 was 57.0 per cent. compared to 49.1 per cent. at 31 December 2018 and 55.1 per cent. as at 30 June 2019.

The Issuer's management believes that the levels of impairment allowances for impaired loans as at 30 June 2019 were sufficient to cover the Issuer's potential loan losses as at that date. However, there is no guarantee that impairment allowances recognised by the Issuer will be sufficient to cover its actual credit portfolio losses. As at 30 June 2019, the Issuer had a provision coverage ratio of 108.6 per cent.

The Issuer regularly reviews and monitors compliance with lending limits to individual financial institutions. The Issuer has established a comprehensive credit underwriting and approval process which helps it to achieve better NPL recovery rates and the Issuer seeks to further mitigate the risk relating to NPL portfolio through collateral, operating accounts and appropriate risk-based pricing. The Issuer's management believes that the systems in place to implement the Issuer's loan restructuring and loan loss impairment allowances are adequate as at each reporting date.

If the Issuer fails to appropriately restructure or monitor and control the levels of, and adequately provide for, its impaired loans and loans under stress, the Issuer 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 to customers would adversely affect the Issuer's results of operations and financial condition

In connection with lending activities, the Issuer periodically establishes impairment allowances for loan losses, which are recorded in its income statement. Although the Issuer endeavours to establish an appropriate level of impairment allowances, it might be possible, for example due to economic stress situations or changes in the regulatory environment, that the Issuer has to significantly increase its impairment allowances for loan losses. Any significant increase in impairment allowances for loan losses or a significant change in the Issuer's estimate of the risk of loss inherent in its portfolio of non-impaired loans would have an adverse effect on its business, results of operations, financial condition and prospects.

IFRS 9 was introduced for financial reporting periods commencing on 1 January 2018, replacing IAS 39 and introducing an 'expected credit loss' ("ECL") model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The Issuer's impairment policy under IFRS 9 is presented in Note 4 to the 2018 Financial Statements.

The net incremental ECL under IFRS 9 as at 1 January 2018 for NBF was AED 186.8 million, which resulted in reduced retained earnings as at 1 January 2018 of AED 300.8 million. NBF also established an impairment reserve to reflect an additional provision of AED 114.0 million in excess of the collective impairment provision under IFRS 9 as at 1 January 2018. The impact on the Issuer's equity on account of the change in classification and measurement of investments measured at amortised cost and fair value through other comprehensive income (FVOCI) in accordance with IFRS 9 amounted to AED 6.1 million.

Any mandatory change to the Issuer's impairment calculation models imposed as a result of further accounting standards or regulatory changes may adversely impact impairment allowances established by the Issuer which would have an adverse effect on its business, results of operations, financial condition and prospects.

Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates, commodity prices and credit spreads will affect the Issuer's income and/or the value of its holdings. Changes in interest rate levels, yield curves and spread may affect the interest rate margin realised between the Issuer's lending and investment activities and its borrowing costs, and the values of assets that are sensitive to interest rate and spread changes. Changes in equity prices may affect the values of the Issuer's investment and trading portfolios. Changes in foreign exchange rates may affect the values of assets and liabilities denominated in foreign currencies and the income from foreign exchange dealing.

The Issuer, in common with other financial institutions, is susceptible to changes in the macroeconomic environment and the performance of financial markets generally.

In recent years, global macroeconomic events have had a significant adverse effect on the economies of the GCC, including the UAE, and resulted in a slowdown of growth rates, particularly in the real estate, construction and financial institutions sectors. As at the date of this Prospectus, global debt and equity markets continue to be impacted by the ongoing volatility in the macroeconomic climate. For instance, the prevailing macroeconomic climate has prompted reduced fiscal budgets and public spending plans in recent years in the UAE and across the GCC economies, with particular concerns around the ongoing impact of the volatility of global crude oil prices, the effects of the economic slowdown in emerging markets generally, and volatility in the Chinese economy in particular, and the broader impact thereof on global debt and equity markets.

Investor confidence in international debt and equity markets (and, in turn, the performance of those markets) could be adversely impacted by political events such as the continued uncertainty around the timing and precise terms of the United Kingdom's exit from the European Union and the ongoing prospect of a trade war between the United States and China. Movements in global interest rates have also continued to be unpredictable. The U.S. Federal Reserve decided to raise interest rates in December 2015 for the first time since 2006, which was followed by further increases in December 2016, March 2017, June 2017, December 2017, March 2018, June 2018, September 2018 and December 2018. As at the date of this Prospectus, the market participants expect the U.S. Federal Reserve to cut interest rates, which will likely further exacerbate the prevailing mood of economic uncertainty.

At a regional level, the prevailing low oil price environment has stimulated a federal government-led policy of rationalisation of fiscal spending which, in turn, has led to an ongoing transformation within the UAE economy. The federal government has scaled back capital transfers to government-related entities, cut government investment, raised electricity and water tariffs, and removed fuel subsidies. Further, with effect from 1 January 2018, the federal government has introduced a value-added tax ("VAT") regime in the UAE at a rate of 5 per cent. These significant fiscal reforms have become an integral part of a broader federal government strategy aimed at reducing fiscal expenditure generally and fiscal dependency on hydrocarbon-related revenues (*see: "Risk factors relating to the UAE and the Middle East – Political, economic and related considerations"*). Additionally, the pressures faced by regional oil-producing countries in response to the ongoing oil crisis to remove the foreign exchange "peg" of their domestic currencies to the U.S. dollar pose a systemic risk to the banking systems in the GCC (*see: "Foreign exchange movements may adversely affect the profitability of the Issuer"*).

These adverse market conditions have impacted investment markets both globally and in the UAE, with increased volatility in interest rates and exchange rates. The business, results of operations, financial condition and prospects of the Issuer may be materially adversely affected by these trends and may be further materially adversely affected by a continuation of the general unfavourable economic conditions in the other countries of the GCC and emerging markets generally, as well as by the United States, European and international trading market conditions and/or related factors.

Although the Issuer has implemented market risk limits and regularly monitors its exposure, investors should note that a worsening of current financial market conditions could lead to further decreases in investor and consumer confidence, further market volatility, greater economic disruption and, as a result, could have an adverse effect on the business, results of operations, financial condition and prospects of the Issuer irrespective of steps currently taken to adequately control this risk.

Liquidity risk

Liquidity risk is the risk that the Issuer may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It includes the risk of being unable to fund assets at appropriate maturities and rates, the inability to liquidate assets at a reasonable price

and in an appropriate time frame, and the inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

The Issuer's approach to managing liquidity is to maintain sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or putting the Issuer's reputation at risk. The Issuer maintains a portfolio of short-term High Quality Liquid Assets ("HQLA") issued by the UAE Central Bank along with cash reserves. Short-term liquid assets also include investment grade marketable securities, due from banks and financial institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained both under normal conditions and simulated stress scenarios. The Group maintains a portfolio of short-term liquid assets, largely made up of cash and balances with the UAE Central Bank, representing, as of 31 December 2018, 16.9 per cent. (compared with 18.9 per cent. as of 31 December 2017) of total assets (which also include mandatory cash reserve deposits with the UAE Central Bank). As of 31 December 2018, the Issuer had a relatively short-term profile of its net loans and advances, where almost 63.1 per cent. were due in less than one year. While such a proportion reflects the Issuer's focus on the trade finance business, significant exposure to and reliance on short-term assets may carry additional associated risks, including the Issuer's reliance on ongoing new business generation, and additional exposure of the Issuer to broader economic conditions having an impact on the Issuer's borrowers' credit requirements, and therefore the ability of the Issuer to generate both business and profits.

The Issuer monitors liquidity risk through its treasury department which is responsible for compliance with statutory liquidity requirements and internal risk limits, whereas all liquidity risk management policies and procedures are subject to review, endorsement and approval by the Issuer's Asset and Liability Committee ("ALCO"), Management Risk Committee ("MRC"), BRC and the Board. The Issuer's liquidity risk appetite is proactively reviewed by taking market events into consideration and the Issuer also maintains a defined contingency funding plan to manage any liquidity crisis situation.

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

Regulatory and compliance risk

Compliance risk includes the monitoring of and compliance with codes of conduct, fraud investigations and adherence to applicable rules and regulations as well as the Issuer's internal policies and procedures and other regulatory requirements (*see: "If the Issuer fails to comply with applicable anti-money laundering, anti-terrorism financing, sanctions and other related regulations, it could face fines and damage to its reputation"*).

Along with internal safeguards aimed at monitoring and maintaining compliance, the Issuer maintains an independent compliance function which is operationally independent of the risk-taking activities of the Issuer and has direct access to the Board. The compliance function provides regular compliance insights into the Management Compliance Committee ("CC"), which assists the MRC and the Board with defining the Issuer's compliance risk appetite and with monitoring compliance.

The Issuer is compliant with FATCA. In line with the intergovernmental agreement finalised by the UAE federal government with the United States government, the Issuer has completed its FATCA registration and obtained its "global institution identification number" for the Issuer and all of its subsidiaries and international branches.

Although the Issuer's policies are designed to mitigate this risk, it is not possible to eliminate operational risk entirely. Should any element of the foregoing risk materialise, this could have a material adverse effect on the Issuer's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Capital Securities.

Reputational risk

Reputational risk is the risk that the reputation of the Issuer suffers through its actions, omissions, failures and/or financial condition a significant loss of trust in the eyes of its customers, regulators, suppliers, shareholders and communities that it serves. The Issuer's reputation may also be impacted by matters outside its direct and immediate control. Loss of trust may result in an adverse impact on liquidity and funding and on current and future business prospects.

The Issuer actively monitors and assesses the processes and conduct of business which may have an effect on its reputation in order to allow for early action and response to any incidents or negative trends which may have an adverse impact on the Issuer's reputation. However, there remains a risk that an incident may occur that will not be responded to with sufficient speed or that may be of such significance that the Issuer will not be able to fully protect its reputation irrespective of steps taken to mitigate the risk. Such event may have an adverse impact on the business of the Issuer and on the current and future business prospects of the Issuer.

Legal risk

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

The Issuer actively manages its regulatory compliance and monitors its potential exposure to any legal claims or regulatory actions through its internal legal department and the MRC. It also seeks to mitigate this risk through the use of properly reviewed standardised documentation and by obtaining appropriate legal advice in relation to its non-standard documentation.

While the Issuer maintains an internal legal department staffed by legal practitioners and obtains specialist advice and representation from external law firms practising in all jurisdictions relevant to the Issuer's business, there remains a risk that a significant adverse award, damages or penalty could lead to an adverse effect on the financial results of the Issuer and impact its reputation that could, in turn, have an adverse effect on the business, results of operations, financial condition and prospects of the Issuer.

Shari'a compliance risk

Shari'a compliance risk is the risk that failure to comply with fatwas and rulings issued in respect of the Issuer's Islamic banking activities, carried out through its window under the brand name "NBF Islamic", will result in a requirement to donate its non-compliant revenues to charity, which may impact its financial position and its reputation impacting, in turn, future prospects to maintain and grow its Islamic financing business.

The Issuer maintains formal structures and processes to obtain independent rulings and approvals of its Islamic products and processes and to obtain independent assurance over its compliance with the rulings and approvals from the Higher *Shari'a* Authority of the UAE Central Bank and its own *Shari'a* Committee. The Issuer also actively monitors and assures the effectiveness of its controls over this risk through three lines of defence and a management-level *Shari'a* Governance Committee.

Notwithstanding these structures and processes, there remains a risk that failure to comply with *Shari'a* obligations could lead to adverse effects on the Issuer's financial results and condition and impact its reputation, leading to reduced future prospects of its Islamic business.

Operational risk

Operational risk and internal control

Operational risk is the risk of a direct or indirect loss arising from a wide variety of causes associated with the Issuer's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from regulatory changes and generally accepted standards of corporate behaviour. Operational risk and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, lapses in any operational controls, the failure of internal systems, equipment and external systems (e.g. those of the Issuer's counterparties or vendors) and the occurrence of natural disasters.

The Issuer maintains policies and procedures to safeguard itself against such operational risk including a second-line operational risk and internal control function, which is operationally independent of risk-taking activities of the Issuer and has unfettered access to the Board. The Issuer has established an Operational Risk Committee ("ORC") at management level whose primary purpose is to ensure that operational risk such as information security risk and business continuity risk are maintained within the Issuer's risk appetite through the oversight and review of control improvement plans relating to operational risk ratings. ORC reports to the MRC, which in turn reports to the Board Risk Committee.

Although the Issuer has implemented risk controls and loss mitigation strategies, and devoted resources to developing efficient procedures, it is not possible to eliminate all operational risk entirely. The Issuer therefore remains exposed to operational risk that could have a material adverse effect on its business, results of operations, financial condition and prospects.

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

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

IT risk and information security

In common with other financial institutions based in the GCC and elsewhere in the world, cybersecurity has become an increasingly important consideration for financial institutions. The quantity of sensitive financial and personal identifiable information stored by financial institutions globally makes them potential targets of cyber-attacks. In common with other financial institutions, the Issuer recognises the need to protect itself from the threat to security of its information and customer data from cyber-attacks (*see: "The Issuer's business is dependent on its information and technology systems which are subject to potential cyber-attack"*).

Risk to technology and information systems changes rapidly and requires continued focus and investment and the Issuer acts accordingly and takes appropriate steps on an ongoing basis to combat such threats and minimise such risk by implementing cybersecurity controls. Given the increasing sophistication and scope of potential cyber-attack, it is however possible that future attacks may lead to significant breaches of security. To actively pre-empt this, the Issuer has implemented a variety of preventative and detective technical security controls, which are periodically reviewed and assessed, both internally and externally. However, failure to adequately

manage cybersecurity risk and continually review and update current processes in response to new threats could adversely affect the Issuer's reputation, business, results of operations, financial condition and prospects.

Principal shareholder

Neither the principal shareholders nor specifically the government of Fujairah is under any obligation to continue to engage in business with the Issuer and may alter their respective relationships with the Issuer at any time and for any reason

As at 30 June 2019, the government of Fujairah held a total of 45.12 per cent. of the issued share capital of NBF, comprising 40.86 per cent. held through the Department of Industry and Economy and 4.26 per cent. held through the Fujairah Natural Resources Corporation. In addition, the Investment Corporation of Dubai, which is wholly owned by the government of Dubai, held 8.74 per cent. of the share capital of the Issuer.

However, neither the government of Fujairah nor the government of Dubai explicitly or implicitly guarantees the financial obligations of the Issuer (including in respect of the Capital Securities) nor do they, as with any other shareholder, have any legal obligation to provide any support or additional funding for any of the Issuer's future operations.

The interests of the Issuer's largest shareholder may conflict with the commercial interests of the Issuer, which may also conflict with the interests of the holders of Capital Securities

By virtue of its shareholding in the Issuer, the government of Fujairah (through the Department of Industry and Economy) has the ability to affect the business of the Issuer through its ability to influence actions that require shareholder approval. If circumstances were to arise where the interests of the government of Fujairah conflict with the interests of the Holders of the Capital Securities, the latter could be disadvantaged. The government of Fujairah could, for example, cause the Issuer to pursue transactions, make dividend payments or other distributions or payments to shareholders or undertake other actions to implement governmental policy rather than to foster the commercial interests of the Issuer, which could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

The Capital Securities will not be guaranteed by the government of Fujairah or by any third party

As with any other shareholder, the government of Fujairah has no legal obligation to provide funding for any of the Issuer's future operations. The government of Fujairah is not providing a guarantee of any of the Issuer's obligations in respect of any Capital Securities to be issued by the Issuer, nor is the government of Fujairah under any obligation to purchase any of the Issuer's liabilities or guarantee any of the Issuer's obligations, and holders of the Capital Securities therefore would not benefit from any legally enforceable claim against the government of Fujairah.

UAE banking market environment

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

The Issuer faces competition in all of its business areas from locally incorporated and foreign banks, including both Islamic banks and conventional banks.

The UAE could be viewed as an over-banked market, even by regional standards. The banking market in the UAE is highly fragmented and includes a range of banks that are locally incorporated (both conventional and Islamic) as well as foreign banks operating in the UAE. As at 31 December 2018, there were 49 banks holding full commercial banking licences in the UAE, of which 22 were locally incorporated banks and 27 were international banks (*source*: UAE Central Bank). There are also an increasing number of institutions offering Islamic financial products and services within the UAE. As at 31 December 2018, there were seven Islamic

banks, in addition to a number of other financial institutions, offering Islamic products and solutions. The Issuer's key competitors are primarily UAE banks such as Emirates NBD, Mashreq Bank, Abu Dhabi Commercial Bank PJSC, First Abu Dhabi Bank P.J.S.C. and Commercial Bank of Dubai P.S.C., as well as certain international banks such as Citibank, HSBC and Standard Chartered Bank. Amongst locally incorporated Islamic banks, NBF's main competitors are Dubai Islamic Bank PJSC, Abu Dhabi Islamic Bank PJSC and Sharjah Islamic Bank PJSC.

Within the UAE banking market there has traditionally been little impetus for consolidation. However, the merger between National Bank of Abu Dhabi and First Gulf Bank (consummated on 30 March 2017) and the combination of Abu Dhabi Commercial Bank PJSC, Al Hilal Bank P.J.S.C. and Union National Bank P.J.S.C. (completed on 1 May 2019) are anticipated to stimulate further moves towards greater consolidation amongst UAE banks. While any such attempts at further consolidation would reduce the level of concentration in the domestic banking sector, they would also likely lead to a significant alteration of the competitive environment with fewer larger, locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development.

The banking market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation (the "WTO"), the GCC or any other similar entities, it is likely to lead to a more competitive environment for the Issuer and other domestic financial institutions. Such increase in competition could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Capital Securities.

Foreign exchange movements may adversely affect the profitability of the Issuer

The Issuer maintains its accounts and reports its results in AED. The UAE dirham has been pegged at a fixed exchange rate to the U.S. dollar since 22 November 1980 and remains pegged as at the date of this Prospectus.

In response to the continuing oil price crisis, certain regional oil-producing countries that have traditionally "pegged" their domestic currencies to the U.S. dollar have faced pressure to remove these foreign exchange "pegs". As at the date of this Prospectus, each of Kazakhstan and Azerbaijan has chosen to unwind the U.S. dollar peg of their domestic currencies. While the likelihood of the GCC states pursuing a similar course of action is unclear (the UAE Central Bank has publicly stated its intention to retain the UAE dirham peg against the U.S. dollar), there remains a risk that any such future de-pegging by the GCC states (in the event that the current challenging market conditions persist for a prolonged period) would pose a systemic risk to the regional banking systems by virtue of the inevitable devaluation of any such de-pegged currency against the U.S. dollar and the impact this would have on the open cross-currency positions held by regional banks, including the Issuer. Any such de-pegging could have an adverse effect on the Issuer's business, results of operations, financial condition and prospects.

A downgrade in the credit ratings of the Issuer or the UAE could limit the Issuer's ability to raise funding and may increase its borrowing costs

As at the date of this Prospectus, the Issuer has been assigned long-term issuer ratings of "Baa1" with "stable outlook" by Moody's, "BBB+" with "stable outlook" by S&P and "A-" with "stable outlook" by Capital Intelligence. These ratings, which are intended to measure the Issuer's ability to meet its debt obligations as they mature, are an important factor in determining the Issuer's cost of borrowing funds. A rating, however, is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency if, in its judgement, circumstances in the future so warrant.

At any time, any of the rating agencies currently rating the Issuer may revise its relevant rating methodology, with the result that any rating assigned may be withdrawn, lowered or qualified.

Furthermore, rating agencies other than the rating agencies currently rating the Issuer could seek to assign a rating to the Issuer and, if such unsolicited ratings are lower than the comparable ratings assigned to the Issuer as at the date of this Prospectus, those unsolicited ratings could have an adverse effect on the perception of the Issuer and the market value of the Capital Securities. For the avoidance of doubt and unless the context otherwise requires, any reference to “ratings” or “rating” in this Prospectus is only to the ratings assigned by the rating agencies currently rating the Issuer as at the date of this Prospectus.

On 27 May 2017, Moody’s Investors Service Singapore Pte. Ltd (“**Moody’s Singapore**”) affirmed the long-term credit rating of the UAE as “Aa2” with “stable outlook”. The same rating was subsequently reaffirmed on 26 March 2019. On 12 July 2019, Capital Intelligence Ratings (“**Capital Intelligence**”) affirmed the long-term foreign currency rating and long-term local currency rating of the UAE as “AA-”. A downgrade or potential downgrade of the rating of the UAE or a change in rating agency methodologies relating to systemic support provided by the UAE could also negatively affect the perception by rating agencies of the Issuer’s rating.

There can also be no assurance that the rating agencies will maintain the Issuer’s current ratings or outlooks or those of the UAE. A downgrade in the Issuer’s credit rating or the credit rating of the UAE may limit the Issuer’s ability to raise funding and increase its cost of borrowing, which could have a material adverse effect on the Issuer’s business, results of operations, financial condition and prospects. Moreover, actual or anticipated changes in the Issuer’s credit rating may affect the market value of the Capital Securities.

Importance of key personnel

The Issuer’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. The competition for such employees, especially at the senior management level, in the UAE is strong due to a disproportionately low number of available qualified and/or experienced individuals compared with current demand. If the Issuer was unable to retain key members of its senior management and/or hire new qualified personnel in a timely manner, this could have a material adverse effect on the operations of the Issuer. The loss of any member of the senior management team may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives. These adverse results could, amongst other things, reduce potential revenue, which might have a material adverse effect on the Issuer’s business, results of operations, financial condition and prospects.

Additionally, the UAE Federal government has a recommended policy (commonly referred to as “**Emiratisation**”) that companies operating in the UAE recruit UAE nationals representing a certain percentage of their total employees each year. In common with other banks in the UAE, the Issuer experiences a shortage of, and competition to recruit and retain, qualified UAE national employees. If the Issuer is unable to meet or exceed the UAE Federal government’s recommended policy for recruiting UAE nationals, it may be subject to legal penalties, including with respect to its current licences, and may be prevented from obtaining additional licences necessary in order to allow it to expand its business.

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

If the Issuer fails to comply with applicable anti-money laundering, anti-terrorism financing, sanctions and other related regulations, it could face fines and damage to its reputation

The Issuer is required to comply with applicable anti-money laundering (“AML”), anti-terrorism financing laws, sanctions and other regulations. These laws and regulations require the Issuer, amongst other things, to adopt and enforce “know your customer” (“KYC”) policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. The Issuer has adopted KYC and AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments.

To the extent the Issuer 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 the Issuer. In addition, the Issuer’s business and reputation could suffer if customers use the Issuer for money laundering or other illegal purposes. This could have a material adverse effect on the Issuer’s business, results of operations, financial condition and prospects.

Risk factors relating to the UAE and the Middle East

Majority of business in the UAE

The Issuer is a bank, headquartered in Fujairah, UAE, which is primarily focused on the financial markets of the UAE. As at 30 June 2019, 85.6 per cent. of the Issuer’s total assets were located within the UAE and 88.7 per cent. of the Issuer’s total liabilities were derived from UAE sources. Accordingly, the Issuer’s business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East generally.

Additionally, investors should note that the Issuer may not have sufficient assets located outside the UAE to satisfy in whole or part any judgment obtained from a foreign court relating to amounts owing under the Certificates. If investors were to seek enforcement of a foreign judgment in the UAE or to bring proceedings in relation to the Certificates in the UAE, then certain limitations would apply (*see: “Risk factors relating to enforcement”*).

Political, economic and related considerations

The UAE is seen as a relatively stable political environment. Although the UAE has historically enjoyed significant economic growth and relative political stability, there can be no assurance that such growth or stability will continue and there is a risk that regional geopolitical instability could impact it. Although the effects of such risk and geopolitical uncertainty can vary, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur.

In particular, since early 2011, there has been political unrest in a range of countries in the MENA region, including Algeria, the Arab Republic of Egypt, the Hashemite Kingdom of Jordan, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Libya, the Republic of Iraq (Kurdistan), the Republic of Yemen, the Sultanate of Oman, Syria, Tunisia and Turkey. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with Islamic State (also known as Daesh, ISIS or ISIL)) and has given rise to increased political uncertainty across the region. Further, the UAE, along with other Arab states, is currently participating in the Saudi Arabian-led military intervention in the Republic of Yemen, which began in 2015 in response to requests for assistance from the Yemeni government. The UAE is also a member of another Saudi Arabian-led military coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. Additionally, in June 2017, a number of MENA countries including the UAE, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the Arab Republic of Egypt severed diplomatic relations with the State of Qatar, citing Qatar’s alleged support for terrorism and accusing Qatar of creating instability in

the region. The termination of diplomatic relations included the withdrawal of ambassadors and imposing trade and travel bans. Furthermore, since the United States of America's withdrawal from its nuclear deal with Iran in 2018, there has been increased tension between those two countries.

These situations have caused significant disruption to the economies of affected countries and may have had a destabilising effect on international oil and gas prices. Whilst the Issuer's business has not been directly impacted by any political unrest to date, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the Issuer would be able to sustain its current profit levels if such events or circumstances were to occur.

Although the UAE has enjoyed economic stability in recent years, there can be no assurance that such stability will continue. This is particularly so in light of the significant adverse financial and economic conditions experienced worldwide commencing in early 2008. Since that time, there has been a slowdown or reversal of the high rates of growth that had been experienced by many countries within the GCC and the UAE. Consequently, certain sectors of the GCC economy, such as financial institutions that had benefited from such high growth rates, could be adversely affected by any future slowdown. In addition, since late 2008, property and construction markets in the UAE and a number of other countries in the MENA region have been significantly adversely affected, and there has been increased volatility in the price of oil since mid-2014 (*see: "The UAE's economy is highly dependent upon its oil revenues"* below). As such, certain sectors of the GCC economy, including real estate, construction and financial institutions, have been materially adversely affected.

Moreover, while the UAE government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained or that the UAE government will not implement regulations, fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Capital Securities, or which could adversely affect the market price and liquidity of the Capital Securities.

A general downturn or sustained deterioration in the economy of the UAE, instability in certain sectors of the UAE or regional economy, or major political upheaval therein could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

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

Although the UAE has a more diversified economy than most of the other countries in the GCC, a significant portion of the UAE's economy is highly dependent upon its oil and affiliated sectors' revenues. Since June 2014, international crude oil prices have declined dramatically (falling from a high monthly average OPEC Reference Basket price per barrel of U.S.\$108 in June 2014, to a monthly average price of U.S.\$62 in June 2019). As such, there remain particular concerns around the ongoing impact of the volatility of global crude oil prices which could have a material adverse effect on the Issuer's clients, customers and depositors and therefore on the Issuer's business, financial condition, results of operations and prospects.

Oil prices have fluctuated in response to changes in many factors over which the Issuer has no control. These factors 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 dynamics, 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.

Impact of regulatory changes

The Issuer is subject to the laws, regulations, administrative actions and policies of the UAE. These regulations may limit the Issuer's activities and changes in supervision and regulation could have a material adverse effect on the Issuer's business, the products or services offered, the value of its assets and its financial condition. Fiscal or other policies which may materially adversely affect the Issuer's business, the value of its assets and its financial condition cannot be predicted and are beyond the control of the Issuer. Furthermore, no assurance can be given that the UAE federal government will not implement regulations, fiscal or monetary policies, including policies, regulations or new legal interpretations of existing regulations, relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on the Issuer's business, reputation, financial condition, results of operations and prospects and thereby affect its ability to make payments in respect of any Certificates.

In particular, any changes in UAE Central Bank regulations or policy may affect the Issuer's reserves, provisions, impairment allowances and other applicable ratios. For example, in accordance with Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the "**Liquidity Notice**"), the Issuer must comply with certain qualitative and quantitative liquidity requirements (see: "*The UAE Banking Sector and Regulations*"). On 23 February 2017, the UAE Central Bank published the "Regulations re Capital Adequacy" (the "**February 2017 Regulations**") in the Official Gazette issue 612, which were effective from 1 February 2017. The February 2017 Regulations are supported by accompanying standards (the "**Standard re Capital Supply**") which were published by the UAE Central Bank on 17 January 2018 in its Circular No. 28/2018 entitled "*Standard re Capital Supply*" effective from 31 December 2017. In addition, in March 2018, the UAE Central Bank published its "*Standard re Tier Capital Instruments*" (the "**Standard re Tier Capital Instruments**", and together with the Standard re Capital Supply, the "**Capital Standards**") (and accompanying guidance), expressed to be effective from 31 March 2018. The Capital Standards elaborate on the supervisory expectations of the UAE Central Bank, as set out in the February 2017 Regulations, with respect to the relevant Basel III capital adequacy requirements and how they will be applied by the UAE Central Bank to banks in the UAE. This has impacted the capital requirements of UAE banks, including the Issuer. Any failure by the Issuer to maintain required regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on the Issuer's business, financial condition, results of operations and prospects.

In addition, Federal Law No. (14) of 2018 Regarding the Central Bank & Organization of Financial Institutions and Activities (the "**2018 Federal Law**") (Article 116) indicates that the UAE Central Bank shall establish a resolution framework for financial institutions, pursuant to which, in the case of a deficiency in an institution's financial position, the UAE Central Bank may take certain actions for the protection of the concerned institution and its depositors. These may include (without limitation) requesting a court to liquidate or declare bankrupt such institution, or prepare a plan for the transfer of its assets and liabilities, in accordance with established laws. The timing and content for any such framework are uncertain. The exercise (or perceived likelihood of

exercise) of any such action by the UAE Central Bank or any suggestion of such exercise could materially adversely affect the value of the Capital Securities and could lead to holders losing some or all of their investment in the Capital Securities.

Furthermore, non-compliance with regulatory guidelines could expose the Issuer to potential liabilities and fines. Although the Issuer continually monitors its regulatory compliance, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

UAE bankruptcy law

In the event of the insolvency of the Issuer, UAE bankruptcy law may adversely affect the ability of the Issuer to perform its obligations under the Capital Securities. There is little precedent to predict how a claim on behalf of holders of Capital Securities against the Issuer would be resolved in the case of the insolvency of the Issuer (including the approach that would be adopted by a liquidator or analogous insolvency official in respect of any subordination agreed as a matter of contract between the Issuer and any of its creditors).

Risk factors relating to enforcement

Enforcement risk

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

The Issuer has irrevocably agreed that each of the Capital Securities, the Agency Agreement, the Deed of Covenant and the Subscription Agreement (as defined in “*Subscription and Sale*”) will be governed by English law and that any dispute arising from them will, unless the option to litigate has been exercised, be referred to arbitration in London under the LCIA Arbitration Rules.

The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”) entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in Fujairah 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 Fujairah courts find that the subject matter of the dispute is not capable of settlement by arbitration, or enforcement would be contrary to the public policy of the UAE. How the New York Convention provisions would be interpreted and applied by the Fujairah courts in practice, and whether the Fujairah courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused. The uncertainty regarding the interpretation and application of the New York Convention provisions by the courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. Article 86 of Cabinet Resolution No. (57) of 2018 Concerning the Executive Regulations of the Civil Procedure Law (“**Cabinet Resolution 57 of 2018**”) states that Article 85 applies to foreign arbitration awards, although Article 88 states that Articles 85 through 87 do not prejudice the provision of treaties and agreements entered into by the UAE with other States (which includes the New York Convention). Under Article 85 of Cabinet Resolution 57 of 2018, a judgment or order of a non-UAE court may be enforced by the Fujairah courts without further consideration of the merits of the case if, amongst other considerations, there is reciprocity of enforcement

between the UAE and the country in which the non-UAE judgment or order has been granted. If the UAE courts decide to apply Article 86 of Cabinet Resolution 57 of 2018 in any action to enforce a foreign arbitration award in the UAE, it is likely that a foreign arbitration award would be refused enforcement.

The Fujairah courts are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the laws of Fujairah, UAE law and public policy. This may mean that the Fujairah courts may seek to interpret English law-governed documents as if governed by UAE law and there can therefore be no certainty that in those circumstances the Fujairah courts would give effect to such documents in the same manner as the parties may intend.

Under the Conditions, any dispute relating to the Capital Securities may also be referred to the courts in England.

As the UAE judicial system is based on a civil code, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty.

Claims for specific enforcement

Without prejudice to the limited nature of the remedies set out in Condition 11 (*Enforcement Events*), in the event that the Issuer fails to perform its obligations under the Capital Securities, the potential remedies available to the holders of the Capital Securities may include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. An order for specific enforcement is at the discretion of the court and there is no assurance that a court will provide such an order. The amount of damages which a court may award in respect of a breach may depend upon a number of factors including Condition 11 (*Enforcement Events*) and an obligation on the holders of the Capital Securities to mitigate any loss arising as a result of the breach. No assurance is provided as to the extent to which a court may award damages in the event of a failure by the Issuer to perform its obligations as set out in the Capital Securities.

Sovereign immunity

The Issuer has waived its rights in relation to sovereign immunity under the Capital Securities. However, there can be no assurance as to whether such waivers of immunity from suit, execution or attachment or other legal process by the Issuer under the Capital Securities are valid, binding and enforceable under the laws of the UAE and applicable in Fujairah.

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

The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer

Prospective investors should note that the payment obligations of the Issuer under the Conditions rank (i) subordinate and junior to all Senior Obligations, (ii) *pari passu* with all *Pari Passu* Obligations and (iii) in priority only to all Junior Obligations. Accordingly, the payment obligations of the Issuer under the Conditions rank junior to all unsubordinated payment obligations of the Issuer (including payment obligations to depositors of the Issuer in respect of their due claims) and all subordinated payment obligations of the Issuer to which the payment obligations under the Conditions rank or are expressed to rank junior, and *pari passu* with all subordinated payment obligations of the Issuer which rank or are expressed to rank *pari passu* with the payment obligations under the Conditions.

Prospective investors should also note that the payment obligations of the Issuer under the Conditions are conditional upon the following (together, the “**Solvency Conditions**”):

- (a) the Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations;
- (b) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
- (c) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

Further, the payment obligations of the Issuer under the Capital Securities are unsecured and no collateral is or will be given by the Issuer in relation thereto.

Notwithstanding any other provisions in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities. As a result, holders of the Capital Securities would lose the entire amount of their investment in the Capital Securities.

In addition, a holder of the Capital Securities may exercise its enforcement rights in relation to the Capital Securities only in the manner provided in Condition 11 (*Enforcement Events*). If an Enforcement Event occurs and the Issuer fails to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, the claims of the holders of the Capital Securities under the Capital Securities will be extinguished without any further payment to be made by the Issuer under the Capital Securities.

Furthermore, any indication or perceived indication that any of the Solvency Conditions may not be satisfied or that such a bankruptcy order may be issued may have a material adverse effect on the market price of the Capital Securities.

No limitation on issuing senior securities

Other than the limitations in relation to the issue of further Additional Tier 1 Capital by the Issuer as set out in Condition 4.4 (*Status and Subordination – Other Issues*) which limits the circumstances in which Additional Tier 1 Capital of the Issuer can be issued that ranks senior to the Capital Securities, there is no restriction on the Issuer incurring additional indebtedness or issuing securities or creating any guarantee or contractual support arrangement which would rank senior to the Capital Securities, and which may reduce the likelihood of the Solvency Conditions being met and/or the amount recoverable by holders of the Capital Securities on a winding-up of the Issuer.

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

No Interest Payment Amounts are payable if a Non-Payment Event (as more particularly provided in, Condition 6.1 (*Interest Cancellation - Non-Payment Event*)) occurs (subject to Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*)). Each of the following events is a Non-Payment Event for the purposes of the Conditions:

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Issuer on any *Pari Passu* Obligations having the same date in respect of payment of such distributions or amounts as, or otherwise due and payable on, the date for payment of the relevant Interest Payment

Amount, exceeds, on the relevant date for payment of such Interest Payment Amount, the Distributable Items;

- (b) the Issuer is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to breach of capital buffers imposed on the Issuer by the Regulator, as appropriate) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (c) the Regulator having notified the Issuer that the Interest Payment Amount due on that Interest Payment Date should not be paid for any reason the Regulator may deem necessary;
- (d) the Solvency Conditions are not satisfied (or would no longer be satisfied if the relevant Interest Payment Amount was paid); or
- (e) the Issuer, in its sole discretion, has elected that Interest Payment Amounts shall not be paid to holders of the Capital Securities on such Interest Payment Date (other than in respect of any amounts due on any date on which the Capital Securities are to be redeemed in full, in respect of which this sub-paragraph (e) does not apply), including, without limitation, if the Issuer incurs a net loss during the relevant Interest Period.

In relation to limb (a) above, as at the Issue Date, “Distributable Items” is defined in the Conditions as “the amount of the Issuer’s consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable reserves, all as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Issuer or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital instruments that do not constitute Common Equity Tier 1 Capital”. As at 30 June 2019, the Issuer’s Distributable Items amounted to AED 1.33 billion.

However, current guidance issued by the Regulator has indicated that the definition of “Distributable Items” may in the future be calculated by reference to the latest audited or (as the case may be) auditor reviewed non-consolidated financial statements. To the extent that this change comes into effect in the future, the level of Distributable Items as so calculated might be lower than otherwise would be the case if the change does not take effect.

In relation to limb (b) above, payment restrictions will also apply in circumstances where the Issuer does not meet certain capital buffer requirements, namely, payment restrictions in an amount equal to the Maximum Distributable Amount (as defined below) if the combined capital buffer requirement is not satisfied pursuant to the Capital Regulations. In the event of a breach of the combined buffer requirement, under the Capital Regulations, the restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the Issuer’s profits for the most recent relevant period. Such calculation will result in a maximum distributable amount (the “**Maximum Distributable Amount**”) in each relevant period. As an example, the scaling is such that in the lowest quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce payments that would, but for the breach of the combined buffer requirement, be discretionary, including Interest Payment Amounts in respect of the Capital Securities. In such circumstances, the aggregate amount of distributions which the Issuer can make on account of dividends, Interest Payment Amounts and redemption amounts on its Additional Tier 1 instruments (including the Capital Securities) and certain variable remuneration (such as bonuses) or discretionary pension benefits will be limited. Furthermore, there can be no assurance that the combined buffer requirement applicable to the Issuer will not be increased in the future, which may exacerbate the risk that discretionary distributions, including payments of Interest Payment Amounts in respect of the Capital Securities, are cancelled.

In the event of a Non-Payment Event, certain restrictions on declaration of dividends or distributions and redemption of certain securities by the Issuer will apply in accordance with Condition 6.3 (*Interest Cancellation - Dividend and Redemption Restrictions*). However, the holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of a Non-Payment Event and the non-payment of any Interest Payment Amount in such a circumstance shall not constitute an Enforcement Event. The Issuer shall not make or have any obligation to make any subsequent payment in respect of any such unpaid amount. Any failure to provide notice of a Non-Payment Event in accordance with the Conditions will not invalidate the cancellation of the relevant payment of the Interest Payment Amount. In the absence of notice of a Non-Payment Event having been given in accordance with Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), the fact of non-payment of an Interest Payment Amount on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Event.

In such case, the holders of the Capital Securities will not receive Interest Payment Amounts on their investment in the Capital Securities and shall not have any claim in respect thereof. Any non-payment of Interest Payment Amounts or perceived risk of such non-payment may have a material adverse effect on the market value of the Capital Securities.

Perpetual securities

The Capital Securities are perpetual securities which have no scheduled repayment date. Holders of the Capital Securities have no ability to require the Issuer to redeem their Capital Securities unless, and subject to the restrictions described in Condition 11.4 (*Enforcement Event – Restrictions*), an Enforcement Event occurs. The Issuer has the option to redeem the Capital Securities in certain circumstances as more particularly described in Condition 9 (*Redemption and Variation*), although there is no assurance that it will do so.

This means that the holders of the Capital Securities should be aware that they may be required to bear the financial risks of an investment in the Capital Securities and have no ability to cash in their investment, except:

- (a) if the Issuer exercises its rights to redeem the Capital Securities in accordance with Condition 9 (*Redemption and Variation*);
- (b) upon the occurrence of an Enforcement Event, to the extent possible under the limited remedies set out in Condition 11 (*Enforcement Events*); or
- (c) by selling their Capital Securities.

The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Capital Securities may limit their market value, which is unlikely to rise substantially above the price at which the Capital Securities can be redeemed.

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

The right to receive repayment of the principal amount of the Capital Securities and the right for any further interest will be permanently written-down upon the occurrence of a Non-Viability Event

If a Non-Viability Event occurs, the Prevailing Principal Amount of the Capital Securities then outstanding will be written-down in whole or, in exceptional cases, in part on a pro rata basis, in each case as solely determined by the Regulator. Pursuant to a Write-down, the rights of any holder of Capital Securities for payment of any amounts under or in respect of the Capital Securities (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event), in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Interest Payment Amounts), shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior

to the date of the Non-Viability Event or notice in relation thereto. In the case of a Write-down in whole, the Capital Securities shall be cancelled. As a result, upon the occurrence of a Non-Viability Event, the holders of the Capital Securities may lose the entire amount of their investment in the Capital Securities.

In the exceptional cases in which a Write-down in part is required by the Regulator, a Write-down may occur on one or more occasions as solely determined by the Regulator provided, however, that the principal amount of a Capital Security shall never be reduced to below nil.

Furthermore, upon the occurrence of any Write-down in part pursuant to Condition 10 (*Write-down at the Point of Non-Viability*), Interest Payment Amounts will accrue on the reduced principal amount of the Capital Securities (subject to the Conditions). Also, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event or any redemption of the Capital Securities will be by reference to such reduced principal amount of the Capital Securities.

A “**Non-Viability Event**” means that the Regulator has notified the Issuer in writing that it has determined that the Issuer has, or will become, Non-Viable without: (a) a Write-down; or (b) a public injection of capital (or equivalent support).

The Issuer shall be “**Non-Viable**” if (a) it is insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business, or (b) any other event or circumstance occurs, which is specified as constituting non-viability by the Regulator, or in the Capital Regulations.

Whilst the terms of the Issuer’s Existing Tier 1 Securities also contain write-down provisions at the point of non-viability, there can be no guarantee that the Regulator would exercise the write-down provisions in the same manner as such provisions would be applied to the Capital Securities or at all.

The circumstances triggering a Write-down are unpredictable

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer’s control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Regulator. As a result, the Regulator may require a Write-down in circumstances that are beyond the control of the Issuer and with which the Issuer or the holder of the Capital Securities may not agree. Furthermore, although the Conditions provide that the Regulator may require a Write-down in whole or in part upon the occurrence of a Non-Viability Event, the current stated position of the Regulator is that a Write-down in whole will apply in all such cases save only in exceptional cases as determined by the Regulator in its sole discretion.

Investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 10 (*Write-Down at the Point of Non-Viability*) has not been tested in the UAE and therefore some degree of uncertainty exists in its application. The exercise (or perceived likelihood of exercise) of any such power by the Regulator or any suggestion of such exercise could materially adversely affect the value of the Capital Securities and could lead to holders losing some or all of their investment in the Capital Securities.

The financial viability of the Issuer will also depend in part on decisions made by the Issuer in relation to its business and operations, including the management of its capital position. In making such decisions, the Issuer will not necessarily have regard to the interests of the holders of the Capital Securities and, in particular, the consequences for the holders of the Capital Securities of any such decisions and there can be no assurance in any such circumstances that the interests of the Issuer, its shareholders and the Regulator will be aligned with those of the holders of the Capital Securities.

The Conditions contain limited Enforcement Events and remedies

The Enforcement Events in the Conditions are limited to: (i) a payment default by the Issuer for a period of seven Business Days in the case of any principal and 14 days in the case of interest (save in each case where

such failure occurs solely as a result of the occurrence of a Non-Payment Event); (ii) a final determination is made by a court or other official body that the Issuer is insolvent or bankrupt or unable to pay its debts; (iii) an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; or (b) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or (iv) any event occurs which under the laws of the UAE has an analogous effect to those described in (ii) and (iii) above.

Moreover, pursuant to Condition 11 (*Enforcement Events*), upon the occurrence of an Enforcement Event, limited remedies are available to a holder of the Capital Securities. A holder of the Capital Securities may give notice to the Issuer (at the specified office of the Fiscal Agent) that the Capital Securities are due and payable at the Early Redemption Amount and thereafter: (i) institute any steps, actions or proceedings for the winding-up of the Issuer and/or (ii) prove in the winding-up of the Issuer and/or (iii) claim in the liquidation of the Issuer for such payment and/or (iv) take such other steps, actions or proceedings to enforce, prove or claim for such payment which, under the laws of the United Arab Emirates, have an analogous effect to the actions referred to in (i) to (iii) above (in each case, without prejudice to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*), which provides (amongst other things) that if the Solvency Conditions are not satisfied or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished). In addition, any holder of the Capital Securities may at its discretion institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Conditions other than any payment obligation of the Issuer (including, without limitation, payment of any principal or satisfaction of any payments in respect of the Conditions, including any damages awarded for breach of any obligations).

Furthermore, pursuant to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*), claims in respect of Senior Obligations of the Issuer would first have to be satisfied in any winding-up or liquidation before holders of the Capital Securities may expect to obtain any amounts in respect of the Capital Securities and, prior thereto, holders of the Capital Securities may only have limited (if any) ability to influence the conduct of such winding-up or liquidation. If an Enforcement Event occurs and the Issuer has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished, and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.

Resettable fixed rate instruments have a market risk

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

the market value of the Capital Securities and can lead to losses for the holders of Capital Securities if they sell the Capital Securities.

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

Upon the occurrence of a Capital Event or a Tax Event, the Issuer may, subject as provided in Condition 9.1(c) (*Redemption and Variation - Redemption or Variation due to Taxation*) or 9.1(d) (*Redemption or Variation for Capital Event*) (as the case may be) and without the need for any consent of the holders of the Capital Securities, vary the terms of the Capital Securities such that they become or remain (as appropriate) Qualifying Tier 1 Instruments and, in the case of a variation upon the occurrence of a Tax Event, so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required.

A Capital Event will arise if the Issuer is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities is held by the Issuer or whose purchase is funded by the Issuer) of the Capital Securities would cease to be eligible to qualify, in whole or in part, for inclusion in the consolidated Additional Tier 1 Capital of the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that the Issuer satisfies the Regulator that such non-qualification was not reasonably foreseeable at the time of issuance of the Capital Securities.

A Tax Event will arise if, on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay Additional Amounts (whether or not a Non-Payment Event has occurred), as a result of a Tax Law Change which becomes effective on or after the Issue Date (and such requirement cannot be avoided by the Issuer taking reasonable measures available to it), and provided that the Issuer satisfies the Regulator that such Tax Law Change was not reasonably foreseeable at the time of issuance of the Capital Securities.

The tax and stamp duty consequences of holding the Capital Securities following variation as contemplated in Condition 9 (*Redemption and Variation*) could be different for certain holders of the Capital Securities from the tax and stamp duty consequences for them of holding the Capital Securities prior to such variation and the Issuer shall not be responsible to any holder of the Capital Securities for any such consequences in connection therewith. No assurance can be given as to whether any of these changes will negatively affect any particular holder of the Capital Securities.

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

Upon the occurrence of a Tax Event or a Capital Event, or at its option on the First Call Date or any Call Date thereafter, the Issuer may, having given not less than 10 nor more than 15 days' prior notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*), redeem in accordance with the Conditions all (but not some only) of the Capital Securities at the Tax Redemption Amount, Capital Event Redemption Amount or Early Redemption Amount (as applicable) (as more particularly described in Condition 9.1(b) (*Redemption and Variation - Issuer's Call Option*), Condition 9.1(c) (*Redemption and Variation - Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption and Variation - Redemption or Variation for Capital Event*)).

Any redemption of the Capital Securities is subject to the requirements in Condition 9.1(a) (*Redemption and Variation - No Fixed Redemption Date and Conditions for Redemption and Variation*), including (to the extent then required) obtaining the prior consent of the Regulator. There can be no guarantee that the consent of the Regulator will be received on time or at all.

There is no assurance that the holders of the Capital Securities will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities. Potential investors should consider re-investment risk in light of other investments available at that time.

The exercise of (or perceived likelihood of exercise of) the redemption features of the Capital Securities may limit their market value, which is unlikely to rise substantially above the price at which the Capital Securities can be redeemed.

Modification

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

The Conditions also provide that the Fiscal Agent and the Issuer may agree, without the consent of holders of the Capital Securities, to any modification of any Capital Securities, in the circumstances specified in Condition 16 (*Meetings of Holders of The Capital Securities and Modification*).

The Conditions also provide that the Issuer may, without the consent or approval of the holders of the Capital Securities, vary the Conditions so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments and, in the case of a variation upon the occurrence of a Tax Event, so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required, as provided in Condition 9.1(c) (*Redemption and Variation - Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption and Variation - Redemption or Variation for Capital Event*).

Trading in the clearing systems

As the Capital Securities have a denomination consisting of U.S.\$200,000, plus higher integral multiples of U.S.\$1,000, it is possible that such Capital Securities may be traded in amounts that are not integral multiples of U.S.\$200,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than U.S.\$200,000 in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding (should Individual Certificates be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to at least U.S.\$200,000 in order to be eligible to receive an Individual Certificate.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

Change of law

The Conditions are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practices after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Capital Securities.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Capital Securities will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (together, the “**ICSDs**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Individual Certificates. The ICSDs and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Capital Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the ICSDs and their respective participants. While Capital Securities are represented by the Global Certificate, the Issuer will discharge its payment obligation under such Capital Security by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive

payments under the relevant Capital Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

Credit ratings may not reflect all risks

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

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

Taxation risks on payments

Payments made by the Issuer in respect of the Capital Securities could become subject to taxation. Condition 12 (*Taxation*) requires the Issuer to pay additional amounts in certain circumstances in the event that any withholding or deduction is imposed by the UAE or the Emirate of Fujairah in respect of any interest payments under the Capital Securities (but not in respect of principal), such that net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Capital Securities in the absence of such withholding or deduction.

Risks related to the market generally

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

The secondary market generally

There is no assurance that a secondary market for the Capital Securities will develop or, if it does develop, that it will provide the holders of the Capital Securities with liquidity of investment or that it will continue for the life of the Capital Securities. The Capital Securities generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see “*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – Perpetual securities*”), are subordinated (see “*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer*”) and payments of Interest Payment

Amounts may be restricted in certain circumstances (see “*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Capital Securities – Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative*”).

Application has been made for the Capital Securities to be admitted to the Official List and for such Capital Securities to be admitted to trading on the regulated market of Euronext Dublin. However, there can be no assurance that any such listing will occur or will enhance the liquidity of the Capital Securities. Illiquidity may have an adverse effect on the market value of the Capital Securities. Accordingly, a holder of the Capital Securities may not be able to find a buyer to buy its Capital Securities readily or at prices that will enable the holder of the Capital Securities to realise a desired yield. The market value of the Capital Securities may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Capital Securities. Accordingly, the purchase of Capital Securities is suitable only for investors who can bear the risks associated with a lack of liquidity in the Capital Securities and the financial and other risks associated with an investment in the Capital Securities.

Exchange rate risks and exchange controls

The Issuer will pay any principal and interest payable on the Capital Securities in U.S. dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to U.S. dollars would decrease: (a) the Investor’s Currency-equivalent yield on the Capital Securities; (b) the Investor’s Currency-equivalent value of the principal payable on the Capital Securities; and (c) the Investor’s Currency-equivalent market value of the Capital Securities.

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

Emerging markets

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

OVERVIEW OF THE ISSUANCE

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision to invest in the Capital Securities should be based on a consideration of this Prospectus as a whole.

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

Issuer:	National Bank of Fujairah PJSC
Legal Entity Identifier of the Issuer:	6TIN7S7AEVZ717N6GQ95
Website of the Issuer:	https://nbfae/en
Description:	U.S.\$350,000,000 Perpetual Additional Tier 1 Capital Securities.
Structuring Agents:	HSBC Bank plc.
Joint Lead Managers:	Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, J.P. Morgan Securities plc and Standard Chartered Bank.
Fiscal Agent and Calculation Agent:	HSBC Bank plc.
Registrar and Transfer Agent:	HSBC Bank plc.
Issue Date:	1 October 2019.
Issue Price:	100 per cent.
Interest Payment Dates:	1 April and 1 October in every year, commencing on 1 April 2020.
Interest Payment Amounts:	<p>Subject to Condition 6 (<i>Interest Cancellation</i>), the Capital Securities shall, during the Initial Period, bear interest at a rate of 5.875 per cent. per annum (the “Initial Interest Rate”) on the Prevailing Principal Amount of the Capital Securities (being the aggregate of a margin of 4.301 per cent. per annum (the “Margin”) and the Relevant Five-Year Reset Rate). The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$29.375 per U.S.\$1,000 in principal amount of the Capital Securities. For the purpose of calculating payments of interest following the Initial Period, the Interest Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Five-Year Reset Rate on the relevant U.S. Securities Determination Date, as determined by the Calculation Agent (see Condition 5 (<i>Interest</i>)).</p> <p>If a Non-Payment Event occurs, the Issuer shall not pay the corresponding Interest Payment Amount and the Issuer shall not have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6 (<i>Interest Cancellation</i>). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.</p>

Form of Capital Securities:

The Capital Securities will be issued in registered form. The Capital Securities will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Individual Certificates evidencing a holding of Capital Securities will be issued in exchange for interests in the Global Certificate only in limited circumstances.

Clearance and Settlement:

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

Denomination:

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

Status of the Capital Securities:

Each Capital Security will rank *pari passu* without preference or priority, with all other Capital Securities.

Subordination of the Capital Securities:

The payment obligations of the Issuer under the Capital Securities (the “**Obligations**”) will: (a) constitute Additional Tier 1 Capital of the Issuer; (b) constitute direct, unsecured, conditional (as described below) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (c) rank subordinate and junior to all Senior Obligations but not further or otherwise; (d) rank *pari passu* with all *Pari Passu* Obligations; and (e) rank in priority only to all Junior Obligations.

Notwithstanding any other provision in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.

Solvency Conditions:

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

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

- (ii) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
- (iii) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

Redemption and Variation:

The Capital Securities are perpetual securities in respect of which there is no fixed or final redemption date. The Capital Securities may be redeemed in whole but not in part, or the terms thereof may be varied by the Issuer only in accordance with the provisions of Condition 9 (*Redemption and Variation*).

Pursuant to Condition 9.1(b) (*Redemption and Variation – Issuer’s Call Option*), the Issuer may, on any Call Date, redeem all, but not some only, of the Capital Securities at the Early Redemption Amount.

In addition (on any date on or after the Issue Date, whether or not an Interest Payment Date), upon the occurrence of a Tax Event or a Capital Event, all but not some only, of the Capital Securities may be redeemed or the terms of the Capital Securities may be varied, in each case in accordance with Conditions 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*).

Any redemption of the Capital Securities is subject to the conditions described in Condition 9.1 (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*).

Write-down at the point of Non-Viability:

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 10.2 (*Write-Down at the Point of Non-Viability – Non-Viability Notice*).

“**Write-down**” means:

- (i) the holders’ rights under the Capital Securities shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount;
- (ii) in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled; and

- (iii) all rights of any holder for payment or any amounts under or in respect of the Capital Securities, in a proportion corresponding to the relevant Write-down Amount (and any corresponding Interest Payment Amounts), shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date.

Purchase:

Subject to the Issuer (to the extent then required by the Regulation or the Capital Regulations) (A) having obtained the prior written consent of the Regulator; (B) being in compliance with the Applicable Regulatory Capital Requirements immediately following such purchase; and (C) being Solvent at the time of purchase, the Issuer or any of its subsidiaries, may after the First Call Date, purchase the Capital Securities in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between the Issuer or the relevant subsidiary (as the case may be) and the relevant holders of Capital Securities. Upon any such purchase, the Issuer may deliver such Capital Securities for cancellation.

Enforcement Events:

Upon the occurrence of an Enforcement Event, any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10 (*Write-down at the Point of Non-Viability*) and Condition 11.4 (*Restrictions*), become forthwith due and payable at its Early Redemption Amount, without presentation, demand, protest or other notice of any kind.

Withholding Tax:

All payments in respect of the Capital Securities will be made free and clear of, without withholding or deduction for, or on account of, withholding taxes imposed by the relevant Tax Jurisdiction, subject as provided in Condition 12 (*Taxation*). In the event that any such deduction is made, the Issuer will, in respect of interest (but not in respect of principal), save in certain limited circumstances provided in Condition 12 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

Ratings:

The Issuer has been assigned long-term credit ratings of Baa1, BBB+ and A- by Moody's, S&P and Capital Intelligence, respectively, each with a stable outlook. The Issuer has been assigned short-term credit ratings of P-2, A-2 and A2 by Moody's, S&P and Capital Intelligence, respectively, each with a stable outlook.

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

Listing and Admission to Trading:

Application has been made for the Capital Securities to be (a) admitted to listing on the Official List and (b) admitted to trading on the regulated market of Euronext Dublin.

Governing Law and Dispute Resolution:

The Capital Securities, the Agency Agreement, the Deed of Covenant and any non-contractual obligations arising out of, relating to or having any connection with the Capital Securities, the Agency Agreement and the Deed of Covenant will be governed by, and shall be construed in accordance with, English law. In respect of any dispute, claim, difference or controversy under the Capital Securities, the Agency Agreement or the Deed of Covenant, the Issuer has consented to arbitration in accordance with the LCIA Arbitration Rules unless any holder of Capital Securities (in the case of the Capital Securities or the Deed of Covenant) or Agent (in the case of the Agency Agreement) elects to have the dispute, claim, difference or controversy resolved by a court, in which case the English courts will have exclusive jurisdiction to settle such dispute (or such other court of competent jurisdiction as such party may elect).

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Capital Securities in the United States (Regulation S Category 2), the United Kingdom, the EEA, the Kingdom of Bahrain, the State of Qatar (including the Qatar International Financial Centre), the Kingdom of Saudi Arabia, the Dubai International Financial Centre, the UAE (excluding the Dubai International Financial Centre), Hong Kong, Japan and Singapore and such other restrictions as may be required in connection with the offering and sale of the Capital Securities (see “*Subscription and Sale*”).

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited consolidated financial statements (including the audit report thereon) of NBF as at and for the year ended 31 December 2018 (<https://nbf.ae/en/about-us/investor-relations/financial-information/annual-reports>);
- (b) the audited consolidated financial statements (including the audit report thereon) of NBF as at and for the year ended 31 December 2017 (<https://nbf.ae/en/about-us/investor-relations/financial-information/annual-reports>);
- (c) the unaudited condensed consolidated interim financial statements (including the review report thereon) of NBF as at and for the six months ended 30 June 2019 (<https://nbf.ae/en/about-us/investor-relations/financial-information/quarterly-reports>); and
- (d) the unaudited condensed consolidated interim financial statements (including the review report thereon) of NBF as at and for the six months ended 30 June 2018 (<https://nbf.ae/en/about-us/investor-relations/financial-information/quarterly-reports>).

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

Copies of documents incorporated by reference in this Prospectus can be obtained (without charge) from the Issuer's website at <https://nbf.ae/en>.

Any non-incorporated parts of a document referred to herein are either not relevant for an investor or are covered elsewhere in this Prospectus.

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following are the Terms and Conditions of the Capital Securities which will be incorporated by reference into the Global Certificate (as defined below) and endorsed on each Individual Certificate (if issued) in respect of the Capital Securities:

Each of the U.S.\$350,000,000 Perpetual Additional Tier 1 Capital Securities (the “**Capital Securities**”) is issued by National Bank of Fujairah PJSC in its capacity as issuer (the “**Issuer**”) pursuant to the Deed of Covenant and the Agency Agreement (each as defined below).

Payments relating to the Capital Securities will be made pursuant to an agency agreement dated the Issue Date (as amended or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, HSBC Bank plc as fiscal agent (in such capacity, the “**Fiscal Agent**” and together with any further or other paying agents appointed from time to time in respect of the Capital Securities, the “**Paying Agents**”), HSBC Bank plc as registrar (in such capacity, the “**Registrar**”) and as transfer agent (in such capacity, the “**Transfer Agent**” and, together with the Registrar and any further or other transfer agents appointed from time to time in respect of the Capital Securities, the “**Transfer Agents**”) and HSBC Bank plc as calculation agent (the “**Calculation Agent**”, which expression includes any other calculation agent appointed from time to time in respect of the Capital Securities). The Paying Agents, the Calculation Agent and the Transfer Agents are together referred to in these terms and conditions (the “**Conditions**”) as the Agents. References to the “**Agents**” or any of them shall include their successors. The Capital Securities are constituted by a deed of covenant dated the Issue Date (as amended or supplemented from time to time, the “**Deed of Covenant**”) entered into by the Issuer.

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

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

1 Interpretation

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

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

“**Additional Tier 1 Capital**” means capital qualifying as, and approved by the Regulator as, additional tier 1 capital in accordance with the Capital Regulations;

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

“**Assets**” means the consolidated gross assets of the Issuer as shown in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of the Issuer, but adjusted for subsequent events in such manner

as the Directors, the Auditors or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of the Issuer) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

“**Auditors**” means, at any time, the statutory independent auditors to the Issuer at the relevant time or such other auditor as may be appointed for the purpose of the Transaction Documents;

“**Authorised Denomination**” has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

“**Authorised Signatory**” means any person who is duly authorised by the Issuer to sign documents on its behalf and whose specimen signature has been provided to the Fiscal Agent;

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

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

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

“**Capital Event**” is deemed to have occurred if the Issuer is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities is held by the Issuer or whose purchase is funded by the Issuer) of the Capital Securities would cease to be eligible to qualify, in whole or in part, for inclusion in the consolidated Additional Tier 1 Capital of the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that the Issuer satisfies the Regulator that such non-qualification was not reasonably foreseeable at the time of issuance of the Capital Securities;

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

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

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

“**Certificate**” means the Global Certificate or an Individual Certificate, as the case may be;

“**Clearstream, Luxembourg**” has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

“**Code**” has the meaning given to it in Condition 7.3 (*Payments – Payments Subject to Laws*);

“**Common Equity Tier 1 Capital**” means capital qualifying as, and approved by the Regulator as common equity tier 1 capital in accordance with the Capital Regulations;

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

“**Designated Account**” has the meaning given to it in Condition 7.1 (*Payments – Payments in respect of Individual Certificates*);

“**Designated Bank**” has the meaning given to it in Condition 7.1 (*Payments – Payments in respect of Individual Certificates*);

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

“**Dispute**” has the meaning given to it in Condition 18.2 (*Governing Law and Dispute Resolution – Arbitration*);

“**Distributable Items**” means the amount of the Issuer’s consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable reserves, all as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Issuer or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital instruments that do not constitute Common Equity Tier 1 Capital;

“**Dividend Stopper Date**” has the meaning given to it in Condition 6.3 (*Interest Cancellation - Dividend and Redemption Restrictions*);

“**Early Redemption Amount**” in relation to a Capital Security, means 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

“**Enforcement Event**” means:

- (a) **Non-payment:** the Issuer fails to pay an amount in the nature of principal or interest due and payable by it pursuant to the Conditions and the failure continues for a period of seven Business Days in the case of principal and 14 days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event); or
- (b) **Insolvency:** a final determination is made by a court or other official body that the Issuer is insolvent or bankrupt or unable to pay its debts; or
- (c) **Winding-up:** an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; or (ii) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or
- (d) **Analogous Event:** any event occurs which under the laws of the United Arab Emirates has an analogous effect to any of the events referred to in paragraph (b) or (c) above;

“**Euroclear**” has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

“**Exchange Event**” has the meaning given to it in Condition 3.4 (*Transfers of Capital Securities and Exchange for Individual Certificates – Exchange for Individual Certificates*);

“**Existing Tier 1 Securities**” means the AED500,000,000 tier 1 capital notes issued by the Issuer on 23 March 2015;

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

“First Call Date” means 1 October 2024;

“First Interest Payment Date” means 1 April 2020;

“Global Certificate” means the global registered certificate;

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

“Initial Interest Rate” has the meaning given to it in Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*);

“Initial Period” means the period (from and including) the Issue Date to (but excluding) the First Call Date;

“Interest Payment Amount” means, subject to Condition 6 (*Interest Cancellation*) and Condition 7 (*Payments*), the interest payable on each Interest Payment Date;

“Interest Payment Date” means each of 1 April and 1 October in every year, commencing on the First Interest Payment Date;

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

“Interest Rate” means, in respect of the Initial Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 5.2 (*Interest – Interest Rate following the Initial Period*);

“Issue Date” means 1 October 2019;

“Junior Obligations” means all claims of the holders of Ordinary Shares, all payment obligations of the Issuer in respect of its Other Common Equity Tier 1 Instruments and any other payment obligations that rank or are expressed to rank junior to the Capital Securities;

“LCIA” means the London Court of International Arbitration;

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

“Margin” has the meaning given to it in Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*);

“Non-Payment Event” has the meaning given to it in Condition 6.1 (*Interest Cancellation – Non-Payment Event*);

“Non-Viability Event” means that the Regulator has notified the Issuer in writing that it has determined that the Issuer has, or will, become Non-Viable without:

- (a) a Write-down; or
- (b) a public injection of capital (or equivalent support);

“Non-Viability Event Write-down Date” shall be the date on which a Write-down will take place as specified in a relevant Non-Viability Notice, which date shall be as determined by the Regulator;

“Non-Viability Notice” has the meaning given to it in Condition 10.1 (*Write-Down at the Point of Non-Viability – Non-Viability Notice*);

“Non-Viable” means (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business or (b) any other event or circumstance occurs, which is specified as constituting non-viability by the Regulator or in the Capital Regulations;

“Obligations” has the meaning given to it in Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*);

“Ordinary Shares” means ordinary shares of the Issuer;

“Other Common Equity Tier 1 Instruments” means securities issued by the Issuer that qualify as Common Equity Tier 1 Capital of the Issuer other than Ordinary Shares;

“Outstanding Payments” means, in relation to any amounts payable on redemption of the Capital Securities, an amount representing any accrued and unpaid interest for the Interest Period during which redemption occurs to the date of redemption;

“Pari Passu Obligations” means the Issuer’s payment obligations under the Existing Tier 1 Securities and all other subordinated payment obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Obligations;

“Payment Day” has the meaning given to it in Condition 7.4 (*Payments – Payment Day*);

“Prevailing Principal Amount” means, in respect of a Capital Security, the initial principal amount of such Capital Security as reduced by any Write-down of such Capital Security (on one or more occasions) pursuant to Condition 10 (*Write-down at the Point of Non-Viability*);

“Proceedings” has the meaning given to it in Condition 18.4 (*Governing Law and Dispute Resolution – Effect of Exercise of Option to Litigate*);

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

- (a) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Additional Tier 1 Capital;
- (b) have terms and conditions not materially less favourable to a holder of the Capital Securities than the terms and conditions of the Capital Securities (as reasonably determined by the Issuer (provided that in making this determination the Issuer is not required to take into account the tax treatment of the varied instrument in the hands of all or any holders of the Capital Securities, or any transfer or similar taxes that may apply on the acquisition of the new instrument) provided that a certification to such effect of two Authorised Signatories shall have been delivered to the Fiscal Agent prior to the variation of the terms of the Capital Securities);
- (c) continue to be direct or indirect obligations of the Issuer;
- (d) rank on a winding up at least *pari passu* with the Obligations;
- (e) have the same outstanding principal amount and interest payment dates as the Capital Securities and at least equal interest or distribution rate or rate of return as the Capital Securities;

- (f) (where the instruments are varied prior to the First Call Date) have a first call date no earlier than the First Call Date and otherwise have the same optional redemption dates as the Capital Securities (as originally issued); and
- (g) if, immediately prior to the variation of the terms of the Capital Securities in accordance with Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) (as applicable), (A) the Capital Securities were listed or admitted to trading on a Regulated Market, have been listed or admitted to trading on a Regulated Market; or (B) the Capital Securities were listed or admitted to trading on a recognised stock exchange other than a Regulated Market, have been listed or admitted to trading on any internationally recognised stock exchange (including, without limitation, a Regulated Market), in each case as selected by the Issuer and notified to the holders of the Capital Securities in accordance with Condition 15 (*Notices*),

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

“Record Date” means, in the case of any Interest Payment Amount, the date falling on the 15th day before the relevant Interest Payment Date and, in the case of the payment of a Redemption Amount, the date falling two Payment Days before the date for payment of the relevant Redemption Amount (as the case may be);

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

“Register” has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

“Regulated Market” means a regulated market for the purposes of Directive 2014/65/EU (as amended);

“Regulator” means the Central Bank or any successor entity having primary bank supervisory authority with respect to the Issuer in the United Arab Emirates;

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

“Relevant Five-Year Reset Rate” means: (i) the yield (in per cent. per annum) for United States Treasury Securities at “constant maturity” for a designated maturity of five years, as published in the H.15 under the caption “treasury constant maturities (nominal)”, as the last daily yield available on the relevant U.S. Securities Determination Date (for the avoidance of doubt, this will be published for the prior Business Day), as displayed on the Bloomberg Screen designated as “H15T5Y” or if the yield is not published on the Bloomberg Screen by the relevant time, the daily statistical release designated as H.15, or any successor publication, published by the board of governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15> or any successor site or publication, or (ii) in respect of any Reset Period, if the Calculation Agent cannot procure the determination of the Relevant Five-Year Reset Rate on the relevant U.S. Securities Determination Date pursuant to the methods described in (i), then the Relevant Five-Year Reset Rate will be: (a) equal to the rate applicable to the immediately preceding Reset Period; or (b) in the case of the Reset Period commencing on the First Call Date, 1.574 per cent.;

“Relevant Period” has the meaning given to it in Condition 5.1 (*Interest - Initial Interest Rate and Interest Payment Dates*);

“Replacement Agent” means the Registrar and the Transfer Agents;

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

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

“Rules” has the meaning given to it in Condition 18.2 (*Governing Law and Dispute Resolution – Arbitration*);

“Senior Obligations” means all unsubordinated payment obligations of the Issuer (including payment obligations to the Issuer’s depositors in respect of their due claims) and all subordinated payment obligations (if any) of the Issuer except Junior Obligations or *Pari Passu* Obligations;

“Solvency Conditions” has the meaning given to it in Condition 4.3 (*Status and Subordination – Solvency Conditions*);

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

“Tax Event” means on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay Additional Amounts (whether or not a Non-Payment Event has occurred), as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of a Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations (each, a **“Tax Law Change”**), which Tax Law Change becomes effective on or after the Issue Date (and such requirement cannot be avoided by the Issuer taking reasonable measures available to it), and provided that the Issuer satisfies the Regulator that such Tax Law Change was not reasonably foreseeable at the time of issuance of the Capital Securities;

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

“Tax Law Change” has the meaning given to it in the definition of “Tax Event”;

“Tax Redemption Amount” in relation to a Capital Security, means 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

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

“Tier 1 Capital” means capital qualifying as, and approved by the Regulator as, tier 1 capital in accordance with the Capital Regulations;

“Transaction Documents” means each of the Agency Agreement, Deed of Covenant and any other agreements, deeds, undertakings or other documents designated as such by the parties thereto;

“U.S. Government Securities Business Day” means any day except for a Saturday, Sunday or a day on which the U.S. Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

“U.S. Securities Determination Date” means the second U.S. Government Securities Business Day before the commencement of the Reset Period for which the rate will apply;

“Write-down” means:

- (a) the holders’ rights under the Capital Securities shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount;
- (b) in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled; and

- (c) all rights of any holder for payment of any amounts under or in respect of the Capital Securities (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event), in a proportion corresponding to the relevant Write-down Amount (and any corresponding Interest Payment Amounts), shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date,

and all references to “**Written-down**” will be construed accordingly; and

“**Write-down Amount**” means, on any Non-Viability Event Write-Down Date, the amount as determined by the Regulator by which the aggregate Prevailing Principal Amount of the Capital Securities then outstanding is to be Written-down on a pro rata basis and shall be calculated per Capital Security by reference to the Prevailing Principal Amount of each Capital Security then outstanding which is to be Written-down.

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

2 Form, Denomination and Title

2.1 Form and Denomination

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

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

2.2 Title

The holder of any Capital Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it 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 issued in respect of it) and no person will be liable for so treating the holder.

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

Agent as the holder of such nominal amount of such Capital Securities in accordance with and subject to the terms of the Global Certificate.

3 Transfers of Capital Securities and Exchange for Individual Certificates

3.1 Transfers of interests in the Global Certificate

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

3.2 Transfer of Individual Certificates

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

3.3 Costs of registration

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

3.4 Exchange for Individual Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of an Exchange Event (as defined below). The Issuer will give notice to holders of the Capital Securities in accordance with Condition 15 (*Notices*) if an Exchange Event occurs as soon as practicable thereafter. For these purposes, an “**Exchange Event**” shall occur if: (a) an Enforcement Event has occurred; or (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of legal holiday) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Issuer is available.

In such circumstances, the Global Certificate shall be exchanged in full for Individual Certificates and the Issuer will, at the cost of the Issuer, cause sufficient Individual Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the holders of the Capital Securities.

3.5 Closed Periods

No holder of Capital Securities may require the transfer of a Capital Security to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Capital Security.

3.6 Other

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

4 Status and Subordination

4.1 Status of the Capital Securities

Each Capital Security will rank *pari passu* without preference or priority, with all other Capital Securities.

4.2 Subordination of the Capital Securities

- (a) The payment obligations of the Issuer under the Capital Securities (the “**Obligations**”) will: (i) constitute Additional Tier 1 Capital of the Issuer; (ii) constitute direct, unsecured, conditional (as described in Conditions 4.2(b) (*Subordination of the Capital Securities*) and 4.3 (*Solvency Conditions*)) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (iii) rank subordinate and junior to all Senior Obligations (but not further or otherwise); (iv) rank *pari passu* with all *Pari Passu* Obligations; and (v) rank in priority only to all Junior Obligations.
- (b) Notwithstanding any other provisions in these Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.
- (c) Subject to applicable law, each holder of the Capital Securities unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the Obligations. No collateral is or will be given for the Obligations and any collateral that may have been or may in the future be given in connection with other obligations of the Issuer shall not secure the Obligations.

4.3 Solvency Conditions

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

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

- (b) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
- (c) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

4.4 Other Issues

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

5 Interest

5.1 Initial Interest Rate and Interest Payment Dates

Subject to Condition 6 (*Interest Cancellation*), the Capital Securities shall, during the Initial Period, bear interest at a rate of 5.875 per cent. per annum (the “**Initial Interest Rate**”) on the Prevailing Principal Amount of the Capital Securities (being the aggregate of a margin of 4.301 per cent. per annum (the “**Margin**”) and the Relevant Five-Year Reset Rate) in accordance with the provisions of this Condition 5 (*Interest*). The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$29.375 per U.S.\$1,000 in principal amount of the Capital Securities.

Subject to Condition 6 (*Interest Cancellation*), interest shall be payable on the Capital Securities semi-annually in arrear on each Interest Payment Date, in each case as provided in this Condition 5 (*Interest*). Interest is discretionary, will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.

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

5.2 Interest Rate following the Initial Period

For the purpose of calculating payments of interest following the Initial Period, the Interest Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Five-Year Reset Rate on the relevant U.S. Securities Determination Date, as determined by the Calculation Agent.

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

5.3 Determinations of Calculation Agent Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 (*Interest*), shall (in the absence of manifest error) be binding on the Calculation Agent, the Paying Agents and the holders of the Capital Securities and (in the absence of manifest error) no liability to the holders of the Capital Securities shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

6 Interest Cancellation

6.1 Non-Payment Event

Notwithstanding Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*), subject to Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), if any of the following events occurs (each, a “**Non-Payment Event**”), Interest Payment Amounts shall not be paid on the corresponding Interest Payment Date:

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Issuer on any *Pari Passu* Obligations having the same date in respect of payment of such distributions or amounts as, or otherwise due and payable on, the date for payment of Interest Payment Amounts, exceeds, on the relevant date for payment of such Interest Payment Amount, the Distributable Items;
- (b) the Issuer is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to breach of capital buffers imposed on the Issuer by the Regulator, as appropriate) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (c) the Regulator having notified the Issuer that the Interest Payment Amount due on that Interest Payment Date should not be paid for any reason the Regulator may deem necessary;
- (d) the Solvency Conditions are not satisfied (or would no longer be satisfied if the relevant Interest Payment Amount was paid); or
- (e) the Issuer, in its sole discretion, has elected that Interest Payment Amounts shall not be paid to holders of the Capital Securities on such Interest Payment Date (other than in respect of any amounts due on any date on which the Capital Securities are to be redeemed in full, in respect of which this Condition 6.1(e) does not apply), including, without limitation, if the Issuer incurs a net loss during the relevant Interest Period.

6.2 Effect of Non-Payment Event

If a Non-Payment Event occurs, then the Issuer shall give notice to the Fiscal Agent and the holders of the Capital Securities (in accordance with Condition 15 (*Notices*)) (which notice shall be revocable) providing details of the Non-Payment Event as soon as practicable (or, in the case of a Non-Payment Event pursuant to Condition 6.1(e), no later than five Business Days prior to such event). However, any failure to provide such notice will not invalidate the cancellation of the relevant payment of the Interest

Payment Amount. In the absence of notice of a Non-Payment Event having been given in accordance with this Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), the fact of non-payment of an Interest Payment Amount on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Event.

Holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of a Non-Payment Event (whether or not notice of such Non-Payment Event has been given in accordance with this Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*)) and any non-payment of an Interest Payment Amount in such circumstances shall not constitute an Enforcement Event. The Issuer shall not make or shall not have any obligation to make any subsequent payment in respect of any such unpaid Interest Payment Amount.

6.3 Dividend and Redemption Restrictions

If any Interest Payment Amount is not paid as a consequence of a Non-Payment Event pursuant to Condition 6.1 (*Interest Cancellation - Non-Payment Event*), then, from the date of such Non-Payment Event (the “**Dividend Stopper Date**”), the Issuer will not, so long as any of the Capital Securities are outstanding:

- (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- (b) declare or pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, *pari passu* with or junior to the Obligations (excluding securities the terms of which do not at the relevant time enable the Issuer to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the Capital Regulations for Tier 1 Capital applicable from time to time; or
- (c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Ordinary Shares; or
- (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Issuer ranking, as to the right of repayment of capital, *pari passu* with or junior to the Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the Capital Regulations for Tier 1 Capital applicable from time to time,

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

7 Payments

7.1 Payments in respect of Individual Certificates

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

Payments of principal in respect of each Capital Security will be made against presentation and surrender of the Individual Certificate at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the

first named of joint holders) of the Capital Security appearing in the Register at the close of business in the place of the Registrar's specified office on the Record Date. Notwithstanding the previous sentence, if: (a) a holder does not have a Designated Account; or (b) the principal amount of the Capital Securities held by a holder is less than U.S.\$200,000, payment will instead be made by a cheque in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank in New York City.

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

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

7.2 Payments in respect of the Global Certificate

The holder of the Global Certificate shall be the only person entitled to receive payments in respect of Capital Securities represented by the Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Certificate in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Capital Securities represented by such Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be), for his share of each payment so made by the Issuer, or to the order of, the holder of such Global Certificate. Each payment made in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business.

7.3 Payments Subject to Laws

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

7.4 Payment Day

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

7.5 Interpretation of principal and interest

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

- (a) the Early Redemption Amount of the Capital Securities;
- (b) the Capital Event Redemption Amount of the Capital Securities; and
- (c) the Tax Redemption Amount of the Capital Securities.

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

8 Agents

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

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

- (a) there will at all times be a Fiscal Agent and a Registrar; and
- (b) with effect from the First Call Date, and so long as any Capital Securities remain outstanding thereafter, there will be a Calculation Agent; and
- (c) so long as the Capital Securities are listed on any stock exchange or admitted to listing, trading and/or quotation by any other relevant authority, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (d) there will at all times be a Paying Agent and a Transfer Agent with a specified office in Europe.

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

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

9 Redemption and Variation

9.1 Redemption and Variation

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

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 4 (*Status and Subordination*), Condition 10 (*Write-down at the Point of Non-Viability*) and Condition 11 (*Enforcement Events*) and without prejudice to the provisions of Condition 13 (*Prescription*)) only have the right to redeem the Capital Securities or vary the terms thereof upon satisfaction of and in accordance with the following provisions of this Condition 9 (*Redemption and Variation*).

The redemption of the Capital Securities or variation of the Conditions, in each case pursuant to this Condition 9 (*Redemption and Variation*), is subject to the following conditions (to the extent then required by the Regulator or the Capital Regulations):

- (i) the prior consent of the Regulator;
- (ii) the requirement that both at the time when the relevant notice of redemption or variation is given and immediately following such redemption or variation (as applicable), the Issuer is or will be (as the case may be) in compliance with the Applicable Regulatory Capital Requirements; and
- (iii) the Solvency Conditions being satisfied.

(b) ***Issuer's Call Option***

Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (which notice shall specify the date fixed for redemption) redeem all but not some only, of the Capital Securities at the Early Redemption Amount (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

Redemption of the Capital Securities pursuant to this Condition 9.1(b) (*Issuer's Call Option*) may only occur on a Call Date.

(c) ***Redemption or Variation due to Taxation***

- (i) Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Tax Event, the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*): (A) redeem all, but not some only, of the Capital Securities at the Tax Redemption Amount; or (B) vary the terms of the Capital Securities so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments and so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required, in each case without any requirement for consent or approval of the holders of the Capital Securities.

- (ii) Redemption of the Capital Securities, or variation of the Conditions, in each case pursuant to this Condition 9.1(c) (*Redemption or Variation due to Taxation*) may occur on any date after the Issue Date (whether or not such date is an Interest Payment Date).
 - (iii) At the same time as the publication of any notice of redemption or variation (as the case may be) pursuant to this Condition 9.1(c) (*Redemption or Variation due to Taxation*), the Issuer shall give to the Fiscal Agent: (A) a certificate signed by two Authorised Signatories of the Issuer stating that: (I) the relevant conditions set out in Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (II) a Tax Event has occurred; and (III) in the case of a variation only, the varied Capital Securities will be Qualifying Tier 1 Instruments and that the Regulator has confirmed that the varied Capital Securities will satisfy limb (a) of the definition of Qualifying Tier 1 Instruments; and (B) an opinion of independent legal advisors of recognised standing to the effect that the Issuer has or will become obliged to pay Additional Amounts as a result of the Tax Event. Such certificate delivered in accordance with this Condition shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out in (A)(I) to (III) above. Upon expiry of such notice, the Issuer shall redeem or vary the terms of the Capital Securities (as the case may be) (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).
- (d) ***Redemption or Variation for Capital Event***
- (i) Subject to Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Capital Event, the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*): (A) redeem all, but not some only, of the Capital Securities at the Capital Event Redemption Amount; or (B) solely for the purpose of ensuring compliance with Applicable Regulatory Capital Requirements vary the terms of the Capital Securities so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the holders of the Capital Securities.
 - (ii) Redemption of the Capital Securities, or variation of the Conditions, pursuant to this Condition 9.1(d) (*Redemption or Variation for Capital Event*) may occur on any date after the Issue Date (whether or not an Interest Payment Date).
 - (iii) At the same time as the delivery of any notice of redemption or variation (as the case may be) pursuant to this Condition 9.1(d) (*Redemption or Variation for Capital Event*), the Issuer shall give to the Fiscal Agent a certificate signed by two Authorised Signatories stating that: (A) the relevant conditions set out in Condition 9.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (B) a Capital Event has occurred; and (C) in the case of a variation only, the varied Capital Securities will be Qualifying Tier 1 Instruments and that the Regulator has confirmed that the varied Capital Securities will satisfy limb (a) of the definition of Qualifying Tier 1 Instruments. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above. Upon expiry of such notice, the Issuer shall redeem or vary the terms of the Capital Securities (as the case may be) (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the

Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

(e) ***Taxes upon Variation***

In the event of a variation in accordance with Conditions 9.1(c) (*Redemption or Variation due to Taxation*) or 9.1(d) (*Redemption or Variation for Capital Event*), the Issuer will not be obliged to pay and will not pay any liability of any holder of the Capital Securities to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of the terms of the Capital Securities provided that (in the case of a Tax Event) or so that (in the case of a Capital Event) they become or, as appropriate, remain, Qualifying Tier 1 Instruments, including in respect of any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such holder of the Capital Securities.

(f) ***No redemption in the case of a Non-Viability Notice being delivered***

The Issuer may not give a notice of redemption under this Condition 9 (*Redemption and Variation*) if a Non-Viability Notice has been given in respect of the Capital Securities. If a Non-Viability Notice is given after a notice of redemption has been given by the Issuer under this Condition 9 (*Redemption and Variation*) but before the relevant date fixed for redemption, such notice of redemption shall be deemed not to have been given and the Capital Securities shall not be redeemed.

9.2 Purchase

Subject to the Issuer (to the extent then required by the Regulator or the Capital Regulations): (a) obtaining the prior written consent of the Regulator; (b) being in compliance with the Applicable Regulatory Capital Requirements immediately following such purchase; and (c) being Solvent at the time of purchase, the Issuer or any of its subsidiaries, may after the First Call Date, purchase the Capital Securities in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between the Issuer or the relevant subsidiary (as the case may be) and the relevant holders of Capital Securities. Upon any such purchase, the Issuer may deliver such Capital Securities for cancellation.

9.3 Cancellation

All Capital Securities which are redeemed will forthwith be cancelled. All Capital Securities so cancelled and any Capital Securities purchased and cancelled pursuant to Condition 9.2 (*Purchase*) cannot be reissued or resold.

10 Write-Down at the Point of Non-Viability

10.1 Non-Viability Event

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 10.2 (*Non-Viability Notice*).

10.2 Non-Viability Notice

On the third Business Day following the date on which a Non-Viability Event occurs (or on such earlier date as determined by the Regulator), the Issuer will notify the Fiscal Agent, the Registrar and the holders of the Capital Securities thereof (in accordance with Condition 15 (*Notices*)) (such notice, a “**Non-Viability Notice**”). A Write-down will occur on the Non-Viability Event Write-down Date. In the case of a Write-down resulting in the reduction of the Prevailing Principal Amount of each Capital Security

then outstanding to nil, with effect from the Non-Viability Event Write-down Date, the Capital Securities will be automatically terminated and the holders shall not be entitled to any claim for any amount in connection with the Capital Securities.

11 Enforcement Events

11.1 Enforcement Event

Upon the occurrence of an Enforcement Event, any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10 (*Write down at the point of Non-Viability*) and Condition 11.4 (*Enforcement Events – Restrictions*) become forthwith due and payable at its Early Redemption Amount, without presentation, demand, protest or other notice of any kind.

11.2 Dissolution Remedies

To the extent permitted by applicable law and by these Conditions, any holder of the Capital Securities may at its discretion (i) institute any steps, actions or proceedings for the winding-up of the Issuer and/or (ii) prove in the winding-up of the Issuer and/or (iii) claim in the liquidation of the Issuer and/or (iv) take such other steps, actions or proceedings which, under the laws of the United Arab Emirates, have an analogous effect to the actions referred to in (i) to (iii) above (in each case, without prejudice to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*)), for such payment referred to in Condition 11.1 (*Enforcement Events – Enforcement Event*), but the institution of any such steps, actions or proceedings shall not have the effect that the Issuer shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it. Subject to Condition 11.3 (*Enforcement Events – Performance Obligations*), no remedy against the Issuer, other than the steps, actions or proceedings to enforce, prove or claim referred to in this Condition 11 (*Enforcement Events*), and the proving or claiming in any dissolution/winding-up or liquidation of the Issuer, shall be available to the holders of the Capital Securities, whether for the recovering of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Capital Securities.

11.3 Performance Obligations

Without prejudice to the other provisions of this Condition 11 (*Enforcement Events*), any holder of the Capital Securities may at its discretion institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under these Conditions, in each case, other than any payment obligation of the Issuer (including, without limitation, payment of any principal or satisfaction of any payments in respect of the Conditions, including any damages awarded for breach of any obligations). However, in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

11.4 Restrictions

All claims by any holder of the Capital Securities against the Issuer (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer under the Capital Securities) shall be subject to, and shall be superseded by: (i) the provisions of Condition 10 (*Write-down at the Point of Non-Viability*), irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim and (ii) the provisions of Condition 4 (*Status and Subordination*), irrespective of whether the breach of a Solvency Condition at the relevant time or the issue of a

bankruptcy order in respect of the Issuer occurs prior to or after the event which is the subject matter of the claim.

12 Taxation

All payments of principal and interest in respect of the Capital Securities by the Issuer will be made free and clear of, without withholding or deduction for, or on account of any present or future taxes duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Tax Jurisdiction (“**Taxes**”) unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts in respect of Interest Payment Amounts (but not in respect of principal) as shall be necessary in order that the net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective Interest Payment Amount(s) which would otherwise have been receivable in respect of the Capital Securities (as the case may be), in the absence of such withholding or deduction (“**Additional Amounts**”); except that no such Additional Amounts shall be payable with respect to any Capital Security:

- (a) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Capital Security by reason of his having some connection with the Tax Jurisdiction other than the mere holding of such Capital Security; 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 the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day; or
- (c) presented for payment in a Tax Jurisdiction.

As used in these Conditions:

- (i) “**Tax Jurisdiction**” means the United Arab Emirates or the Emirate of Fujairah or any political sub division or any authority thereof or therein having power to tax; and
- (ii) the “**Relevant Date**” means the date on which such payment first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) that, upon further presentation of the Capital Security in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

Notwithstanding any other provision in these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Capital Securities for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

13 Prescription

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

14 Replacement of Individual Certificates

Should any Individual Certificate be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Replacement Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Individual Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Individual Certificate) and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Individual Certificates must be surrendered before replacements will be issued.

15 Notices

All notices to the holders of the Capital Securities will be valid if mailed to them at their respective addresses in the register of the holders of the Capital Securities maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Capital Securities are for the time being admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the second 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.

For so long as all the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to the holders rather than by mailing as provided for in the paragraph above except that, so long as the Capital Securities are listed on any stock exchange and/or admitted to listing, trading and/or quotation by any other relevant authority, notices shall also be published in accordance with the rules of such stock exchange or other relevant authority on which the Capital Securities are admitted to listing, trading and/or quotation. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

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

16 Meetings of Holders of the Capital Securities and Modification

The Agency Agreement contains provisions for convening meetings of the holders of the Capital Securities to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities or any of the provisions of the Agency Agreement or the Deed of Covenant. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by holders of the Capital Securities holding not less than 10 per cent. in nominal amount of the Capital Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in aggregate not less than 50 per cent. in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing holders of the Capital Securities whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities (as specified in the Agency Agreement, and including (without

limitation) modifying any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Capital Securities, altering the currency of payment of the Capital Securities or modifying the provisions concerning the quorum required at any meeting of holders of the Capital Securities or the majority required to pass the Extraordinary Resolution), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the holders of the Capital Securities shall be binding on all the holders of the Capital Securities, whether or not they are present at the meeting, and whether or not they voted on the resolution.

The Agency Agreement provides that a written resolution signed by or on behalf of all the holders of Capital Securities shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holders of the Capital Securities duly convened and held. Such a written resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more of the holders of the Capital Securities. Such a written resolution will be binding on all holders of the Capital Securities whether or not they participated in such written resolution.

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

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

In addition, the Fiscal Agent shall be obliged to agree to such modifications of the Capital Securities, the Agency Agreement or the Deed of Covenant as may be required in order to give effect to Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) in connection with any variation of the Capital Securities upon the occurrence of a Tax Event or a Capital Event (as applicable).

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

17 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.

18 Governing Law and Dispute Resolution

18.1 Governing law

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

18.2 Arbitration

Subject to Condition 18.3 (*Option to Litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Capital Securities (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute, claim, difference or controversy relating to any non-contractual obligations arising out of or in connection with the Capital Securities) (a “**Dispute**”) shall be referred to and finally resolved by arbitration in accordance with the LCIA Arbitration Rules (the “**Rules**”), which Rules (as amended from time to time) are incorporated by reference into this Condition 18.2 (*Arbitration*). For these purposes:

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

18.3 Option to Litigate

Notwithstanding Condition 18.2 (*Arbitration*) above, any holder of the Capital Securities may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

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

require that a Dispute be heard by a court of law. If any holder of the Capital Securities gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 18.4 (*Effect of Exercise of Option to Litigate*) and any arbitration commenced under Condition 18.2 (*Arbitration*) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation thereto.

18.4 Effect of Exercise of Option to Litigate

If a notice pursuant to Condition 18.3 (*Option to Litigate*) is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer irrevocably submits to the exclusive jurisdiction of such courts;
- (b) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 18.4 (*Effect of Exercise of Option to Litigate*) is for the benefit of the holders of the Capital Securities only. As a result, and notwithstanding paragraph (a) above, any holder of the Capital Securities may take proceedings relating to a Dispute (“**Proceedings**”) in any other court with jurisdiction. To the extent allowed by law, any holder of the Capital Securities may take concurrent Proceedings in any number of jurisdictions.

18.5 Service of Process

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process in any Proceedings before the courts of England and agrees that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will immediately (and in any event within 30 days of the event taking place) appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes. Failure by a process agent to notify the person that appointed it of any process will not invalidate the relevant proceedings. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.6 Waiver of Immunity

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

USE OF PROCEEDS

The proceeds from the issue of the Capital Securities will be U.S.\$350,000,000, the estimated commissions, fees, and expenses will be U.S.\$2,000,000 and the proceeds will be applied by the Issuer for its general corporate purposes and to further strengthen its capital base.

SELECTED FINANCIAL INFORMATION

The following information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and the notes thereto, which have been incorporated by reference and form part of this Prospectus. The Annual Financial Statements have been prepared in accordance with IFRS. The Interim Financial Statements have been prepared in accordance with IAS 34.

Financial information set out in the tables below corresponding to (i) the six month period ended and as at 30 June 2019 has been extracted from the 2019 Interim Financial Statements; (ii) the six month period ended and as at 30 June 2018 has been extracted from the 2018 Interim Financial Statements; (iii) the financial year ended and as at 31 December 2018 has been extracted from the 2018 Financial Statements; (iv) the financial year ended and as at 31 December 2017 has been extracted from the 2017 Financial Statements; and (v) the financial year ended and as at 31 December 2016 has been extracted from the 2017 Financial Statements. The ratios included herein have been prepared based on management information and information in the 2019 Interim Financial Statements and the audited Annual Financial Statements. Certain metrics in “Selected Ratios” below constitute Alternative Performance Measures for the purposes of the ESMA Guidelines (see: “Presentation of Financial and Other Information – Alternative Performance Measures”).

	For the period ended 30 June		For the year ended 31 December		
	(unaudited)				
Consolidated Statement of Income/comprehensive income data	2019	2018	2018	2017	2016
			(AED '000)		
Net interest income and net income from Islamic financing and investment activities	563,280	525,087	1,086,651	917,560	848,201
Operating income	841,468	768,737	1,573,836	1,378,541	1,319,107
Total operating expenses	(274,480)	(248,887)	(521,736)	(464,930)	(453,142)
Operating profit	566,988	519,850	1,052,100	913,611	865,965
Profit for the period/year.....	357,077	310,177	615,314	471,943	460,443
Other comprehensive income/(loss) for period/year	44,761	(12,295)	(29,948)	5,447	(1,753)
Total comprehensive income for the period/year	401,838	297,882	585,366	477,390	458,690
	As at 30 June		As at 31 December		
	(unaudited)				
Consolidated Statement of Financial Position Data	2019	2018	2018	2017	2016
			(AED '000)		
Total assets	42,538,887	38,092,174	39,783,286	36,656,376	35,668,119
Total liabilities.....	37,156,642	33,221,948	34,661,420	31,765,738	31,089,063
Total shareholders' equity	5,382,245	4,870,226	5,121,866	4,890,638	4,579,056

	For the period ended 30 June		For the year ended 31 December		
	(unaudited)				
Consolidated statement of Cash Flows Data	2019	2018	2018	2017	2016
			(AED '000)		
Cash flow from operating activities before changes in operating assets and liabilities and payment of employee end of service and other long term benefits	589,154	538,872	1,097,780	933,424	890,574
Net cash (used in)/generated from operating activities.....	(1,106,919)	(1,313,605)	1,381,457	740,528	1,984,400
Net cash used in investing activities	(807,040)	(692,122)	(980,570)	(143,633)	(401,730)
Net cash used in financing activities.....	(251,649)	(266,138)	(720,347)	(662,382)	(8,332)
Net change in cash and cash equivalents	(2,165,608)	(2,271,865)	(319,460)	(65,487)	1,574,338
Cash and cash equivalents at end of the period/year.....	3,364,771	3,577,974	5,530,379	5,849,839	5,915,326
Principal non-cash transactions during the period/year.....	—	—	(500,000)	—	—

	As at/for the six-month period ended 30 June	As at/for the year ended 31 December	
	(unaudited)		
Selected Ratios	2019	2018	2017
		(%)	
Return on average equity ⁽¹⁾	13.6	12.3	10.0
Return on average assets ⁽²⁾	1.7	1.6	1.3
Provisions coverage ratio ⁽³⁾	108.6	102.0	89.5
Non-performing loans ratio ⁽⁴⁾	4.8	5.1	5.5
Profit retention ratio ⁽⁵⁾	—	80.0	78.3
Capital adequacy ratio ⁽⁶⁾	15.6	15.2	17.5
Tier 1 ratio.....	14.5	14.1	15.1
Common equity tier 1 ratio	13.0	12.6	11.9
Liquidity coverage ratio (LCR).....	302.0	319.0	270.0
Net stable funding ratio (NSFR)	100.0	105.0	107.0
Ratio of deposits to total assets ⁽⁷⁾	72.9	76.6	76.0
Loans to deposits ratio ⁽⁸⁾	90.1	86.0	86.4

Selected Ratios	As at/for the six-month period ended 30 June (unaudited)	As at/for the year ended 31 December	
	2019	2018	2017
		(%)	
Eligible liquid assets ratio ⁽⁹⁾	19.7	21.9	24.1
Dividend payout ratio ⁽¹⁰⁾	—	20	15
Cost to income ratio ⁽¹¹⁾	32.6	33.2	33.7
Net Interest Margin ⁽¹²⁾	2.8	2.8	2.6

Notes:

- (1) Being the ratio of profit for the year/period divided by the average of total shareholders' equity (average of balances at the beginning and the end of relevant period/year). This is a profitability ratio, indicating how effectively the Issuer's shareholders' equity is being used to generate profits.
- (2) Being the ratio of profit for the year/period divided by the average of assets (average of balances at the beginning and the end of relevant period/year). This is a profitability ratio and efficiency measure, indicating how effectively the Issuer's assets are being used to generate profits.
- (3) Being the ratio of allowance for impairment losses/total expected credit losses (ECL) as at the end of the year/period divided by Stage 3 loans and advances and Islamic financing receivables as at the end of the year/period. This ratio measures the sufficiency of provisions set aside to cover impaired/stage 3 loans and advances and Islamic financing receivables, and helps assess the asset quality of the Bank.
- (4) Being the ratio of Impaired or Stage 3 gross loans and advances and Islamic financing receivables as at the end of the year/period divided by gross loans and advances and Islamic financing receivables at the end of the year/period. This ratio measures non-performing loans as a percentage of total loans. This is a measure to assess the asset quality of the Bank.
- (5) Being the ratio calculated by deducting cash dividend from the profit for the year/period and dividing by the profit for the year/period. This ratio represents the percentage of profit retained in the business as part of reserves in the shareholders' equity for strengthening the capital base and supporting the future growth of business.
- (6) Being the ratio of Bank's capital divided by the risk weighted assets calculated according to the Basel guidelines issued by the UAE Central Bank. It measures the Bank's financial strength by using capital and assets.
- (7) Calculated as the customer deposits and Islamic customer deposits divided by total assets. This ratio measures the proportion of assets funded by customer deposits.
- (8) Calculated as the Bank's loans and advances and Islamic financing receivables divided by the customer deposits and Islamic customer deposits. The net financing loan-to-deposit ratio is a commonly used statistic for assessing a bank's liquidity. This ratio measures the ability of a bank to fund its loan book through its deposit base. A ratio of 100 per cent. or less shows that a bank is funding all its loans from deposits rather than relying on wholesale funding.
- (9) Being the ratio of liquid assets divided by the liabilities computed as per the UAE Central Bank guidelines. This measures the liquidity position of the Bank.
- (10) Calculated by dividing the sum total of proposed cash dividends and proposed bonus issue amount by the share capital of the Issuer. This ratio represents the return attributable to shareholders on their holding in the share capital of the Issuer.

- (11) Being the ratio of total operating expenses to operating income for the year/period. This measures cost efficiencies, comparing cost to income.
- (12) Calculated as yield minus cost of funds. Yield is calculated as interest income and income from Islamic financing and investment activities divided by the daily average of Loans and advances and Islamic financing receivables, interest/profit bearing Investments and Islamic instruments and due from banks and financial institutions. Cost of funds is calculated as interest expense and distribution to Islamic depositors divided by the daily average of Customer deposits and Islamic customer deposits and interest or profit bearing Due to banks and Term borrowings. This is a profitability ratio, measuring the income/spread the Issuer makes on its interest/profit bearing assets and liabilities.

DESCRIPTION OF THE ISSUER

Overview

NBF was incorporated on 17 October 1982, in Fujairah, by a decree issued by the Ruler of Fujairah, H.H. Sheikh Hamad bin Mohammed Al Sharqi. NBF is registered as a public shareholding company in accordance with Federal Law No. 2 of 2015. NBF's commercial registration number is 50051, and its registered office is located at Hamad Bin Abdullah Street, P.O. Box 887, Fujairah, United Arab Emirates and its telephone number is +971 600 565551. NBF's website address is www.nbf.ae. The information contained on this website is not incorporated by reference into, or otherwise included in, this Prospectus.

NBF operates under a banking licence issued by the UAE Central Bank on 29 August 1984 and it commenced operations on 20 September 1984. NBF shares were listed on the Abu Dhabi Securities Exchange on 23 October 2005.

NBF is a bank offering a comprehensive range of corporate, commercial, treasury and trade finance services to individuals, companies, financial institutions and government agencies. NBF also offers an expanding suite of personal banking and *Shari'a*-compliant services. As at the date of this Prospectus, NBF operates in the UAE through a network of 18 branches (one of which is an electronic banking service unit in Al Reef – Abu Dhabi) and 51 automated teller machines (“ATMs”) and it also has a representative office in Antwerp, Belgium. As at the date of this Prospectus, NBF has three wholly-owned subsidiaries:

- NBF Financial Services FZC, which was established in December 2004 with limited liability status in the Fujairah Free Trade Zone to provide a number of administrative and support services to NBF;
- NBF Capital Limited, which is registered in the DIFC as a company limited by shares under DIFC laws and regulations and is regulated by the Dubai Financial Services Authority. NBF Capital Limited was established on 3 April 2013 and commenced operations on 12 May 2013. Its principal business activities are arranging credit facilities and investments and providing advice on financial products and services; and
- NBF Markets (Cayman) Limited, which is registered in the Cayman Islands as an exempted company limited by shares under the Companies Law (revised) of the Cayman Islands and regulated by the Cayman Island Government General Registry. NBF Markets (Cayman) Limited was established on 31 January 2017 to provide support services to NBF in respect of entering into foreign exchange and derivative transactions with financial institutions and other counterparties.

In addition, a separate banking operation, NBF Islamic, was established in 2014 as an Islamic banking window to offer *Shari'a*-compliant banking services.

NBF, NBF Financial Services FZC, NBF Capital Limited and NBF Markets (Cayman) Limited are collectively referred to herein as the “**Group**”.

Awards

NBF has received a number of industry awards in recent years, including:

- “Best Corporate Bank UAE” and “Best Commercial Bank UAE” – The Banker Middle East UAE Industry Awards (2018, 2017, 2016 and 2015);
- “Best Customer Service – Corporate and Investment Banking”, “Best SME Trade Finance Offering” and “Best Treasury Management” – Banker Middle East UAE Product Awards (2018 and 2017);
- “Best Islamic Window in the UAE” – Islamic Business and Finance Awards (2018 and 2017);

- “Best Innovator – Commercial Banking” – TahawulTech Future Enterprise Awards 2018 and recognition for NBF online banking initiatives at the Asian Transaction Banking Awards;
- Ranked 18th in the “Forbes Middle East’s Top 50 Public Companies in the UAE” (2018); and
- A notable number of management and employee awards (see “*Management*” below for further information).

Financial Overview

As at 30 June 2019, NBF has total assets of AED 42.5 billion (compared to AED 38.1 billion as at 30 June 2018). By comparison, as at 31 December 2018 and 31 December 2017, NBF’s total assets were AED 39.8 billion and AED 36.7 billion, respectively. NBF’s net profit for the six-month period ended 30 June 2019 was AED 357.1 million (an increase of 15.1 per cent. compared to the six-month period ended 30 June 2018). Its net profit for the years ended 31 December 2018 and 31 December 2017 was AED 615.3 million and AED 471.9 million, respectively. NBF’s total shareholders’ equity amounted to AED 5.4 billion as at 30 June 2019 (compared to AED 4.9 billion as at 30 June 2018). Total shareholders’ equity as at 31 December 2018 and 31 December 2017 was AED 5.1 billion and AED 4.9 billion, respectively. For the purposes of reporting its risk-weighted assets in accordance with the Basel III requirements, NBF had a total capital base of AED 5.5 billion as at 30 June 2019 (compared to AED 5.5 billion as at 30 June 2018) and AED 5.1 billion and AED 5.6 billion as at 31 December 2018 and 31 December 2017, respectively. The recent reduction was a result of the repayment of Tier 2 capital of AED 400 million on the call date in November 2018 and the impact of the initial application of IFRS 9 of AED 180.7 million.

As at the date of this Prospectus, NBF has a long-term rating of “Baa1” with a “stable outlook” from Moody’s, “BBB+” with a “stable outlook” from S&P and “A-” with a “stable outlook” from Capital Intelligence.

Share Capital and Shareholders

NBF is a publicly listed company whose shares are listed on the Abu Dhabi Securities Exchange (“**ADX**”). As at 30 June 2019, the authorised, issued and fully paid-up ordinary share capital of NBF comprised 1,850,011,482 shares of AED 1 each (compared to 1,644,454,651 shares of AED 1 each as at 31 December 2018).

The Board of NBF declared a dividend of 20.0 per cent. for the year ended 31 December 2018, which comprised a cash dividend of 7.5 per cent. and an issue of bonus shares of 12.5 per cent. of share capital. In comparison, the Board declared a dividend of 15 per cent. for the year ended 31 December 2017, which comprised of a 7.5 per cent. cash dividend and a 7.5 per cent. issue of bonus shares. NBF’s profit retention in recent years average approximately 90.0 per cent.. NBF’s market capitalisation as at 31 December 2018 was AED 7.9 billion, compared to AED 6.8 billion as at 31 December 2017.

As at 30 June 2019, the Government of Fujairah held a total of 45.12 per cent. of the issued share capital of NBF, comprising 40.86 per cent. held through the Department of Industry and Economy as well as 4.26 per cent. held through the Fujairah Natural Resources Corporation. Other major shareholders, as at 30 June 2019, included Easa Saleh Al Gurg LLC, holding 21.49 per cent., the Investment Corporation of Dubai, holding 8.74 per cent. and the Fujairah Investment Company, holding 5.10 per cent. of the issued share capital of NBF. The balance of 19.55 per cent. was held by other shareholders based in the UAE.

His Excellency Easa Saleh Al Gurg, KCVO, CBE is a founding investor in NBF and initially held a shareholding of 2.70 per cent., which increased incrementally to 19.44 per cent. in 2004. His Excellency Easa Saleh Al Gurg was the Ambassador to the UK and Republic of Ireland from 1991 till 2009 and was knighted by HM the Queen Elizabeth II in recognition of his services. In recent years, the shareholding of His Excellency Easa Saleh Al Gurg was transferred from His Excellency Easa Saleh Al Gurg’s individual account into the company account

of Easa Saleh Al Gurg LLC (“ESAG”), part of the Easa Saleh Al Gurg Group. His Excellency Easa Saleh Al Gurg is the chairman of the Easa Saleh Al Gurg Group. In recent years, ESAG has increased its shareholding to 21.49 per cent. as at 30 June 2019. ESAG is a corporation engaged in range of diverse products and business interests that predominantly include retail, building and construction, industrial and joint ventures. Easa Saleh Al Gurg Group comprises twenty three companies and key joint ventures include Al Gurg Unilever, Siemens LLC, Al Gurg Fosroc, Al Gurg Smollan, Akzo Nobel Decorative Paints LLC and Siemens Healthcare LLC.

Objectives and Strategy

NBF’s vision is to become a leading financial partner for its business clients by focusing on its clients’ personal and professional needs. NBF believes in creating longstanding client relationships built upon trust, together with a focus on ensuring that clients are able to achieve sustainable growth. In order to achieve that vision, NBF’s main strategic objectives are to:

- provide its customers with an exceptionally high quality of financial services and develop a strong sense of partnership with customers through service and innovation;
- optimise the returns for NBF’s shareholders and provide a long-term sustainable return on investment;
- operate as a responsible bank with world-class professionalism, governance and compliance standards, while remaining at the forefront of sustainability and corporate social responsibility practices and contributing to the growth and advancement of sustainable economic, social and environmental development in the communities in which NBF operates; and
- offer a stimulating and supportive working environment where individuals can use their potential to achieve new heights.

The following strategic priorities have therefore been developed to accomplish these objectives:

- NBF’s principal focus is on building a good-quality business that is sustainable over the long term, favouring overall profitability over non-organic expansion in size – the recent targets look to position NBF among the top five local banks across a number of appropriate measures, such as return on capital, return on assets, cost to income ratio and non-performing loans ratio. This clear focus helps in organisational alignment and decision-making in terms of investments and marketing focus. NBF’s target return on capital is 10-15 per cent.
- NBF is looking to maintain its focus on steady and organic business growth and outperform the industry average growth by improving wallet share through its customer focus and partnership, as opposed to market consolidation strategies. NBF’s focus is also on deepening well-established customer relationships by broadening the product suite.
- Improving net impairment provision to income ratio is among the key priorities of NBF. Following the adoption of IFRS 9 in 2018, the appropriate level of this ratio is under review; however, NBF has aligned its credit risk appetite and underwriting standards to the market conditions and is already experiencing improvement in its default experience.
- NBF will look to diversify its revenue streams by developing new business and market opportunities. A number of new investment propositions are being made available to serve the needs for high net worth and priority customers. The activities of NBF Capital Limited, NBF’s DIFC-based subsidiary, will be developed to include funds and collective investments solutions, subject to regulatory approval. The Group will be more actively engaging in Corporate Finance activities in the mid-market space to provide end-to-end financial solutions to its customers, while maintaining the highest governance and professional standards. NBF is exploring new markets for the distribution of risk and supporting customer trade flows by aligning risk appetite with key trade corridors. Additional products, such as NBF Ajyal, a digitally enabled banking proposition for young UAE nationals, and NBF Elham, a tailored

banking proposition for Emirati women entrepreneurs, are aimed to access and support new segments of customers and the domestic economy.

- NBF will continue to differentiate itself through customer service and its commitment to providing customers with an enhanced experience tailored to the changing market demands and complexity of customer needs, while at the same time achieving efficiencies in its business model through its digital transformation programme. The key elements of the digital transformation programme are the digitalisation of NBF's platform, implementing robotics to improve process times, developing platforms to accelerate data-based business decision-making, using advanced predictive analytics to generate new business and engaging with external digital players to expand the NBF's customer service offerings. NBF has prioritised developing and implementing digital platforms for its trade finance business and business banking segment focused on SMEs, with a view to enhancing customer experience and fostering its growth.
- NBF will maintain its focus in promoting and supporting environmental, social and governance ("ESG") friendly activities and businesses as part of its sustainability and corporate social responsibility initiative. NBF signed up to The Dubai Declaration of financial institutions in the UAE on sustainable finance where these institutions confirmed their support for the UAE's Vision 2021 and for the process of transforming the national economy to a green economy in accordance with the UAE Green Agenda 2015-2030. The key areas of focus include identifying, managing and improving NBF's direct and indirect ESG performance and supporting NBF's needs for ESG, including the growth of the small and medium-sized enterprise ("SME") sector. NBF has signed a cooperation agreement with the Emirates Development Bank (EDB) Credit Guarantee Fund Scheme designed to alleviate one of the key challenges faced by SMEs and improve their access to financing. By providing much-needed financing to the SME sector, the programme plays a pivotal role in driving entrepreneurship, which has been identified as a key pillar in the government's diversification strategy. NBF is committed to contribute towards the ESG initiatives by progressively adopting best practices in this space. NBF has dedicated teams supporting financial inclusion, the education and healthcare sectors, in addition to its corporate social responsibility ("CSR") programme. NBF will continue to support business growth in the UAE, including its focus on SME customers in line with the government initiatives, fulfilling the role NBF has to play in the development of the local economy.
- Risk, Compliance and Internal Control functions are being upgraded in line with the growing business complexity and evolution of new threats, regulations and best practices. NBF will continue to invest and upgrade to maintain the highest standard of compliance, internal control and risk management practices commensurate with the new regulatory changes, digitalisation initiatives and information and cyber-security requirements.

Competition

The banking market in the UAE is highly fragmented and includes a range of banks that are locally incorporated (both conventional and Islamic) as well as foreign banks operating in the UAE. As at 31 December 2018, there were 49 banks holding full commercial banking licences in the UAE, of which 22 were locally incorporated banks and 27 were international banks (*source*: UAE Central Bank). There is also an increasing number of institutions offering Islamic financial products and services within the UAE. As at 31 December 2018, there were seven Islamic banks, in addition to a number of other financial institutions, offering Islamic products and solutions.

NBF faces competition in all of its principal business areas and its principal competitors include both local and international banks. NBF's key competitors are primarily the locally incorporated banks, such as Emirates NBD Bank PJSC, Mashreqbank PSC, Abu Dhabi Commercial Bank PJSC, First Abu Dhabi Bank P.J.S.C. and Commercial Bank of Dubai P.S.C., as well as certain international banks, such as Standard Chartered Bank and HSBC Bank plc. Among locally incorporated Islamic banks, NBF's main competitors are Dubai Islamic Bank PJSC, Abu Dhabi Islamic Bank PJSC and Sharjah Islamic Bank PJSC.

Competitive Strengths

NBF believes that it enjoys a number of key competitive advantages, including the following:

- ***Part-government ownership, strong shareholder support and the image of Fujairah's flagship bank:*** NBF enjoys a close relationship with its major shareholder, the Government of Fujairah, which held 45.12 per cent. of NBF's issued share capital as at 30 June 2019, jointly through the Department of Industry and Economy and Fujairah Natural Resources Corporation. NBF is also privileged to count the Government of Dubai, which held 8.74 per cent. of NBF's issued share capital as at 30 June 2019 through the Investment Corporation of Dubai, as one of its shareholders. These close relationships and NBF's position as Fujairah's flagship bank have resulted in the Government of Fujairah and its related entities being key clients of NBF. NBF's principal shareholders' support is evidenced, amongst other things, by the Government of Fujairah (through the Department of Industry and Economy and Fujairah Natural Resources Corporation), the Government of Dubai (through Investment Corporation of Dubai) and Easa Saleh Al Gurg LLC being net lenders to the Group. As at 30 June 2019, customer deposits and Islamic customer deposits from related parties stood at AED 6.5 billion and loans and advances and Islamic financing receivables, acceptances and investments and Islamic instruments from related parties stood at AED 2.4 billion. NBF has a strong relationship with the Government of Fujairah and enjoys the position of the key banking services provider to the Government of Fujairah. In addition to banking products and services, NBF also manages the Government of Fujairah's customer payments through a prepaid card platform, Tasdeed. NBF believes that its strong ties with the Government of Fujairah are a key strength, which reflects positively on its reputation amongst clients.
- ***Well-regarded as a relationship bank:*** NBF seeks to engage deeply with its customers and establish a position as their financial partner of choice. This is achieved through cultivating rewarding long-term partnerships with its customers, built around solid, knowledgeable advice, mutual trust and support in funding customers' growth and business opportunities. NBF has established dedicated relationship management teams, ensuring that it can respond to its clients' changing needs. NBF has also launched a strategic business community initiative through its Knowledge Series (a broad networking event seeking to apprise the Bank's clients of the latest market developments) and a number of social networking events looking to have a positive impact on NBF's customers' business and providing thought leadership to enhance and support NBF's customers' business. For example, NBF's Gen-Next initiative, curated by Fitch Learning, explores financial principles crucial to businesses, with focus on developing management competencies and leadership skills, through a number of events for the new generation of entrepreneurs amongst its customer base.
- ***Industry-focused business segmentation:*** NBF's industry-focused approach sets it apart from its competitors and enables it to service the needs of its customers in a bespoke manner. NBF has aligned its frontline business and back-office teams as well as its processes, distribution, risk management and compliance functions to its industry and segmented approach, which ensures superior customer experience and risk management practices. NBF's staff have sector-specific knowledge allowing NBF to understand fully its customers' business and banking needs and provide them with the correct guidance to help their business grow.
- ***A leader in SME business:*** NBF supports its SME customers in their business needs and is a strong and consistent supporter of all related government initiatives. NBF, through its Business Banking segment, has a leading SME practice which is evidenced by the number of awards that it has won in this sector, including the "Best SME Trade Finance Offering" award by the Banker Middle East UAE Industry Awards in 2018 and 2017 and "Best SME Internet Banking Service" in 2017.
- ***A leader in the precious metals business:*** NBF's involvement with the precious metals business began in 2000 as a supplier of bullion to the gold and jewellery industry in the UAE. Over the years, the precious metals business division within the Group has grown significantly, with NBF now regarded as a key partner for the UAE gold and jewellery industry and one of the principal suppliers of gold in physical form in the UAE. NBF also offers long- and short-term precious metal finance through precious

metal agreements, deposit facilities and transfers in key clearing centres, and bespoke precious metal hedging solutions targeting inventory valuation, metal purchase and asset price hedging.

NBF has also worked closely with Accounting and Auditing Organisation for Islamic Financial Institution (the “AAOIFI”), International Islamic Financial Market (the “IIFM”) and World Gold Council in the development of Corporate Metal Finance Products for clients seeking *Shari’a*-compliant Islamic Finance solutions. NBF executed the first precious metal finance deal in the UAE and continues to work as a core partner with leading Islamic finance institutions. To complement NBF’s strength and position in the precious metals area, NBF launched its Diamond Finance Unit and is now regarded as one of the leading institutions in the UAE and Belgium diamond trading communities. NBF has invested extensively in its KYC/AML process and procedures to ensure world-class standards of due diligence and risk management for the precious metals and diamond finance business.

- **Treasury:** NBF’s treasury team brings extensive local and regional market knowledge to the development of a wide array of bespoke and customised services. NBF’s treasury team delivers cross-asset market risk solutions that aim to address and mitigate balance sheet risks emanating in the clients’ businesses due to potential interest rates, foreign exchange and commodity exposures. The products range from plain vanilla to highly structured products. NBF’s treasury team has made extensive investments in the implementation of advanced market risk management and liquidity management strategies and tools. NBF’s treasury team’s contribution to the operating income of the Group is 8.7 per cent. for the year ended 31 December 2018, which is one of the highest in the industry.
- **Trade finance:** NBF’s focus and strength in the trade finance sector can be evidenced from the fact that, as at 31 December 2018, 46.8 per cent. by value of its loans and advances and Islamic financing receivables are, directly or indirectly, associated with its trade finance business. Investment in systems and technology, professional and technical skills, fostering bank-client relationships and developing bespoke solutions for its clients, established NBF as a leading institution in trade finance. Prominent involvement in the trade finance sector ties in with NBF’s liquidity management strategy, which is characterised by the relatively short-term liquidity profile of assets and matching short-term liabilities’ profile. NBF works closely with clients across all segments to structure tailored trade facilities to fulfil clients’ specific business needs on an end-to-end basis. NBF is now also on course to take its expertise in trade finance and deliver advanced services through automation, digitalisation, robotics, dynamic management information systems (“MIS”) and blockchain technology, which NBF expects to be an important feature of its trade finance business in the future.
- **Strong governance, risk management and regulatory compliance:** NBF is committed to ensuring high levels of transparency and accountability as well as providing a functionally independent environment to carry out business activities. NBF’s Board and management are committed to comply with the highest ethical corporate governance standards and international best practices. The Board’s primary responsibility is to provide effective governance over the Bank’s affairs for the benefit of its shareholders and to balance the interests of the Issuer’s diverse stakeholders, which include the investors, customers, employees, suppliers, regulators, government and the local community. The Board plays a key role in approving and overseeing the organisational strategy, principal policies, risk appetites, senior appointments and supervision and remuneration of senior executives. NBF has a strong risk culture underpinned by its “Three Lines of Defence” risk management philosophy.
- **Talented, engaged and productive workforce:** NBF is committed to ensuring that its staff work in an environment where they are able to realise fully their potential and feel valued. This can be seen in a number of professional development programmes and initiatives offered by NBF (see “Management – Employees” for further information). NBF’s commitment to its employees translates into a talented and engaged workforce which is the driving force behind NBF’s success. This is backed by highly qualified members of Senior Management and the Board who bring with them broad expertise and extensive experience in the regional banking sector (see “Management – Board of Directors” and “Management – Senior Management”). NBF was named “Outstanding Employer – Middle East” by the Korn Ferry

Group in 2017 and received three titles, namely “Overall Experience”, “Employee Engagement & Happiness” and “Employee Insight & HR Metrics” at the Gulf Employee Experience Awards in 2018 and International Employee Engagement Award at the International Business Excellence Awards 2019. The strong results from independent annual surveys place NBF, in terms of employees’ engagement and enablement, amongst the top three banks in the GCC and amongst the global list of “high performing companies”, which includes leading firms within the FORTUNE 500 and FTSE 100. This can also be evidenced from the Bank’s turnover of employees, which remains well below the market average at 2 per cent. for expatriates, and 6 per cent. for UAE nationals.

Business Segments

NBF categorises its business into four main business segments: (i) Corporate and Institutional Banking; (ii) Business Banking; (iii) Retail Banking; and (iv) Treasury, Asset and Liability Management (“ALM”) and Others.

Business segments pay and receive interest, to and from, Treasury on an arm’s-length basis to reflect allocation of capital and funding costs. The following tables, which are based on the 2019 Interim Financial Statements and the 2018 Financial Statements (both of which are incorporated by reference in this Prospectus), set out the relative contribution made by each of NBF’s four main business segments to NBF’s total assets, total liabilities and profit as at and for the six-month period ended 30 June 2019 and the year ended 31 December 2018.

As at 30 June 2019 (unaudited):

Segment	Assets		Liabilities		Profit/(loss)	
	(AED ‘000)	(%)	(AED ‘000)	(%)	(AED ‘000)	(%)
Corporate and Institutional Banking	24,268,621	57	27,936,694	75	187,700	53
Business Banking.....	3,538,480	8	3,383,507	9	36,372	10
Retail Banking	2,981,422	7	2,725,424	7	(2,479)	(1)
Treasury, ALM and Others	11,750,364	28	3,111,017	9	135,484	38
	<u>42,538,887</u>	<u>100</u>	<u>37,156,642</u>	<u>100</u>	<u>357,077</u>	<u>100</u>

As at 31 December 2018:

Segment	Assets		Liabilities		Profit	
	(AED ‘000)	(%)	(AED ‘000)	(%)	(AED ‘000)	(%)
Corporate and Institutional Banking	22,965,960	58	27,391,997	79	289,584	47
Business Banking.....	3,308,935	8	3,296,130	9	106,319	17
Retail Banking	2,911,574	7	2,725,155	8	1,826	1
Treasury, ALM and Others	10,596,817	27	1,248,138	4	217,585	35
	<u>39,783,286</u>	<u>100</u>	<u>34,661,420</u>	<u>100</u>	<u>615,314</u>	<u>100</u>

Corporate and Institutional Banking (“CIB”)

The CIB segment is NBF’s largest segment in terms of assets, liabilities and profit. Along with accepting deposits, it offers a range of products and services, including credit and trade finance products and services to financial institutions and large and medium-sized corporate customers through separate units.

For the period ended 30 June 2019, NBF’s CIB segments’ revenue stood at AED 459.8 million (compared to AED 432.4 million for the period ended 30 June 2018), which translates to 54.6 per cent. of the Group’s revenue for the period ended 30 June 2019 (compared to 56.2 per cent. for the period ended 30 June 2018). By comparison, for the year ended 31 December 2018, NBF’s CIB segments’ revenue was AED 899.4 million

(compared to AED 769.6 million for the year ended 31 December 2017), which translates to 57.1 per cent. of the Group's revenue (compared to 55.8 per cent. for the year ended 31 December 2017).

Additionally, total assets of the CIB segments reached AED 24.3 billion as at 30 June 2019 (compared to AED 23.0 billion as at 30 June 2018, an increase of 5.5 per cent.), while total liabilities of the CIB segments reached AED 27.9 billion as at 30 June 2019 (compared to AED 24.4 billion as at 30 June 2018, an increase of 14.7 per cent.). The total assets of the CIB segments were AED 23.0 billion as at 31 December 2018 (compared to AED 21.2 billion as at 31 December 2017, an increase of 8.2 per cent.), while total liabilities were AED 27.4 billion as at 31 December 2018 (compared to AED 24.3 billion as at 31 December 2017, an increase of 12.7 per cent.). The growth in this segment reflects the Group's strategy of reliably supporting its quality customers and, at the same time, diversifying its sources of business.

For the period ended 30 June 2019, NBF's CIB segments' net profit was AED 187.7 million (compared to AED 154.1 million for the period ended 30 June 2018), which translates to 52.6 per cent. of the Group's net profit for the period ended 30 June 2019 (compared to 49.7 per cent. for the period ended 30 June 2018). The CIB segments' net profit increased to AED 289.6 million for the year ended 31 December 2018 (compared to AED 243.0 million for the year ended 31 December 2017, an increase of 19.2 per cent.).

A number of initiatives were undertaken which contributed to positive financial results for the financial year ended 31 December 2018, including, amongst others:

- Effective development of the Global Transaction Services team (established in 2016) and the ongoing focus on enhancing customer experience, resulting in NBF being able to increase its operating accounts and current and savings account (CASA) balances.
- Partnership with Refinitiv (formerly Thomson Reuters) as a platinum banking partner to be able to offer bespoke funding solutions to its SME clients, through the Thomson Reuters Accelerate SME Platform, which is the only digital gateway to the SME ecosystem in the MENA region; the partnership with Refinitiv (formerly Thomson Reuters) also includes supporting the introduction of VAT in the UAE, whereby the Group has provided its customers with a VAT information portal for guidance on VAT matters, calculation and reconciliation solutions.
- Enhanced focus on capital-efficient products, in particular treasury products, was a key part of the customer engagement.
- Continued expansion of the Group's expertise in the precious metals, jewellery and diamond segment: the segment contributed AED 161.3 million to the Group's operating income as at 31 December 2018 (depicting a growth of 24.3 per cent. compared to the segment's operating income as at 31 December 2017) and AED 3.4 billion to the Group's assets and AED 2.6 billion to the Group's deposits from this sector alone. Further, in December 2018, NBF partnered with Dubai Gold and Jewellery Group (DGJG), as the official banking partner for its gold and diamond campaign. With specialised industry knowledge, NBF is uniquely positioned to strengthen Dubai as a leading hub in the gold and diamond market globally.
- NBF is one of the founding members of the "UAE Trade Connect" platform that has been set up in partnership with Etisalat, where NBF will be providing its expertise in developing this into a national trade platform for UAE. NBF has upgraded its online banking platform for its CIB customers with enhanced biometric security features and the platform has been enhanced to provide a one-stop-shop for a number of value-added services, including data analytics.

The CIB operates through the following sub-segments:

Corporate Banking

Corporate Banking caters to clients ranging from small and mid-size corporate entities to public sector organisations and government-related entities by focusing on the following specialised segments:

- *Large Corporates and Government*

This unit focuses on government-owned commercial entities, prominent family-owned business groups and a wide range of top-tier corporates with turnover exceeding AED 1 billion. The Large Corporates and Government team provides a range of products and advisory services designed to meet the specific needs of this segment, including syndicated and club deals, commodity trade, mezzanine lending, foreign exchange and commodity hedging, cash management and factoring.

- *Services and Manufacturing*

The Services & Manufacturing unit is aimed at servicing clients established in particular industries, such as hospitality, healthcare, logistics and education. In addition to the standard banking products and services offered by NBF, the solutions provided by this group include specialised working capital solutions, industry-specific banking expertise and specialised banking technologies.

- *Trading and Diversified*

This unit's clients are established in global trade with turnovers between AED 250 million and AED 1 billion and in industries ranging from food and beverages to metal and scrap trading. This unit aims to provide bespoke banking solutions for its clients' working capital and term financing requirements and offers specialised solutions ranging from structured trade and commodity financing to confirmation or silent confirmation of export letters of credit.

- *Contracting*

The Contracting unit supports the contractors behind major construction and infrastructural projects in the UAE. The unit works to support clients in the construction business by offering specialised funded and non-funded credit facilities and products, including tender bonds, maintenance guarantees, retention guarantees and other industry-specific credit services. The unit also finances projects spearheaded by the government or government-related entities, especially in the oil and gas sector, and extends support to select privately-owned projects.

- *Precious Metals and Diamonds*

This unit caters to clients established in the precious metals, jewellery and diamond industries. The team works to support clients by providing specialised lending and working finance, vaulting facilities and facilitating trades in jewellery, gold, platinum and silver.

- *Energy and Marine*

This unit works to support clients in the oil and gas and marine sectors who are engaged in services such as oilfield engineering, offshore services, shipyard and specialised marine assets and energy commodity trading and logistics. The team aims to provide sector-specific products and services such as trade finance for oil and petroleum, structured commodity finance, project finance, assets and equipment finance, performance guarantees for energy and engineering services and other specialised financing services.

- *Equipment Finance*

The Equipment Finance team supports companies across the entire supply chain, ranging from manufacturers to distributors, with customised vendor finance solutions and trade products.

- *Government and Liability Management*

This unit works with the Government and Government-related entities in providing operational and cash management and payment solutions.

- *NBF Elham*

This is a specialised corporate banking unit dedicated exclusively to providing bespoke banking solutions to Emirati businesswomen.

Financial Institutions

The Financial Institutions segment caters to the banking needs of banks, finance companies and other non-bank financial services companies. The segment is responsible for maintaining correspondent banking relationships with international and regional banks and also plays a key role in NBF's liquidity management.

Products and services offered by CIB

NBF has developed a range of products and services aimed at meeting the specific needs of its CIB clients. In addition to the specific *Shari'a*-compliant products and services offered by NBF to its CIB clients (*see "Islamic Banking Products and Services"*), the categories of principal products and services offered by CIB include:

- *Transaction Banking Solutions*: including cash management (including services in relation to payments, collections, account management and receivables management) and liquidity management;
- *Trade Services*: wide range of trade-related products and services to assist clients within trading business, including receivable services and specialised guarantees;
- *Corporate Advisory and Lending Services*: provision of working capital, syndication, project finance, corporate finance and sales, trading and structuring services; and
- *NBF Direct Online Banking Services*: providing CIB clients with a user-friendly online banking platform allowing them to carry out their cash management and trade transactions with ease; the platform also provides value-added services such as access to a VAT portal to help customers with their VAT calculations and returns, dynamic analytics covering their current positions across various products, maturities and liquidity management as well as facilitation in their reconciliation process.

Investment Banking

A range of investment banking products and services are offered to customers through an independent DIFC-based subsidiary, NBF Capital Limited ("**NBF Capital**"). NBF Capital commenced operations in 2013, with the core of its activities being the provision of financial advisory services. NBF Capital has been active in the debt syndication space and the focus is being extended to develop diversified business streams such as corporate finance, mergers and acquisitions, funds and collective investment schemes.

Business Banking

The Business Banking segment offers a variety of products and services to SME clients and also offers transactional and deposit services to SME businesses. The segment manages clients with a turnover between AED 10 million and AED 250 million.

In addition to the same range of products and services that are available to NBF's CIB clients, this segment provides banking products and services designed to meet the specific needs of this segment.

In 2018, NBF partnered with Refinitiv (formerly Thomson Reuters) as a platinum banking partner to be able to offer bespoke funding solutions to its SME clients, through the Thomson Reuters Accelerate SME Platform,

which is the only digital gateway to the SME ecosystem in the MENA region. This strategic tie-up has helped NBF connect directly with the SME community and raise capital for its business growth.

NBF's Business Banking segment is closely aligned with a significant part of the UAE's economy. Whilst the Bank remains committed to supporting this segment of the UAE economy, it has enhanced controls and underwriting standards to better protect it from the weakness currently seen in the market. NBF won "Best Commercial Bank UAE" at the Banker Middle East Awards for the seventh year in a row, further re-affirming the strong client focus and business partnerships the Bank has cultivated over the years.

For the period ended 30 June 2019, NBF's Business Banking segment revenue stood at AED 154.1 million (compared to AED 145.4 million for the period ended 30 June 2018), which translates to 18.3 per cent. of the Group's revenue for the period ended 30 June 2019 (compared to 18.9 per cent. for the period ended 30 June 2018). By comparison, for the year ended 31 December 2018, NBF's business banking's revenue was AED 287.6 million (compared to AED 264.3 million for the year ended 31 December 2017, a growth of 8.8 per cent.), which translates to 18.3 per cent. of the Group's revenue (compared to 19.2 per cent. for the year ended 31 December 2017).

Additionally, total assets of the Business Banking segment reached AED 3.5 billion as at 30 June 2019 (compared to AED 3.3 billion as at 30 June 2018, an increase of 8.6 per cent.), while total liabilities of the Business Banking segment reached AED 3.4 billion as at 30 June 2019 (compared to AED 3.4 billion as at 30 June 2018, an increase of 0.5 per cent.). The total assets of the Business Banking segment were AED 3.3 billion as at 31 December 2018 (compared to AED 3.2 billion as at 31 December 2017, an increase of 2.4 per cent.), while total liabilities were AED 3.3 billion as at 31 December 2018 (compared to AED 3.1 billion as at 31 December 2017, an increase of 5.8 per cent., a reflection of the enhanced focus on cash management and improvement in the cross-selling of products). The segment has shown strong recovery in the year ended 31 December 2018, from the aftermath of the credit downturn. The credit losses reduced by 61.1 per cent. to AED 48.9 million in the year ended 31 December 2018, from AED 125.7 million in the year ended 31 December 2017. Consequently, its net profit saw significant improvement of 661.2 per cent. to AED 106.3 million in the year ended 31 December 2018, from 14.0 million in the year ended 31 December 2017.

For the period ended 30 June 2019, NBF's Business Banking segment's net profit was AED 36.4 million (compared to AED 45.3 million for the period ended 30 June 2018), which translates to 10.2 per cent. of the Group's net profit for the period ended 30 June 2019 (compared to 14.6 per cent. for the period ended 30 June 2018). The Business Banking segment's net profit increased to AED 106.3 million for the year ended 31 December 2018 (compared to AED 14.0 million as at 31 December 2017, an increase of 661.2 per cent. mainly on account of improvement in impairment losses).

Retail Banking

The Retail Banking segment offers a wide range of products and services to individuals and high net worth clients, including personal and mortgage loans, credit cards and advisory and depositing services. This segment also includes the Retail SME unit, which focuses on small businesses.

The Retail Banking clients are broken down into following different tiers:

Priority Customers

The segment comprises customers with a minimum salary of AED 40,000, or minimum assets under management of AED 350,000 or a mortgage of AED 2.5 million. Priority customers are managed and serviced by dedicated relationship managers in addition to normal channels.

Preferred Customers

The segment comprises customers with a minimum salary of AED 15,000 to AED 40,000, or minimum assets under management of AED 100,000 to AED 350,000. These customers are managed and serviced by branch staff.

Personal

The segment comprises customers with a minimum salary of AED 5,000 to AED 15,000, or minimum assets under management of up to AED 100,000. These customers are managed and serviced by a branch network.

Basic

The segment comprises low-salaried customers who are provided basic account services to support CIB clients of the Bank.

Retail SME

The segment provides services and finance focused on micro SME businesses and clients with a turnover of up to AED 10 million.

Products and services offered by Retail Banking

In addition to the specific *Shari'a*-compliant products and services offered by NBF (see “*Islamic Banking Products and Services*”), the categories of products and services offered to Retail Banking clients include:

- Account Services, comprising various types of current, savings, call and term deposits, including payments, collection and remittances.
- Financing, comprising a range of credit facilities in the form of personal loans, auto loans, home loans, construction and overdrafts.
- Cards, comprising various types of credit and debit card options ranging from classic to gold, platinum and infinite relative to different tiers of clients.
- Investments and Insurance, comprising tailored investment solutions offered to clients relative to their risk profile for their selection as well as provision of various insurance coverage products.

NBF continues its focus on growing its Retail Banking segment through an enhanced focus on sales, an expanded branch network and investments in digitalisation. NBF has digitalised the account opening process, which facilitated same day account opening, and launched its digitally enabled Ajyal product. NBF has also extended its customer reach through social media platforms and is engaging with fintech and digital players, including start-ups, to offer a full suite of products and services to customers digitally.

For the period ended 30 June 2019, NBF's Retail Banking segment revenue was AED 70.5 million (compared to AED 66.7 million for the period ended 30 June 2018), which translates to 8.4 per cent. of the Group's revenue for the period ended 30 June 2019 (compared to 8.7 per cent. for the period ended 30 June 2018). By comparison, for the year ended 31 December 2018, NBF's retail banking's revenue was AED 137.0 million (compared to AED 112.6 million for the year ended 31 December 2017, a strong revenue growth of 21.8 per cent., mainly due to NBF's continued focus on the measured expansion of its retail business across the UAE and its diversified business strategy), which translates to 8.7 per cent. of the Group's revenue for the year ended 31 December 2018 (compared to 8.2 per cent. for the year ended 31 December 2017). *Shari'a*-compliant retail banking products and services have also helped grow the Group's customer base. The segment's costs increased by 19.3 per cent. to AED 99.1 million for the year ended 31 December 2018 (compared to AED 83.1 million for the year ended 31 December 2017), reflecting an enhanced focus on sales and expanding branch network and digitalisation. The segment will continue to leverage the success of its priority personal banking segment launch and Islamic products and will look to introduce investment propositions for its customers and optimise

its expanded branch network. The segment's performance was impacted by the adoption of new accounting provisioning standard IFRS 9. The credit losses were AED 36.2 million for the year ended 31 December 2018 (compared to AED 19.3 million for the year ended 31 December 2017). The segment reported a net profit of AED 1.8 million for the year ended 31 December 2018 (compared to a profit of AED 10.2 million for the year ended 31 December 2017). For the period ended 30 June 2019, NBF's Retail Banking segments made a net loss of AED 2.5 million (compared to a profit of AED 3.1 million for the period ended 30 June 2018).

Additionally, total assets of the Retail Banking segment reached AED 3.0 billion as at 30 June 2019 (compared to AED 2.6 billion as at 30 June 2018, an increase of 16.3 per cent.), while total liabilities of the Retail Banking segment decreased to AED 2.7 billion as at 30 June 2019 (compared to AED 3.0 billion as at 30 June 2018). The total assets of the Retail Banking segment were AED 2.9 billion as at 31 December 2018 (compared to AED 2.4 billion as at 31 December 2017, an increase of 21.6 per cent.), while total liabilities were maintained at AED 2.7 billion as at 31 December 2018 (compared to 2.7 billion as at 31 December 2017). An enhanced sales focus aimed at building a stronger business has helped improve service and coverage whilst managing the impact of the interest spread in a low interest rate environment.

Treasury, ALM and Others ("Treasury")

This segment centralises the Group's liquidity and supports the growth of the other business segments. It covers the Group's asset and liability management functions and is responsible for the optimum utilisation of resources and assets and the management of exchange and interest positions within the limits and guidelines set by NBF's management and the Board. Together with other units, the Treasury department is also responsible for managing the Group's investment portfolio under the guidance of the Asset and Liability Committee. The Group's capital and investment in subsidiaries is also recognised under this segment. The main customers of this segment are businesses from various corporate, business banking and retail SME segments. In the view of the Group's management, NBF's Treasury business continues to be highly regarded in the market and offers a wide range of products to customers across diverse segments.

For the period ended 30 June 2019, NBF's Treasury's revenue was AED 157.0 million (compared to AED 124.2 million for the period ended 30 June 2018), which translates to 18.7 per cent. of the Group's revenue for the period ended 30 June 2019 (compared to 16.2 per cent. for the period ended 30 June 2018). By comparison, for the year ended 31 December 2018, NBF's Treasury's revenue was AED 249.8 million (compared to AED 232.0 million for the year ended 31 December 2017), which translates to 15.9 per cent. of the Group's revenue for the year ended 31 December 2018 (compared to 16.8 per cent. for the year ended 31 December 2017). Foreign exchange and derivatives income experienced exceptional growth of 36.2 per cent., reaching AED 137.3 million for the year ended 31 December 2018 compared to AED 100.8 million for the year ended 31 December 2017. The treasury front-end system was upgraded in 2018 and will help in further broadening the spectrum of products offered, providing greater efficiency and control to the business teams. NBF's enhanced focus on asset and liability management during the year ended 31 December 2018 also resulted in strong net interest and net income from Islamic financing and investment activities growth of 18.4 per cent in 2018 as compared to 2017.

Additionally, total assets of the Treasury segments reached AED 11.8 billion as at 30 June 2019 (compared to AED 9.3 billion as at 30 June 2018, an increase of 26.7 per cent.), while total liabilities of the Treasury segments reached AED 3.1 billion as at 30 June 2019 (compared to AED 2.5 billion as at 30 June 2018, an increase of 23.0 per cent.). The total assets of the Treasury segments were AED 10.6 billion as at 31 December 2018 (compared to AED 9.8 billion as at 31 December 2017, an increase of 8.0 per cent.), while total liabilities were AED 1.2 billion as at 31 December 2018 (compared to AED 1.6 billion as at 31 December 2017, a decrease of 22.2 per cent.). The growth in assets and decrease in liabilities of this segment reflects the Group's strategy of optimising its margins through assets and liabilities management.

For the period ended 30 June 2019, NBF's Treasury segments' net profit was AED 135.5 million (compared to AED 107.7 million for the period ended 30 June 2018), which translates to 37.9 per cent. of the Group's net profit for the period ended 30 June 2019 (compared to 34.7 per cent. as at 30 June 2018). The Treasury segments' net profit increased to AED 217.6 million for the year ended 31 December 2018 (compared to AED 204.7 million for the year ended 31 December 2017, an increase of 6.3 per cent.).

The share of the Group's income from the Treasury segments was 15.9 per cent. for the year ended 31 December 2018 compared to 16.8 per cent. for the year ended 31 December 2017. The investments portfolio, principally representing investment grade debt securities, was AED 2.7 billion for the year ended 31 December 2018, representing an increase of 41.6 per cent. from AED 1.9 billion for the year ended 31 December 2017.

NBF is investing in the digitalisation of the Treasury and, in addition to the front-end system, an intra-day liquidity management system is under implementation and the Bank is the evaluating partner for an electronic trading platform.

The products and services offered by this segment to its customers include:

- **Foreign Exchange:** comprising foreign exchange solutions structured on a bespoke basis to address the hedging requirements of clients in G20, GCC and emerging market currencies.
- **Derivatives:** comprising bespoke cross-derivative solutions aimed at addressing potential balance sheet risks that clients face in the normal course of business in foreign exchange, interest rates and commodities.
- **Commodities:** NBF is widely recognised in providing bespoke commodity risk management and hedging solutions to meet the short-term and long-term market risk hedging requirements on balance sheets, particularly in precious metal, energy and base metals.
- **Islamic Banking Treasury Products:** NBF Treasury has products (such as profit rate swaps and Wa'ad (FX & Commodities)) and the capability to provide all treasury solutions in a *Shari'a*-compliant manner.

Asset and Liability Management (ALM)

The ALM desk is responsible for efficient and optimal management of balance sheet and liquidity management in line with internal regulatory guidelines as defined in NBF's Risk Appetite Statement, Market Risk Policy and Liquidity Policy, in liaison with the Asset and Liability Committee. The ALM team employs various instruments for optimal liquidity management and yield enhancement relative to market conditions and regulatory guidelines.

The ALM desk manages NBF's fixed income portfolio from a liquidity perspective, with a focus on investment in HQLAs, short duration and highly liquid instruments through the FI and broker market. It actively participates in primary and secondary markets relative to the prevailing liquidity position, funding requirements, yield targets and potential interest rate hedging objectives.

Investment Management

The Investment Management department is responsible for developing investment solutions and propositions for customers which are tailored to their preferred risk profile. The Investment Management department is also responsible for managing NBF's proprietary equity and fund-based investments in liaison with the Investment Committee.

Islamic Banking Products and Services

Islamic Banking

The Islamic Banking segment provides a range of *Shari'a*-compliant products to its corporate customers, including Murabaha, Mudaraba and Wakala deposits and *Shari'a*-compliant financing and cash management services. NBF's Islamic banking products and services offered through its Islamic window, NBF Islamic, span the Group's various business segments and cater to its retail, business, corporate and treasury clients. NBF has developed a wide range of *Shari'a*-compliant products and services, which include:

- Account Services, comprising Standard Current, Savings and Corporate Accounts as well as Murabaha, Mudaraba and Wakala Deposits;
- Financings, comprising personal finance, home finance, Ijara financing, Murabaha financing, Istisna forward Ijara, equipment finance, real estate finance and auto finance;
- Islamic Cards, comprising various types of credit and debit card products, ranging from classic to platinum and infinite, relative to different tiers of clients;
- Corporate Advisory, Syndications and Treasury, comprising corporate advisory and syndication offerings through NBF Capital Limited, all treasury products and solutions being offered in a *Shari'a*-compliant manner; and
- Transaction Banking, comprising cash management, trade services, working capital management and guarantees.

NBF Islamic, the *Shari'a*-compliant window of NBF, has continued its strong growth since the commencement of its operations in 2014 and, as at the end of 2018, constituted 11.5 per cent. and 13.8 per cent. of the Group's assets and deposits, respectively. NBF Islamic represents 7.3 per cent. and 14.8 per cent. of the Group's operating income and profits, respectively for the year ended 31 December 2018. NBF's Islamic window operations were awarded "Best Islamic Window UAE" by Islamic Business and Finance Awards in each of 2018 and 2017, "Best Islamic New Window" in 2016 and "Best *Shari'a*-compliant Window 2017" by The Banker's Islamic Bank of the Year Awards. The integrity and credibility of *Shari'a* compliance and governance is at the core of NBF Islamic business. The quality of NBF's Islamic offerings and its credible operations from a *Shari'a* compliance perspective are re-affirmed by the *Shari'a* Supervisory Board Audit Report 2018.

Branch Network and Delivery Channels

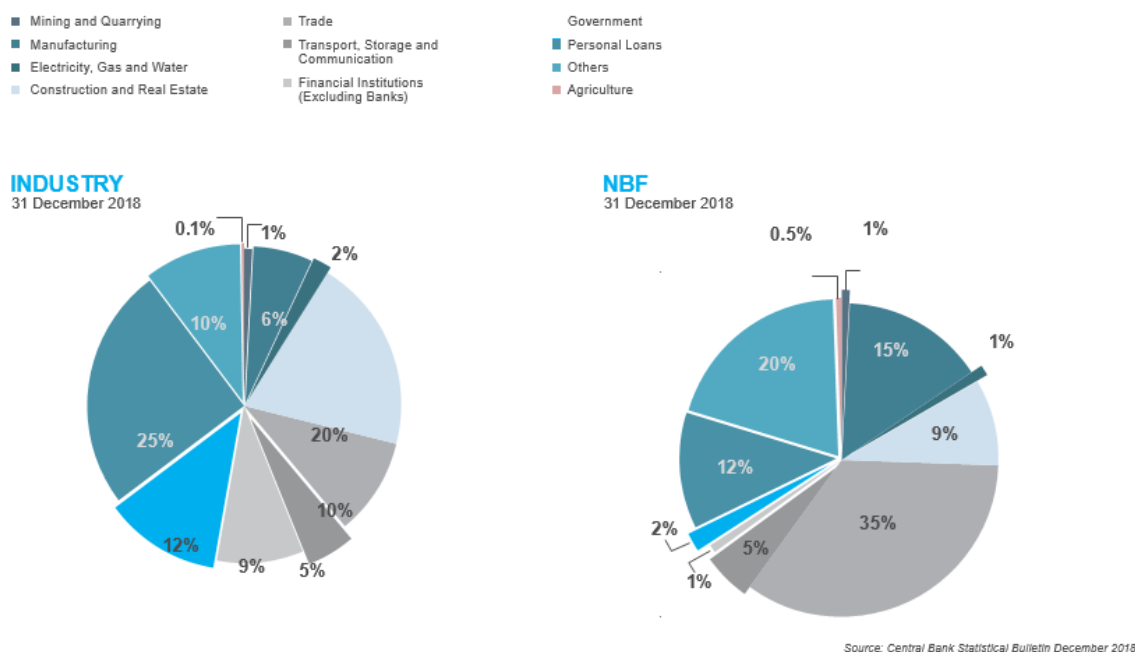
NBF operates across the UAE through a network of 18 branches (including an electronic banking service unit in Al Reef – Abu Dhabi) and 51 ATMs/CDMs (including one mobile ATM). Of these branches, eight are located in Fujairah, five in Dubai, four in Abu Dhabi and one in Sharjah. NBF also operates through a small number of corporate banking offices in Dubai and Abu Dhabi. NBF has also set up a representative office in Antwerp, Belgium to support its diamond and jewellery financing businesses.

In addition, NBF's delivery channels include internet and telephone banking and an e-branch:

- NBF Corporate Access and NBF Direct are the online banking channels used by corporate and retail clients, respectively. These are actively used channels by NBF's clients and almost 68 per cent. of payment transactions are initiated through NBF direct and 24 per cent. of trade transactions.
- NBF offers comprehensive mobile banking solutions to customers to make it convenient for them to transact with the Bank.
- NBF has in place a 24/7 call centre to facilitate customers' queries and service requests.

Client Network Sectoral Distribution

NBF caters for a variety of clients who operate in different sectors of the UAE economy. NBF seeks to differentiate itself from its competitors by focusing on specific industry segments and establishing deep expertise in these sectors. The charts below illustrate specific sector focus on particular segments of the UAE economy and contrast NBF's sectoral focus in the mix focused by the wider banking industry as at 31 December 2018:



Risk Management

Risk is inherent in NBF's activities and it is managed through an enterprise-wide risk management framework with a well-defined process for identification, measurement, mitigation, reporting and monitoring of risk. NBF has put in place limits, policies and procedures to implement risk controls with a view to manage risk effectively. Effective risk management is fundamental to NBF's long-term success. NBF manages various risk elements in line with Basel methodologies and best practices through a three-lines-of-defence risk philosophy, with management control being the first level of defence followed by independent risk management oversight, being the second, and an independent audit assurance, being the third.

NBF has established an enterprise-wide risk management framework (the "ERMF") which is reviewed and approved by the Board annually. All material amendments to risk management policies, risk philosophy or objectives are submitted to the Board of Directors through the Management and Board Risk Committees. The ERMF focuses on a number of areas which include: identifying, analysing and understanding each of the material risks at all levels within NBF; ensuring that appropriate strategies, policies, effective operating controls and other mitigants are in place and are operating effectively; providing reliable and meaningful risk reporting to decision makers; ensuring that there is adequate oversight of the risk profile and management framework; and facilitating a proactive risk culture. Some of the key features of the ERMF are as follows:

- The role of the Board:** The Board has overall responsibility for the establishment and oversight of NBF's risk management framework; the Board sets the overall risk appetite and strategy in consultation with Senior Management and approves all principal governance committee charters, policies and guidelines to manage risks relevant to NBF's business; and the Board has established three board committees to

fulfil its responsibilities and functions. The Board is supported by certain management risk and governance committees which report to the Board and certain board committees and senior management committees in carrying out its oversight functions.

- **Focus on customers and long-term strategy:** In addition to an effective risk management framework supported by well-defined policies, processes and controls, NBF nurtures an important risk culture and values which need to be adhered to by all members of staff. This is supported by NBF's focus on its customers and emphasis on building sustainable long-term relationships.
- **Ownership of risk at the business level:** Business units (front line and support functions) are responsible for identifying risks within their respective business areas and ensuring that they are managed appropriately.
- **Understanding worst case outcomes:** There is a focus on understanding the consequences of worst case scenarios which may impact NBF and determining whether risks can be tolerated. This is achieved by undertaking periodic stress testing and control assessments of certain risk systems and the awareness of NBF's management of emerging risks which could influence NBF's risk profile.
- **Risk management independence:** NBF places importance on having a strong independent risk and compliance function. The Chief Risk Officer has unfettered access to the Board and risk committees and reports directly to NBF's Chief Executive Officer. Committees such as the Board Risk Committee, the Management Risk Committee and the Operational Risk Committee (see "*Management*" for further information on these) further support the Board in respect of its risk oversight functions.

NBF faces a range of risks in its business and operations. These include credit risk, liquidity risk, market risk, operational risk and compliance risk. Each of these risks is described in further detail below. Efficient and timely management of these risks is critical to NBF's financial stability and profitability.

Credit risk

Credit risk is the risk of financial loss arising from the failure of the customer or counterparty to meet its contractual obligations to NBF. NBF is exposed to credit risk primarily through its loans and advances and Islamic financing receivables to customers and amounts due from banks and its investments portfolio. The CIB segment comprises the majority of NBF's loans and advances and Islamic financing receivables but NBF has also been growing its Retail Banking loans and advances and Islamic financing receivables. All credit proposals are assessed based on specific guidelines which are reviewed and approved by the Board Risk Committee and the Board.

NBF manages credit risk by setting limits for individual clients and geographical and industry segments. NBF monitors credit exposures and continually assesses the creditworthiness of counterparties and its exposure to specific sectors. In 2017, the Board approved the establishment of a Credit Risk Management Framework ("CRMF") to articulate and structure credit risk management activities across key credit lifecycle stages more effectively. The CRMF has been implemented in line with regulatory expectations and prudent industry practice. Key elements of the CRMF include, amongst other things, an emphasis on risk appetite and policy setting, an authorisation structure and limits in respect of credit facilities, diversification and limiting concentrations of exposure and stress testing.

Pursuant to the CRMF, the Board of Directors sets the credit risk appetite and approves NBF's principal Credit Risk Policies. Governance and oversight of these matters sits with the Central Credit Committee, Management Risk Committee, Board Risk Committee and the Board.

All decisions with respect to approval of credit proposals, provisioning for bad and doubtful debts and write-offs are escalated in line with the Board-approved delegations of authority.

Credit limits for industry segments and individual counterparties are established according to NBF's direct knowledge of the relevant industry and the counterparty's creditworthiness as per NBF's credit policy. An independent credit department is responsible for reviewing, recommending and approving underwriting proposals. Comprehensive procedures and information systems have been implemented by NBF to monitor individual credits across the various portfolios and identify early warning signals. These are supported by a dedicated credit monitoring unit which monitors key areas such as account conduct, compliance discipline, data usage and collateral management. NBF's Risk Management department acts as the second line of defence and is responsible for managing credit risk and the formulation of credit policies in line with NBF's strategic objectives, risk appetite, business growth, regulatory requirements and risk management standards. Independent departments are responsible for their documentation, collateral management, custody and limit management.

Concentrations of risk arise when a number of NBF's 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 NBF to be similarly affected by changes in economic, political or other conditions. NBF seeks to avoid excessive concentration of risk through the implementation of policies and procedures which include specific guidelines aimed at ensuring the maintenance of diversified portfolios through a series of country, counterparty, industry, sector and product limits. NBF monitors concentrations of credit risk by industry, sector and geographic location and has defined portfolio caps for its specialised businesses such as the Energy and Marine and the Precious Metals and Diamonds segments. See "*Financial Review – Results of Operations – Sector Analysis*" for a breakdown of NBF's exposure to different industries.

In addition, NBF manages credit exposure by obtaining security and enforcing collateral and guarantees where appropriate. In certain cases, NBF may also close out transactions or assign them to other counterparties to mitigate credit risk. NBF implements guidelines regarding the acceptability of particular types of collateral and the parameters put in place for valuing it. The amount and type of collateral accepted by NBF depends on its assessment of the credit risk of the relevant counterparty. Types of collateral mainly include cash, guarantees, pledges over listed shares and mortgages and liens over properties or other securities over assets. Pledged interests over vehicles, ships and equipment are also obtained by NBF where appropriate. NBF's Management monitors the market value of collateral and considers any allowances for impairment losses and, where necessary, NBF may request additional collateral in accordance with the underlying agreement. See Note 5(c) (*Financial Risk Management – Credit risk*) to the 2018 Annual Financial Statements for further information.

Settlement risk

NBF's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of the counterparty to honour its obligations to deliver cash, securities or other assets as contractually due. Any delays in settlement are monitored and quantified as part of NBF's credit risk management.

For certain types of transactions, NBF mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described above. Acceptance of settlement risk on free settlement trades requires transaction-specific or counterparty-specific approvals in accordance with the approved credit framework.

Liquidity risk

Liquidity risk is the risk that NBF will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It includes the risk of: inability to fund assets at appropriate maturities and rates; inability to liquidate assets at a reasonable price and in an appropriate time frame; and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish. NBF's approach to

managing liquidity is to maintain sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or putting NBF's reputation at risk.

NBF manages liquidity risk by maintaining a portfolio of highly marketable and diverse assets that it believes can be liquidated easily in the event of an unforeseen interruption of its cash flows in normal and stressed scenarios. This includes high-quality liquid assets issued by the UAE Central Bank, cash reserves, investment grade marketable securities and other inter-bank facilities. In addition to this, NBF has established key parameters and liquid asset ratios along with key risk indicators which are monitored on a regular basis. NBF proactively reviews its risk appetite in accordance with market events and its risk management strategies along with undertaking regular stress tests. NBF also maintains a defined contingency funding plan to manage any liquidity crisis situations.

Treasury is entrusted with the responsibility of ensuring compliance with both statutory liquidity requirements and internal risk limits. All liquidity risk management policies and procedures are subject to review and approval by the Asset and Liability Committee ("ALCO"), the Management Risk Committee ("MRC"), the Board Risk Committee ("BRC") and the Board.

NBF uses the "lending to stable resource ratio" ("LSRR") of 1:1 and the "eligible liquid assets ratio" ("ELAR") of 10.0 per cent., which represent high-quality liquid assets as stipulated by the UAE Central Bank, as key risk indicators and monitors them on a regular basis. The Group uses the more prudent internal LSRR measure of 0.925:1 as a trigger point for action planning. The concentration of deposits is managed by continuing to widen the customer base and sources of liabilities and setting in place caps on individual size and varying maturities.

Liquidity positions, key risk indicators and actions are discussed at ALCO to monitor and review achievement of short- and long-term liquidity strategies and thresholds. Liquidity risk appetite is prudently and proactively reviewed taking into consideration the market events and relevant risk management standards. Adherence to the longer stress period is being achieved through reliance on both higher quality and the level of liquid assets. NBF monitors the 30-days stress test under two scenarios of local market crisis and a one or two notch downgrade of the NBF Issuer Credit Rating in line with its liquidity risk appetite.

As part of the Internal Capital Adequacy Assessment Process ("ICAAP"), the Bank assesses the impact on capital adequacy of liquidity risk, including concentrations by carrying out stress tests. In preparation for compliance with Basel III requirements, the Group has implemented a system for calculating the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR") in line with the UAE Central Bank's regulations and is working on strengthening processes and qualitative requirements proactively.

As at 31 December 2018, NBF's cash and balances (including mandatory cash reserves) with the UAE Central Bank represented 16.9 per cent. of its total assets (compared to 18.9 per cent. as at 31 December 2017). As at the same date, NBF's ratio of liquid assets stood at 21.9 per cent. (compared to 24.1 per cent. as at 31 December 2017) and its ratio of advances to deposits was 86.0 per cent. (compared to 86.4 per cent. as at 31 December 2017).

The following table shows NBF's liquidity position as at 31 December 2018 and 31 December 2017:

At 31 December 2018	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
<i>AED '000</i>							
Cash and balances with the UAE Central Bank.....	4,847,964	900,000	700,000	200,000	75,000	—	6,722,964
Due from banks and financial institutions	759,416	420,821	192,211	42,914	—	—	1,415,362

At 31 December 2018	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
				AED'000			
Investments and Islamic instruments	—	221,806	186,524	188,007	1,959,950	157,160	2,713,447
Loans and advances and Islamic financing receivables	7,567,149	5,170,453	2,310,950	1,484,997	6,500,194	3,168,668	26,202,411
Property and equipment and capital work-in-progress	—	—	—	—	—	292,048	292,048
Other assets	497,889	1,026,902	493,326	409,752	9,185	—	2,437,054
Total assets	13,672,418	7,739,982	3,883,011	2,325,670	8,544,329	3,617,876	39,783,286
Due to banks	319,792	174,522	—	75,000	—	—	569,314
Customer deposits and Islamic customer deposits	12,803,013	6,112,492	4,574,566	5,006,279	1,966,121	10,000	30,472,471
Term borrowings	—	293,840	—	110,190	459,125	—	863,155
Other liabilities	497,889	1,302,287	493,326	409,752	53,226	—	2,756,480
Total shareholders' equity	—	—	—	—	—	5,121,866	5,121,866
Total liabilities and shareholders' equity	13,620,694	7,883,141	5,067,892	5,601,221	2,478,472	5,131,866	39,783,286
On-Balance Sheet Gap ..	51,724	(143,159)	(1,184,881)	(3,275,551)	6,065,857	(1,513,990)	—
Cumulative Gap	51,724	(91,435)	(1,276,316)	(4,551,867)	1,513,990	—	—

At 31 December 2017	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
				AED'000			
Total Assets	12,312,314	7,598,694	3,888,088	3,044,323	7,072,077	2,740,880	36,656,376
Total liabilities and shareholders' equity	13,011,150	7,669,281	5,192,652	4,220,172	1,262,483	5,300,638	36,656,376
On-Balance Sheet Gap	(698,836)	(70,587)	(1,304,564)	(1,175,849)	5,809,594	(2,559,758)	—
Cumulative Gap	(698,836)	(769,423)	(2,073,987)	(3,249,836)	2,559,758	—	—

Market risk

Market risk is the risk that NBF's income and/or the value of its holdings of financial instruments may be impacted by changes in market prices such as interest rates, equity prices, foreign exchange rates, commodity prices and credit spreads. NBF is exposed to market risk through its diverse financial instruments, including securities, foreign currencies, equities and commodities.

NBF distinguishes its exposure to market risk between trading and non-trading portfolios and has a well-defined set of policies, procedures and trading limits in place to ensure oversight of the Treasury's day-to-day operations, in accordance with the Board's defined risk appetite. These are reviewed periodically to ensure that they remain in line with the Group's overall market risk appetite. NBF manages market risk positions within the risk management limits set out by the Board. Overall responsibility for monitoring market risk is vested with the MRC.

- **Investment price risk:** The risk originates primarily from the investment portfolio of the Group which is managed on a fair value basis. The Group manages the risk through diversification of investments in terms of counterparty, industry and country. The Group monitors and reviews portfolio performance on a monthly basis.

The Investment Committee (“IC”) reviews sensitivity of investment price volatility on annualised income. The overall stop loss limit is set at 15 per cent. of the purchase price or last year’s end price, whichever is most recent. When the loss reaches 15 per cent., IC shall escalate to MRC to decide the strategy of either holding the investment or its disposal. Any loss in excess of 25 per cent. will be escalated to the Board.

- **Currency risk:** Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Board of Directors has set limits on positions by currencies which are closely monitored. Exceptions, if any, are only allowed by seeking the prior approval of ALCO and MRC supported by a business case and ratification by the Board. During the year, the Group complied with the open position limits and exception approval process. The Group carries out sensitivity analysis on the basis of a 5 per cent. shift in exchange rate and analyses its impact on annualised exchange income. ALCO reviews currency limits based on these sensitivities.

The UAE currency is pegged to the US Dollar and this is considered while setting the limits and analysing the sensitivity impact.

- **Interest rate risk:** The principal risk to which financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

The Group’s Treasury manages interest rate risk principally through monitoring interest rate gaps and matching the interest re-pricing profile of financial assets and liabilities. The Group’s long-term financial assets and liabilities are priced generally on a floating rate basis, which tracks the changes in market interest rates.

The Group measures the interest rate-sensitive gaps across tenors considering the availability of a contractual ability to re-price all its assets and liabilities. The sensitivity analysis, i.e. the impact of a parallel shift in interest rate curves on net interest income and equity, is ascertained and presented to ALCO for review on a monthly basis. Strategies and actions required to mitigate this risk, if any, are approved and monitored by ALCO and executed by the Treasury.

The Group carries out sensitivity analysis on the net interest income for one year assuming changes (whether increase or decrease) in interest rates. An analysis of the Group’s sensitivity to an increase or decrease in market interest rate is based on the financial assets and financial liabilities, denominated in various currencies. The Group also conducts interest rate stress testing based on a modified duration approach. The results of the shift analysis are reviewed monthly by ALCO, which, along with the Business Review Committee and MRC, has the overall responsibility for managing pricing policy.

Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may arise from a wide variety of causes associated with NBF’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of NBF’s operations and can result in financial losses or other damages such as loss of reputation and public confidence.

NBF's objective in managing operational risk is to balance the avoidance of financial losses and damage to its reputation with overall cost-effectiveness. NBF has established a framework of policies and procedures for managing its operations which aims to minimise operational loss through a framework requiring all units to identify, assess, control, manage and report risks. This includes a second-line operational risk and internal control function, which is operationally independent from NBF's risk-taking activities. Compliance with NBF's standards is supported by a programme of periodic risk and internal control assessments and reviews undertaken by all three lines of defence. The results of reviews are discussed with the businesses and functional units to which they relate, and regular reports are provided to the Operational Risk Committee, the Management Risk Committee, the Board Risk Committee and the Board.

NBF has developed business continuity planning to ensure that it has the capability to continue to deliver its products and services in the event of disruption. These plans are the subject of regular review, testing and improvement. Testing frequency is performed in line with the criticality of the underlying process.

In addition, NBF's IT department has developed a well-documented and well-tested process for dealing with disaster recovery scenarios. The testing provides a very high degree of confidence with regard to NBF's ability to transfer processing loads in the event of significant disruption to the principal processing site.

Information security risk is a specific operational risk associated with the maintenance of confidentiality and integrity of data and of the availability of information technology systems and data. NBF manages information security risk through an early stage identification and assessment of vulnerabilities that may be at risk of being exploited and subsequently by managing and remediating such threats in order to prevent any adverse confidentiality, integrity or operational incidents.

The Bank also assesses its readiness to respond to incidents through deployment of technical capabilities that provide preventative and detective capabilities and through technical and management actions that provides corrective responses.

Information security risk is governed through the ORC, MRC, BRC and Board.

Legal risk is a specific operational risk which is defined as the risk of an organisation failing to meet its legal obligations. NBF manages its legal risk through its specialist Legal Department which is accountable for providing relevant legal advice to management and for the assessment and management of litigation involving the Bank. Legal risk is governed by the MRC with escalation to the Board where necessary.

Shari'a compliance risk

Shari'a compliance risk has its own governance processes in order to ensure compliance with regulatory requirements mandated by the Central Bank of the UAE and the Higher *Shari'a* Authority of the UAE and the operational risk aspects associated with any process failure are considered and reported as part of operational risk management.

The Bank has an independent *Shari'a* Governance Committee composed of learned *Shari'a* scholars with expertise in *Shari'a*-compliant financial services that operates to advise the management of the Bank and the Board on the correct interpretation of fatwa to remain true to the principles of *Shari'a*, particularly in the areas of product approval and compliant operational processes. NBF maintains a *Shari'a* Governance Committee that considers *Shari'a*-compliant product development and the compliance of the Bank's processes with the approved product designs.

Reputational risk

Reputational risk is defined by the Bank as the risk of loss resulting from adverse public perceptions of the Group's integrity, capabilities, professionalism or quality of service. This risk is monitored centrally through

the use of relevant metrics as well as consideration of the impact of specific incidents on the reputation of the Bank.

This risk is measured and reported to the MRC on a regular basis.

Compliance risk

Compliance risk includes the risks associated with monitoring compliance with, and the impact of failing to comply with, codes of conduct, applicable rules and regulations and NBF's internal policies and procedures.

NBF implemented a framework of internal safeguards and policies aimed at monitoring and maintaining compliance. NBF's compliance policies are designed to prevent exposure to various risks, ensure compliance with various sanctions programmes and the laws and regulations applicable to NBF generally and encourage best practice. NBF's compliance policies include, but are not limited to: anti-money laundering, sanctions, conflicts of interest, personal account dealing, whistle blowing and formal disclosure.

The Compliance Committee ("CC") has the primary responsibility for the oversight of, including waiver management with regard to, compliance matters. The CC monitors and advises the Board Risk Committee, via the Management Risk Committee, on the Bank's current and future compliance risk appetite.

NBF's AML capability has been substantially enhanced over the past two years, in accordance with recommendations made by a respected third-party consulting firm which had completed a benchmarking exercise of the compliance function against global best practice. NBF has progressively implemented improvements in line with the recommendations to enhance the function with a view to bringing it in line with global best practice. Enhancements have been made with regard to governance, policy-setting, monitoring and training and awareness. During that time period, multiple reviews have been carried out by independent third parties and regulators on aspects of the compliance function, including, but not limited to, the screening and monitoring technology being deployed.

NBF follows a risk-based approach and conducts risk-based assessments in respect of its activities and counterparties. Enhanced control measures are required in respect of activities and counterparties who are deemed to be higher risk. In addition, NBF maintains a separate compliance function which is operationally independent from NBF's risk-taking activities and has direct access to the Board. The compliance team consists of specialists (for example on matters such as money laundering, counter-terrorist financing and sanctions) who continuously monitor NBF's compliance and the behaviour of its clients. NBF employs automated transaction monitoring and payment screening filters which enable it to better assess the compliance risks related to client engagements and transactions. These systems trigger alerts if defined parameters are met, which are then investigated by dedicated teams of analysts for any potential suspicious or sanctions activities.

All relevant staff at NBF are required to attend relevant training sessions and informed of the rules and regulations applicable to NBF (through lectures, seminars, e-learning sessions, newsletters, etc.) in order for them to be able to perform their duties in line with NBF's compliance policies. An internal audit function regularly reviews the effectiveness and adequacy of NBF's compliance policies and practices.

Capital Management

NBF is regulated by the UAE Central Bank, which sets and monitors regulatory capital requirements. Capital requirements in respect of NBF's subsidiaries, NBF Financial Services FZC, NBF Capital Limited and NBF Markets (Cayman) Limited are determined by the Free Zone Authority of Fujairah, the DFSA and the Cayman Island Government General Registry, respectively.

NBF's objectives and strategy when managing capital are to:

- safeguard its ability to continue as a going concern and increase the returns to shareholders;

- maintain adequate levels and achieve an optimum structure for NBF's capital commensurate to its strategy, risk profile and relative position in the market;
- comply with the regulatory capital requirements set by the UAE Central Bank;
- efficiently allocate capital to various businesses leading to enhanced shareholder value and optimal risk reward;
- ensure effective internal organisation and processes and assess and manage material risks on an ongoing basis; and
- provide for any unforeseen losses.

NBF seeks to maintain a strong capital base through a diverse portfolio of funded and unfunded credit. NBF calculates its capital adequacy ratio in accordance with capital adequacy guidelines established by the UAE Central Bank and the Basel Committee Guidelines. Under the current Basel III capital requirements, NBF is required to maintain a minimum capital adequacy ratio of 10.5 per cent. (with a minimum CET1 ratio of 7.0 per cent. and a minimum Tier 1 capital ratio of 8.5 per cent.).

The UAE Central Bank has also introduced capital buffers which must be maintained in addition to the minimum CET 1 ratio requirement of 7.0 per cent.: (i) a capital conservation buffer ("CCB") of 2.5 per cent. of risk-weighted assets; and (ii) a countercyclical capital buffer ("CCCB") which must be maintained at a level determined by the Central Bank between 0 and 2.5 per cent. of risk-weighted assets. The CCCB is not yet in effect. Therefore, the combined buffer requirement applicable to NBF as at the date of this Prospectus comprises only the CCB. As at 30 June 2019, NBF fulfilled its CCB requirement with a margin of 3.5 per cent.

The following tables set out NBF's regulatory capital base, risk-weighted assets and capital adequacy ratio as at the periods indicated.

Capital base	30 June 2019 (unaudited)	30 June 2018 (unaudited)	31 December 2018	31 December 2017
	<i>AED '000</i>			
CET1 capital				
Share capital	1,850,012	1,469,016	1,644,455	1,366,527
Statutory reserve	936,053	549,992	936,053	549,992
Special reserve	506,492	444,992	506,492	444,992
Retained earnings	1,334,409	1,302,549	1,173,024	1,430,727
Accumulated other comprehensive income	7,573	(10,279)	(27,932)	(4,089)
CET1 total	4,634,539	3,756,270	4,232,092	3,788,149
Additional tier 1 (AT1) capital				
Tier 1 capital notes	500,000	1,000,000	500,000	1,000,000
Total tier 1	5,134,539	4,756,270	4,732,092	4,788,149
Tier 2 capital				
Subordinated facilities	-	400,000	-	400,000
Collective impairment provision	410,061	380,790	385,535	365,345
Total tier 2	410,061	780,790	385,535	765,345
Total capital base (a)	5,544,600	5,537,060	5,117,627	5,553,494

	30 June 2019 Risk-weighted equivalent (unaudited)	30 June 2018 Risk-weighted equivalent (unaudited)	31 December 2018 Risk- weighted equivalent	31 December 2017 Risk- weighted equivalent
Risk-weighted assets				
	<i>AED '000</i>			
Credit risk	32,804,918	30,463,238	30,842,794	29,227,625
Market risk	40,970	22,964	66,694	30,893
Operational risk	2,690,987	2,464,327	2,690,987	2,464,327
Total risk-weighted assets (b)	35,536,875	32,950,529	33,600,475	31,722,845
Capital adequacy ratio (a) / (b) - %	15.6	16.8	15.2	17.5
Tier 1 ratio - %	14.5	14.4	14.1	15.1
Common equity tier 1 ratio (CET 1) - %	13.0	11.4	12.6	11.9

Funding

The Treasury department is responsible for managing NBF's overall short-term and long-term liquidity in accordance with the guidelines approved by ALCO, the risk committees and the Board. The majority of NBF's long-term funding is provided by customer deposits, including Islamic customer deposits, with short-term funding being met by term borrowings and other inter-bank facilities (see: "*Financial Review – Results of Operations*" for a breakdown of the different sources of funding). NBF manages liquidity risk by maintaining a portfolio of short-term high-quality liquid assets issued by the UAE Central Bank and cash reserves and investment grade marketable securities (see: "*Liquidity Risk*" for further information).

NBF also raises money through the international capital markets. NBF issued Tier 1 capital notes with a principal amount of AED 500 million in March 2013, which were converted to paid-up share capital on 30 September 2018. NBF also issued Tier 1 capital notes with a principal amount of AED 500 million in March 2015, which remain outstanding as at the date of this Prospectus.

Information Technology

NBF has a strong focus on information technology ("IT") and NBF recognises IT's importance in terms of reaching its objectives and remaining responsive to its clients' needs. There is strong alignment between NBF's business and IT plans. NBF's IT department is focused on utilising the most advanced IT systems to ensure that customers' data remains secure and the optimal infrastructure is in place to compete effectively against its competitors with respect to the digital aspects of NBF's banking services and products.

The IT department is aligned with other core business departments to follow a common and coherent business strategy. Its objectives are to pursue and achieve significant technological advancements, both from a customer's perspective as well as from an internal process automation perspective, which form part of NBF's objective to become a digitally fully enabled bank. NBF's robust technology platform and architecture enables it to achieve substantial cost and time savings through automation of various processes, achieve efficiency improvements, manage the cost and efficiency of future expansion by ensuring improved future scalability, manage the deployment of products and solutions through Plug and Play (component basis), reduction in turnaround times and enablement of effective controls. All those advantages play a significant part in mitigating operational risk and helping NBF provide a better customer experience. NBF's operational and transaction costs (including cost per customer transaction) improved significantly with the deployment of technology, which played a major role in cost reductions to date. At the same time, benefits were also achieved on the customer

side, with improved customer experience and service efficiency. NBF has also adopted the Robotic Process Automation technology, which deploys software robots to handle repetitive tasks, thereby improving accuracy and processing time. Finally, NBF Direct, NBF's advanced online banking platform, provides transactional and real-time reporting applications as well as multilevel authorisation and business dashboards for account reporting, payments and trade finance.

Other non-core investments in mobile technology include Ajyal, a recently launched mobile application which provides digital access to banking services aimed at NBF's younger customers and the NBF Instant App, which is designed to facilitate the onboarding of customers. NBF also partners with leading digital organisations to explore new ways of servicing its clients' needs. For example, NBF has signed up to the Etisalat Trade Finance platform, Trade Connect, where it will provide its expertise in developing a national trade finance platform, and Fintech Hive, which promotes fintech start-ups allowing NBF to participate by engaging and partnering fintech start-ups in line with its business strategy.

NBF continues to invest in IT to ensure that it is resourced in line with modern banking requirements. NBF has made significant recent investments in key IT infrastructure in order to enhance its offering to customers, including the introduction of robotics and automating certain end-to-end processes. In 2018, NBF began work to use advanced and predictive analytics to better serve its customers by anticipating and servicing customer demands effectively and competitively. NBF is investing in advanced technologies and platforms and partners with external experts in furthering its analytics capability by using structured and unstructured data from both internal and external sources. NBF has invested in a Micro-strategy's platform which will serve as an enterprise-wide front-end interface for dashboards and data analytics and is developing models for customer behaviour analytics as well as upgrading its data-warehouse and infrastructure to maximise the value of data in managing its business.

The IT Steering Committee ("ITSC") provides strategic and tactical guidance for managing overall technology systems over the long and short term to ensure that IT initiatives are consistent with the strategic business goals of NBF. The ITSC steers the prioritisation and implementation of technology initiatives, reviewing IT operations and development, security plans and policies.

Property

NBF owns nine properties and leases 18 properties across the UAE and one property in Belgium for its diamond representative office. NBF's owned properties include its head office building, branches in Fujairah and a corporate office in Dubai.

As at 31 December 2018, the net book value of NBF's freehold land, buildings and leasehold improvements amounted to AED 168.5 million.

Insurance

NBF uses insurance as one mechanism to transfer risks where it has assessed this as a prudent mechanism. Prudence is assessed against risk appetite, risk capacity and risk exposure. These insurance contracts are reviewed annually and presented to the MRC and the BRC for approval.

NBF has various insurance policies in place, including directors' and officers' insurance, third-party liability insurance, motor fleet and public liability. NBF believes that these insurance policies provide it with comprehensive insurance coverage against the various risks to which it may be exposed.

Litigation

NBF is not, and has not been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months preceding the date of this Prospectus which may have, or have in such period had, a significant effect on the financial position or operations of NBF.

Therefore no material provision has been made as at 31 December 2018 regarding any outstanding legal proceedings against NBF.

Fiscal Year

NBF's fiscal year is the calendar year ending on 31 December.

The Emirate of Fujairah

The Emirate of Fujairah constitutes one of the seven Emirates that form part of the United Arab Emirates Federation. The Emirate is geographically situated on the East Coast of the UAE along the Gulf of Oman.

Fujairah has undergone an impressive evolutionary phase, from a macroeconomic perspective, in the last few decades. Tourism, port logistics, quarries and cement manufacturing were the prominent features of the economic landscape. However in recent years, as investments in the expansion of port facilities for freight activity and storage of crude oil distillates have progressively increased, Fujairah has emerged as one of the largest fuel bunkering ports, alongside Singapore and Rotterdam.

The Emirate's strategic importance has increased significantly with the expansion of the UAE's oil distribution network from key oil production fields in the UAE, bypassing the Strait of Hormuz. Fujairah is also home to the UAE's strategic food import and storage facilities. Fujairah is also included as an integral part of the planned federal rail network for freight logistics, implemented as a cost-effective alternative to inland road transport for cargo. Fujairah is also expected to benefit from the new economic corridor as part of the "one belt one road" initiative, due to its strategic location facing the port of Gawador in Pakistan.

FINANCIAL REVIEW

The following discussion contains an analysis of the consolidated results of operations of NBF as at and for the six-month periods ended 30 June 2019 and 30 June 2018 and as at and for the years ended 31 December 2018 and 2017 and should be read in conjunction with the Interim Financial Statements and the Annual Financial Statements. Unless otherwise specified, the financial data discussed below has been extracted without material adjustment from the Interim Financial Statements and the Annual Financial Statements.

References in this financial review to 2018 and 2017 are to the 12 months ended 31 December 2018 and 31 December 2017, respectively. The percentages or percentage changes in this financial review are based on the amounts reported in the Issuer's Annual Financial Statements and Interim Financial Statements, as applicable. As a result, percentages or percentage changes stated in this financial review may not be an exact arithmetical change of the numbers stated in this financial review. As a result of rounding, the totals stated in the tables and text below may not be an exact arithmetical sum of the numbers in respect of which they are expressed to be a total.

For the purposes of this financial review, references to "NBF" or "the Issuer" are to be construed as references to the Group (comprising NBF and its three subsidiaries as defined in "Description of the Issuer" above, unless the context otherwise requires).

Overview

NBF was incorporated in 1982, in Fujairah, by a decree issued by the Ruler of Fujairah, H.H. Sheikh Hamad bin Mohammed Al Sharqi. NBF operates under a banking licence issued by the UAE Central Bank on 29 August 1984 and it commenced operations on 20 September 1984. NBF shares were listed on the Abu Dhabi Securities Exchange on 23 October 2005.

NBF is a bank offering a comprehensive range of corporate, commercial, treasury and trade finance services to individuals, companies, financial institutions and government agencies. NBF also offers an expanding suite of personal banking and *Shari'a*-compliant services. As at the date of this Prospectus, NBF operates in the UAE through a network of 18 branches (one of which is an electronic banking service unit in Al Reef – Abu Dhabi) and 51 automated teller machines ("ATMs") and it also has a representative office in Antwerp, Belgium. As at the date of this Prospectus, NBF has three wholly-owned subsidiaries:

- NBF Financial Services FZC, which was established in December 2004 with limited liability status in the Fujairah Free Trade Zone to provide a number of administrative and support services to NBF;
- NBF Capital Limited, which is registered in the DIFC as a company limited by shares under DIFC laws and regulations and is regulated by the Dubai Financial Services Authority. NBF Capital Limited was established on 3 April 2013 and commenced operations on 12 May 2013. Its principal business activities are arranging credit facilities and investments and providing advice on financial products and services; and
- NBF Markets (Cayman) Limited, which is registered in the Cayman Islands as an exempted company limited by shares under the Companies Law (revised) of the Cayman Islands and regulated by the Cayman Island Government General Registry. NBF Markets (Cayman) Limited was established on 31 January 2017 to provide support services to NBF in respect of entering into foreign exchange and derivative transactions with financial institutions and other counterparties.

In addition, a separate Islamic banking window, NBF Islamic, was established in 2014 to offer *Shari'a* banking services.

As at 30 June 2019, NBF has total assets of AED 42.5 billion (an increase of 11.7 per cent. compared to the position as at 30 June 2018). By comparison, as at 31 December 2018 and 31 December 2017, the Issuer's total assets were AED 39.8 billion and AED 36.7 billion, respectively. The Issuer's net profit for the six-month period ended 30 June 2019 was AED 357.1 million (an increase of 15.1 per cent. compared to the six-month period ended 30 June 2018). Its net profit for the years ended 31 December 2018 and 31 December 2017 was AED 615.3 million and AED 471.9 million, respectively. The Issuer's total liabilities amounted to AED 37.2 billion as at 30 June 2019 (an increase of 11.8 per cent. compared to the position as at 30 June 2018). Total liabilities as at 31 December 2018 and 31 December 2017 were AED 34.7 billion and AED 31.8 billion, respectively.

As at the date of this Prospectus, NBF has a long-term rating of "Baa1" with a "stable outlook" from Moody's, "BBB+" with a "stable outlook" from S&P and "A-" with a "stable outlook" from Capital Intelligence.

Market Capitalisation

Period	Market capitalisation
31 December 2017	AED 6.8 billion
31 December 2018	AED 7.9 billion
30 June 2019	AED 8.8 billion

Significant Factors Affecting Results of Operations

NBF believes that the following factors have had an impact on its results of operations and revenues during the periods under review:

The financial year ended 31 December 2018 saw significant increases in volatility and uncertainty primarily led by weak Chinese economic data, rising international trade tensions, lower economic growth and inflation in the EU countries, the Brexit negotiations and uncertainty, together with a weaker outlook in some key emerging markets and developing economies arising from country-specific factors and tighter financial conditions.

In the UAE, the banking sector has been experiencing subdued growth in loans and deposits on the back of relatively lower oil prices, decreased consumer and government spending and declining customer demand. Consolidation and capacity alignment is being observed across all economic sectors.

Against this backdrop, the Issuer's strong performance was notable in several respects during the period ended 30 June 2019 and financial year ended 31 December 2018. The Group's balance sheet is robust, liquidity, capital adequacy and operating income are strong and the Group's performance is underpinned by consistent growth in core business together with improving margins and exchange and derivatives income. This performance is a testament to the Issuer's resilience and ability to make the necessary responsive adjustments as conditions evolve.

NBF delivered its record net profit of AED 615.3 million in the financial year ended 31 December 2018 (compared to a net profit of AED 471.9 million in the financial year ended 31 December 2017, corresponding to a growth of 30.4 per cent.) after taking into account elevated loan impairment provisions, including the impact of the adoption of the new impairment accounting standard, IFRS 9. NBF reported its record half-yearly profit of AED 357.1 million for the six-month period ended 30 June 2019, a further improvement of 15.1 per cent. over the corresponding period of 2018.

Changes to Significant Accounting Policies

There have been changes to certain accounting policies of NBF which have had an impact on the way it values its assets and liabilities and, as a result, impacted its results of operations. Some of these are set out below.

Adoption of IFRS 9

NBF adopted IFRS 9 with effect from 1 January 2018. IFRS 9 addresses the classification, measurement, recognition and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. For accounting purposes, IFRS 9 replaced IAS 39 and fundamentally changed the accounting for loan loss impairments by replacing the incurred loss impairment model with a forward-looking ‘expected credit loss’ (“ECL”) approach.

The net incremental ECL under IFRS 9 as at 1 January 2018 for NBF was AED 186.8 million, which resulted in reduced retained earnings as at 1 January 2018 of AED 300.8 million. NBF also established an impairment reserve to reflect an additional provision of AED 114.0 million in excess of the collective impairment provision under IFRS 9 as at 1 January 2018. The impact on the Issuer’s equity on account of the change in classification and measurement of investments measured at amortised cost and fair value through other comprehensive income (FVOCI) in accordance with IFRS 9 amounted to AED 6.1 million.

The table below shows the movement in the impairment reserve during the year ended 31 December 2018.

	Impairment reserve – General	Impairment reserve – Specific (AED '000)	Impairment reserve
At 1 January 2018	113,956	—	113,956
Reduction in excess general provision under CBUAE over Stage 1 and 2 requirements under IFRS 9	(38,696)	—	(38,696)
Excess specific provision under CBUAE over IFRS 9	—	191,180	191,180
	<u>(38,696)</u>	<u>191,180</u>	<u>152,484</u>
At 31 December 2018	75,260	191,180	266,440

For further information, please see notes 5c, 6.1, 10.3 and 25 to the 2018 Annual Financial Statements.

Adoption of IFRS 16 ‘Leases’

NBF has adopted IFRS 16 with effect from 1 January 2019, which requires lessees to recognise a lease liability reflecting future lease payments and a “right of use asset” for lease contracts. The impact of IFRS 16 on the Issuer’s financial statements is immaterial and is disclosed in note 3a of the Issuer’s unaudited condensed consolidated interim financial statements for the period ended 30 June 2019.

For further information, please see Note 4 (*Significant accounting policies*) to the 2018 Annual Financial Statements and Note 3 (*Significant accounting policies*) to the 2019 Interim Financial Statements.

Results of Operations

Business Segments

NBF categorises its business into four broad segments: Corporate and Institutional Banking, Business Banking, Retail Banking and Treasury, ALM and Others. A breakdown of the financial performance of each business segment for the years ended 31 December 2018 and 31 December 2017 is provided below.

	2018				
	Corporate and institutional banking	Business banking	Retail banking	Treasury, ALM and Others	Consolidated
			(AED '000)		
Segment revenue.....	899,381	287,575	137,040	249,840	1,573,836
Segment operating cost.....	(258,357)	(132,327)	(99,059)	(31,993)	(521,736)
Segment operating profit	641,024	155,248	37,981	217,847	1,052,100
Net impairment losses.....	(351,440)	(48,929)	(36,155)	(262)	(436,786)
Profit.....	289,584	106,319	1,826	217,585	615,314
Segment assets.....	22,965,960	3,308,935	2,911,574	10,596,817	39,783,286
Segment liabilities	27,391,997	3,296,130	2,725,155	1,248,138	34,661,420
Capital expenditure.....	—	—	—	153,223	153,223
	2017				
	Corporate and institutional banking	Business banking	Retail banking	Treasury, ALM and Others	Consolidated
			(AED '000)		
Segment revenue.....	769,631	264,336	112,558	232,016	1,378,541
Segment operating cost.....	(229,758)	(124,641)	(83,051)	(27,480)	(464,930)
Segment operating profit	539,873	139,695	29,507	204,536	913,611
Net impairment losses.....	(296,877)	(125,727)	(19,270)	206	(441,668)
Profit.....	242,996	13,968	10,237	204,742	471,943
Segment assets.....	21,219,850	3,229,924	2,394,208	9,812,394	36,656,376
Segment liabilities	24,298,793	3,116,875	2,746,039	1,604,031	31,765,738
Capital expenditure.....	—	—	—	38,359	38,359

The profit for the Corporate and Institutional Banking (“CIBG”) segment increased by 19.2 per cent. from AED 243.0 million for the year ended 31 December 2017 to AED 289.6 million for the year ended 31 December 2018. This was primarily due to improvement in operating profit which increased from AED 539.9 million in 2017 to AED 641.0 million in 2018 on the back of improvement in interest margins, exchange and derivative income and increase in business volumes. The operating profit improvement also helped in absorbing the higher net impairment losses on account of IFRS 9 adoption which increased from AED 296.9 million in 2017 to AED 351.4 million in 2018. The segment’s business volume grew as part of its ongoing focus on growth and improving market share. The segment’s liabilities increased by 12.7 per cent. from AED 24.3 billion at 31

December 2017 to AED 27.4 billion at 31 December 2018. This was primarily due to the Issuer's focus on diversifying liabilities and improving the mix of non-interest bearing current and savings account balances.

The non-performing loans ratio (the "NPL ratio") for the Group as at 31 December 2017 was 5.5 per cent., which improved to 5.1 per cent. as at 31 December 2018 and further improved to 4.8 per cent. as at 30 June 2019. The NPL ratio of the CIBG segment as at 31 December 2017 was 5.5 per cent., which marginally increased to 5.6 per cent. as at 31 December 2018; and then reduced to 5.0 per cent. as at 30 June 2019. The specific provisions coverage ratio (including Impairment Reserve – Specific) for the CIBG segment was 54.6 per cent. as at 31 December 2017, which increased to 72.5 per cent. as at 31 December 2018 and further increased to 75.7 per cent. as at 30 June 2019.

The profit for the Business Banking segment increased by 661.2 per cent. from AED 14.0 million for the year ended 31 December 2017 to AED 106.3 million for the year ended 31 December 2018. This was primarily due to an improvement in the net impairment losses which reduced from AED 125.7 million in 2017 to AED 48.9 million in 2018. The segment operating profit also improved to AED 155.2 million for the year ended 31 December 2018, an increase of 11.1 per cent. over the year ended 31 December 2017 on account of enhanced focus interest margins, liabilities management and treasury products. The NPL ratio of the Business Banking segment as at 31 December 2017 was 7.0 per cent., which improved to 2.8 per cent. as at 31 December 2018 and stood at 3.4 per cent. as at 30 June 2019. The provisions coverage ratio (including Impairment Reserve – Specific) for the Business Banking segment as at 31 December 2017 was 75.0 per cent. compared to 71.1 per cent. as at 31 December 2018 and 78.3 per cent. as at 30 June 2019.

The profit for the Retail Banking segment decreased by 82.2 per cent. from AED 10.2 million for the year ended 31 December 2017 to AED 1.8 million for the year ended 31 December 2018. This was primarily due to an increase in net impairment losses from AED 19.3 million in 2017 to AED 36.2 million in 2018, which reflects collective provisions on account of growth in the segment's assets and the Issuer's prudent adoption of IFRS 9. The segment's assets grew by 21.6 per cent. from AED 2.4 billion in 2017 to AED 2.9 billion in 2018, which corresponds to the business strategy of growing a mortgage portfolio with prudent loan to value and affluent customer segments. The NPL ratio of the Retail Banking segment as at 31 December 2017 was 3.8 per cent., which increased to 3.9 per cent. as at 31 December 2018 and further increased to 4.5 per cent. as at 30 June 2019. The provisions coverage ratio (*including impairment reserve – specific*) for the Retail Banking segment as at 31 December 2017 was 57.0 per cent. compared to 49.1 per cent. at 31 December 2018 and 55.1 per cent. as at 30 June 2019.

Income Statement Data

The following table sets out selected data from the Issuer's income statement information for the periods indicated.

	For the period ended 30 June (unaudited)		Change	For the year ended 31 December		Change
	2019	2018	2019/18	2018	2017	2018/17
	(AED '000)		(%)	(AED '000)		(%)
Consolidated statement of income/comprehensive income data						
Net interest income and net income from Islamic financing and investment activities.....	563,280	525,087	7.3	1,086,651	917,560	18.4
Operating income	841,468	768,737	9.5	1,573,836	1,378,541	14.2
Total operating expenses	(274,480)	(248,887)	10.3	(521,736)	(464,930)	12.2

	For the period ended 30 June (unaudited)		Change	For the year ended 31 December		Change
	2019	2018	2019/18	2018	2017	2018/17
	(AED '000)		(%)	(AED '000)		(%)
Operating profit	566,988	519,850	9.1	1,052,100	913,611	15.2
Profit for the period/year.....	357,077	310,177	15.1	615,314	471,943	30.4
Other comprehensive income/(loss) for period/year	44,761	(12,295)	464.1	(29,948)	5,447	(649.8)
Total comprehensive income for the period/year	401,838	297,882	34.9	585,366	477,390	22.6

NBF posted a record set of results and achieved its best ever operating and net profit in 2018, which saw further improvement in the first half of 2019. Operating profit saw a robust growth of 15.2 per cent., reaching AED 1,052.1 million for the year ended 31 December 2018 compared to AED 913.6 million for the year ended 31 December 2017 and a growth of 9.1 per cent. in the period ended 30 June 2019 compared to the corresponding period in 2018. This exhibits the bank's long-standing customer-centric approach, selective business growth and high level of resilience. Operating income of AED 1,573.8 million for the year ended 31 December 2018 saw a growth of 14.2 per cent. compared to operating income for the year ended 31 December 2017 and 9.5 per cent. in the period ended 30 June 2019 compared to the corresponding period in 2018, which was achieved by strong core business performance, proactive asset and liability management, margin improvement and enhanced focus on return on capital. NBF profit increased by 30.4 per cent. from AED 471.9 million for the year ended 31 December 2017 to AED 615.3 million for the year ended 31 December 2018 and by 15.1 per cent. for the period ended 30 June 2019 compared to the corresponding period in 2018. In 2018, the Issuer's total comprehensive income increased by 22.6 per cent. from AED 477.4 million for the year ended 31 December 2017 to AED 585.4 million for the year ended 31 December 2018 and by 34.9 per cent. for the period ended 30 June 2019 compared to the corresponding period in 2018. The lower comprehensive income growth was due to fair value loss of AED 29.9 million in 2018 on the FVOCI investments, which reflected the volatility in the debt and capital markets observed in the last quarter of 2018. Since then, the valuations have improved significantly as can be evidenced from Net change in fair value of AED 44.9 million (a fair value gain) and other comprehensive income of AED 44.8 million for the period ended 30 June 2019.

Net Interest Income and Net Income from Islamic Financing and Investment Activities

The following table sets out the composition of the Issuer's net interest income and net income from Islamic financing and investment activities for the periods indicated.

	For the period ended 30 June (unaudited)		Change	For the year ended 31 December		Change
	2019	2018	2019/18	2018	2017	2018/17
	(AED '000)		(%)	(AED '000)		(%)
Interest income and income from Islamic financing and investment activities.....	962,214	821,047	17.2	1,764,911	1,452,582	21.5
Interest expense and distribution to Islamic depositors	(398,934)	(295,960)	34.8	(678,260)	(535,022)	26.8

	For the period ended 30 June (unaudited)		Change	For the year ended 31 December		Change
	2019	2018	2019/18	2018	2017	2018/17
	(AED '000)		(%)	(AED '000)		(%)
Net interest income and net income from Islamic financing and investment activities.....	563,280	525,087	7.3	1,086,651	917,560	18.4

The Issuer's interest income and income from Islamic financing and investment activities increased by 17.2 per cent. from AED 821.0 million for the six-month period ended 30 June 2018 to AED 962.2 million for the six-month period ended 30 June 2019. This increase corresponds with a 21.5 per cent. increase in interest income and income from Islamic financing and investment activities between 2017 and 2018. This was primarily due to growth in loans and advances and Islamic financing and investments and Islamic instruments as well as improved margins.

Interest expense and distribution to Islamic depositors increased by 34.8 per cent. from AED 296.0 million for the six-month period ended 30 June 2018 to AED 398.9 million for the six-month period ended 30 June 2019. This increase corresponds with a 26.8 per cent. increase in the interest expense and distribution to Islamic depositors between 2017 and 2018. This was primarily due to an increase in deposits, its maturity profile and an increase in interest rates.

Income Other than Interest Income and Income from Islamic Financing and Investment Activities

The following table sets out the composition of the Issuer's operating income other than interest income and income from Islamic financing and investment activities for the periods indicated.

	For the period ended 30 June (unaudited)		Change	For the year ended 31 December		Change
	2019	2018	2019/18	2018	2017	2018/17
	(AED '000)		(%)	(AED '000)		(%)
Net fees and commission income.....	177,182	155,756	13.8	308,663	311,460	(0.9)
Foreign exchange and derivatives income	74,223	70,002	6.0	137,275	100,811	36.2
Income/(Loss) from investments and Islamic instruments.....	5,576	1,749	218.8	(5,033)	19,322	(126.0)
Other operating income	21,207	16,143	31.4	46,280	29,388	57.5

Foreign exchange and derivative income experienced growth of 36.2 per cent., reaching a record level of AED 137.3 million for the year ended 31 December 2018 compared to AED 100.8 million for the year ended 31 December 2017 and further increased by 6 per cent. during the period ended 30 June 2019 compared to the corresponding period in 2018. This is attributed to the greater focus on deepening customer relationships with offering treasury products to support growth and enhance return on capital.

Income from investments and Islamic instruments designated as FVPL recorded an AED 5.0 million fair value loss in 2018 compared to AED 19.3 million fair value profit in 2017, reflecting the volatility in the debt and capital markets. NBF proactively managed its investment portfolio and the income from investments and Islamic instruments recorded for the period ended 30 June 2019 was AED 5.6 million.

Other operating income increased from AED 29.4 million for the year ended 31 December 2017 to AED 46.3 million for the year ended 31 December 2018. Other operating income increased from AED 16.1 million for the six month period ended 30 June 2018 to AED 21.2 million for the six month period ended 30 June 2019. This increase was principally due to improvement in the recovery from written-off customers.

Operating Expenses

The following table sets out the composition of the Issuer's operating expenses for the periods indicated.

	For the period ended 30 June (unaudited)		Change	For the year ended 31 December		Change
	2019	2018	2019/18	2018	2017	2018/17
	<i>(AED '000)</i>		<i>(%)</i>	<i>(AED '000)</i>		<i>(%)</i>
Employee benefits expense.....	(185,296)	(172,156)	7.6	(344,361)	(309,429)	11.3
Depreciation and amortisation	(18,262)	(12,629)	44.6	(25,708)	(25,628)	0.3
Other operating expenses.....	(70,922)	(64,102)	10.6	(151,667)	(129,873)	16.8

Employee benefits expense increase mainly reflects the increase in staff benefits in line with the board-approved remuneration policy, recruitment and development costs.

Other operating expenses increased from AED 129.9 million for the year ended 31 December 2017 to AED 151.7 million for the year ended 31 December 2018. Other operating expenses increased from AED 64.1 million for the six month period ended 30 June 2018 to AED 70.9 million for the six month period ended 30 June 2019. This was primarily due to an increase in remedial and legal, marketing, IT outsourcing and consultancy costs.

Consolidated Statement of Financial Position Data

The following table sets out selected data from the Issuer's financial position information at the dates indicated.

	As at 30 June (unaudited)		Change	As at 31 December		Change
	2019	2018	2019/18	2018	2017	2018/17
	<i>(AED '000)</i>		<i>(%)</i>	<i>(AED '000)</i>		<i>(%)</i>
Consolidated Statement of Financial Position Data						
Total assets	42,538,887	38,092,174	11.7	39,783,286	36,656,376	8.5
Total liabilities.....	37,156,642	33,221,948	11.8	34,661,420	31,765,738	9.1
Total shareholders' equity	5,382,245	4,870,226	10.5	5,121,866	4,890,638	4.7

Total assets increased by 11.7 per cent. from AED 38.1 billion as at 30 June 2018 to AED 42.5 billion as at 30 June 2019. This was primarily due to the Issuer's consistent growth in core business where it has been outperforming the industry average growth rates. The principal variances in assets and liabilities have been explained in the sections below.

Total Assets

The following table sets out the composition of the Issuer's total assets as at the dates indicated.

	As at 30 June (unaudited)		Change	As at 31 December		Change
	2019	2018	2019/18	2018	2017	2018/17
	(AED '000)		(%)	(AED '000)		(%)
Assets						
Cash and balances with the UAE						
Central Bank	6,144,859	5,482,201	12.1	6,722,964	6,916,739	(2.8)
Due from banks and financial						
institutions	2,152,797	1,810,257	18.9	1,415,362	1,940,018	(27.0)
Investments and Islamic instruments	3,548,015	2,575,673	37.8	2,713,447	1,916,322	41.6
Loans and advances and Islamic						
financing receivables	27,919,362	26,047,990	7.2	26,202,411	24,065,827	8.9
Property and equipment and capital						
work-in-progress.....	334,656	178,727	87.2	292,048	164,533	77.5
Other assets.....	2,439,198	1,997,326	22.1	2,437,054	1,652,937	47.4
Total assets	42,538,887	38,092,174	11.7	39,783,286	36,656,376	8.5

Cash and balances with the UAE Central Bank decreased by 2.8 per cent. from AED 6.9 billion as at 31 December 2017 to AED 6.7 billion as at 31 December 2018. However, the positions as at 30 June 2018 and 30 June 2019 reflected an increase of 12.1 per cent. This was primarily due to the Issuer's strategy to manage liquidity in investment grade investment instruments to optimise return on liquid assets while maintaining prudent levels of liquidity relative to its risk profile.

There was a decrease in assets due from banks and financial institutions of 27.0 per cent. from AED 1.9 billion as at 31 December 2017 to AED 1.4 billion as at 31 December 2018. But the positions as at 30 June 2018 and 30 June 2019 reflected an increase of 18.9 per cent. This was primarily due to optimisation by the asset and liability management desk as can be evidenced from the corresponding drop and increase in interbank term borrowing.

The increase in property and equipment and capital work-in-progress during the course of the year ended 31 December 2018 is principally due to the purchase of plots of land aggregating to AED 99.6 million and an increase in leasehold improvements, furniture, softwares and equipment aggregating to AED 31.4 million to support infrastructure growth and development. The increase in property and equipment and capital work-in-progress from 31 December 2018 to 30 June 2019 principally relates to the booking of the Right of use assets of AED 39.9 million upon adoption of IFRS 16 requirements as of 1 January 2019.

Other assets increased by 47.4 per cent. from AED 1.7 billion as at 31 December 2017 to AED 2.4 billion as at 31 December 2018 and by 0.1 per cent. from the end of 2018 to 30 June 2019. This was primarily due to an increase in customer liabilities for acceptances in 2018.

Total Liabilities

The following table sets out the composition of the Issuer's total liabilities as at the dates indicated.

	As at 30 June (unaudited)		Change	As at 31 December		Change
	2019	2018	2019/18	2018	2017	2018/17
	(AED '000)		(%)	(AED '000)		(%)
Liabilities						
Due to banks	2,624,441	1,590,096	65.0	569,314	627,515	(9.3)
Customer deposits and Islamic customer deposits	30,995,476	28,185,539	10.0	30,472,471	27,864,997	9.4
Term borrowings	752,965	1,281,520	(41.2)	863,155	1,410,075	(38.8)
Other liabilities	2,783,760	2,164,793	28.6	2,756,480	1,863,151	47.9
Total liabilities.....	37,156,642	33,221,948	11.8	34,661,420	31,765,738	9.1

Liabilities in respect of customer deposits and Islamic customer deposits increased by 9.4 per cent. from AED 27.9 billion as at 31 December 2017 to AED 30.5 billion as at 31 December 2018. This trend continued in respect of the positions as at 30 June 2018 and 30 June 2019, which reflected an increase of 10.0 per cent. This was primarily due to the Issuer's deposit-led funding strategy to support the growth in business and balance sheet. This also reflects the Issuer's focus on diversifying the sources of deposits and strategy of improving current and savings account balances to improve the operational accounts for liquidity management and improve cost of funds and interest margins.

Term borrowing reduction corresponds to a drop in bilateral borrowings to optimise asset and liabilities management.

Other liabilities increased by 47.9 per cent. from AED 1.9 billion as at 31 December 2017 to AED 2.8 billion as at 31 December 2018. This was primarily due to an increase in acceptances in 2018.

Loans and Advances and Islamic Financing Receivables

The following table sets out the Issuer's loans and advances and Islamic financing receivables by type for the periods indicated.

	2018	2017
	(AED '000)	
Overdrafts	2,227,625	1,895,865
Term loans.....	19,178,357	17,928,253
Loans against trust receipts	3,361,286	3,260,076
Bills discounted.....	2,304,705	1,832,941
Bills drawn under letters of credit	295,260	402,894
	27,367,233	25,320,029
Allowances for impairment (ECL).....	(1,164,822)	(1,254,202)
Net loans and advances and Islamic financing receivables.....	26,202,411	24,065,827

Term loans increased by 7.0 per cent. from AED 17.9 billion as at 31 December 2017 to AED 19.2 billion as at 31 December 2018. This was primarily due to the current market conditions where customers are matching their funding requirements for the longer term in line with their debtors' repayment cycle.

The following table sets out the Issuer's allowance for impairment losses on loans and advances and Islamic financing receivables for the periods indicated.

	2018	2017
	(AED '000)	
Movement in allowances for impairment losses		
Balance at 1 January	1,254,202	1,204,901
Initial application of IFRS 9	186,816	—
Restated balance at 1 January	1,441,018	1,204,901
Net allowance for impairment losses	384,668	441,668
Written-off during the year.....	(660,864)	(392,367)
Balance at 31 December.....	1,164,822	1,254,202

NBF recorded a net impairment of AED 186.8 million directly to the equity upon initial application of IFRS 9 on 1 January 2018. Net impairment allowance charged to the profit and loss was AED 436.8 million for the year ended 31 December 2018 compared to 441.7 million for the year ended 31 December 2017. Loans written off were AED 660.9 million for the year ended 31 December 2018, compared to AED 392.4 million for the year ended 31 December 2017.

In addition to impairment losses charged to the income statement, NBF has also created impairment reserves aggregating to AED 266.4 million under the equity, which represents higher than IFRS 9 provisions required as per Central Bank of the UAE requirements (*see: "Financial Review – Changes to Significant Accounting Policies"*). These reserves are not included in the capital base for the purposes of capital adequacy calculations.

Cash Flows Data

The following table sets out selected data from the Issuer's cash flow position for the periods indicated.

	For the period ended 30 June (unaudited)		For the year ended 31 December		
	2019	2018	2018	2017	2016
			(AED '000)		
Cash flow from operating activities before changes in operating assets and liabilities and payment of employee end of service and other long-term benefits.....	589,154	538,872	1,097,780	933,424	890,574
Net cash (used in)/generated from operating activities.....	(1,106,919)	(1,313,605)	1,381,457	740,528	1,984,400

	For the period ended 30 June (unaudited)		For the year ended 31 December		
	2019	2018	2018	2017	2016
			(AED '000)		
Net cash used in investing activities	(807,040)	(692,122)	(980,570)	(143,633)	(401,730)
Net cash used in financing activities.....	(251,649)	(266,138)	(720,347)	(662,382)	(8,332)
Net change in cash and cash equivalents	(2,165,608)	(2,271,865)	(319,460)	(65,487)	1,574,338
Cash and cash equivalents at end of the period/year.....	3,364,771	3,577,974	5,530,379	5,849,839	5,915,326
Principal non-cash transactions during the period/year.....	—	—	(500,000)	—	—

Cash flows analysis shows that NBF business growth is sustainable and effectively funded. Cash and cash equivalents figures remain strong and controlled in line with the Issuer's liquidity risk appetite and well above the minimum regulatory requirements, as evidenced by select liquidity ratios (see: "Financial Review – Results of Operations – Selected Ratios"). Relatively lower cash and cash equivalents at the end of 2018 and 2019 reflect the Issuer's strategy to optimise return on liquid assets by deploying surplus liquidity in investment grade debt instruments. These instruments are marked to market and are highly liquid. The single principal non-cash transaction during the year ended 31 December 2018 to the value of AED 500 million represents the conversion of additional Tier 1 perpetual capital notes into paid-up capital of NBF.

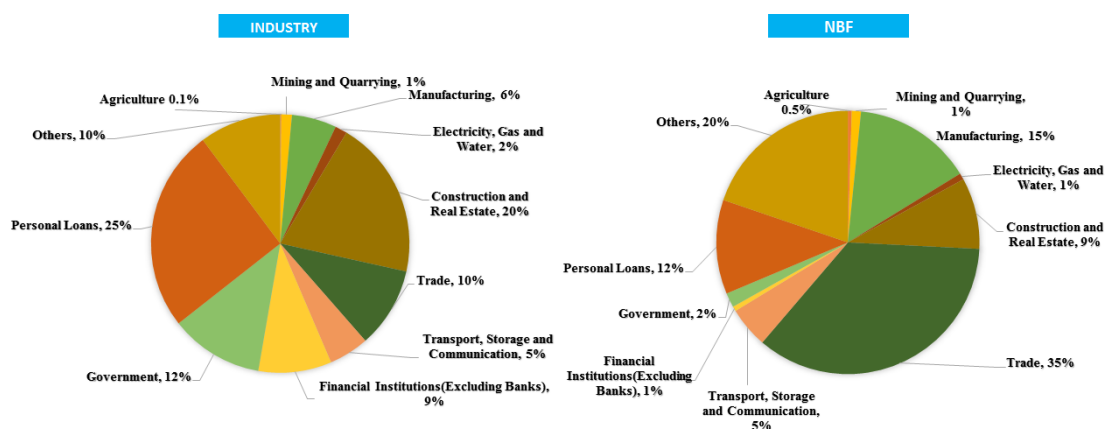
Sector Analysis Data

NBF provides funding to a variety of different industries and sectors. It monitors concentrations of credit risk by industry, sector and geographic location. The tables below show the sectoral concentrations of credit risk arising from loans and advances and Islamic financing receivables for 2018 and 2017.

2018 (Based on IFRS 9)	Funded exposure	Unfunded exposure	Gross exposure	Gross exposure Stage 3	ECL Stage 3	Write-off	Past dues	
							Up to 89 days	90 days and above
							(AED '000)	
Trade.....	12,814,336	2,499,978	15,314,314	499,015	330,771	320,263	190,561	—
Construction.....	1,784,314	3,562,525	5,346,839	88,093	49,415	37,389	897	—
Government	190,408	6,242	196,650	—	—	—	—	—
Manufacturing.....	3,780,600	844,415	4,625,015	490,280	294,730	157,902	24,150	—
Financial institutions.....	343,066	225,524	568,590	—	—	48,833	—	—
Service industries.....	3,653,930	320,995	3,974,925	213,396	97,858	39,477	67,068	—
Real estate.....	3,455,552	—	3,455,552	73,425	19,267	—	1,610	—
Individuals	1,345,027	168,892	1,513,919	39,073	17,420	57,000	1,060	—
Gross amount	27,367,233	7,628,571	34,995,804	1,403,282	809,461	660,864	285,346	—

2017 (Based on IAS 39)	Funded exposure	Unfunded exposure	Gross exposure	Impaired loans and financing receivables	Specific provision	Write-off	Past dues	
							Up to 89 days	90 days & above
				(AED '000)				
Trade.....	11,791,603	2,238,610	14,030,213	462,568	381,353	147,701	147,963	44,016
Construction.....	1,311,727	3,428,810	4,740,537	63,986	47,515	1,916	45,825	—
Government	294,959	7,949	302,908	—	—	—	—	—
Manufacturing.....	3,850,307	759,397	4,609,704	469,886	154,070	83,901	83,677	24,074
Financial institutions.....	514,081	184,726	698,807	64,941	43,486	—	—	—
Service industries.....	2,784,471	312,232	3,096,703	230,456	124,494	147,151	10,539	550
Real estate.....	3,383,357	—	3,383,357	39,629	7,693	—	7,279	—
Individuals	1,389,524	845,558	2,235,082	69,918	54,240	11,698	1,095	—
Gross amount	25,320,029	7,777,282	33,097,311	1,401,384	812,851	392,367	296,378	68,640

There was an increase in gross exposure to the Trade industry of 9.2 per cent. from AED 14.0 billion for the year ended 31 December 2017 to AED 15.3 billion for the year ended 31 December 2018. This was primarily due to the Issuer's expertise and focus on the trade finance business, which sets it apart from the banking sector. The comparison of the Issuer's sectoral mix based on sector classification published by UAE Central Bank as at 31 December 2018 is provided below:



For further information, please see Note 5(c) (*Financial Risk Management – Credit risk – Concentration risk*) to the 2018 Annual Financial Statements.

Selected Ratios

The table below shows selected consolidated ratios of NBF as at/for the periods indicated.

	As at/for the six months ended 30 June (<i>unaudited</i>)		Change	As at 31 December		Change
	2019	2018	19/18	2018	2017	18/17
	(%)					
Return on average equity.....	13.6	12.7	0.9	12.3	10.0	2.3

	As at/for the six months ended 30 June (<i>unaudited</i>)		Change	As at 31 December		Change
	2019	2018	19/18	2018	2017	18/17
	(%)					
Return on average assets.....	1.7	1.7	—	1.6	1.3	0.3
Provisions coverage ratio.....	108.6	99.2	9.4	102.0	89.5	12.5
Non-performing loans ratio	4.8	5.3	(0.5)	5.1	5.5	(0.4)
Profit retention ratio.....	—	—	—	80	78.3	1.7
Capital adequacy ratio	15.6	16.8	(1.2)	15.2	17.5	(2.3)
Tier 1 ratio	14.5	14.4	0.1	14.1	15.1	(1.0)
Common equity tier 1 ratio.....	13.0	11.4	1.6	12.6	11.9	0.7
Liquidity coverage ratio (LCR)	302	246	56	319	270	49.0
Net stable funding ratio (NSFR)	100	113	(13)	105	107	(2.0)
Ratio of deposits to total assets.....	72.9	74	(1.1)	76.6	76.0	0.6
Loans to deposits ratio	90.1	92.4	(2.3)	86	86.4	(0.4)
Eligible liquid assets ratio.....	19.7	18.8	0.9	21.9	24.1	(2.2)
Dividend payout ratio	—	—	—	20.0	15.0	5.0
Cost to income ratio.....	32.6	32.4	0.2	33.2	33.7	(0.5)

The improvements in return on average equity and return on average assets in 2018 over 2017 are a result of significant growth in profit by 30.4 per cent., from AED 471.9 million for the year ended 31 December 2017 to AED 615.3 million for the year ended 31 December 2018. Total provision coverage improved on account of prudent provisioning and adoption of IFRS 9. Non-performing loans ratio improved on account of the Issuer's enhanced focus on improving asset quality, write-offs and growth in loan book.

Capital adequacy and Tier 1 ratios dropped on account of repayment of Tier 2 capital on the call date in November 2018 and adoption of IFRS 9. CET 1 ratio improved following the conversion of additional tier 1 capital of AED 500 million into paid-up capital in September 2018. NBF maintains strong capital ratios, which will be further augmented following the issuance of new additional tier 1 capital.

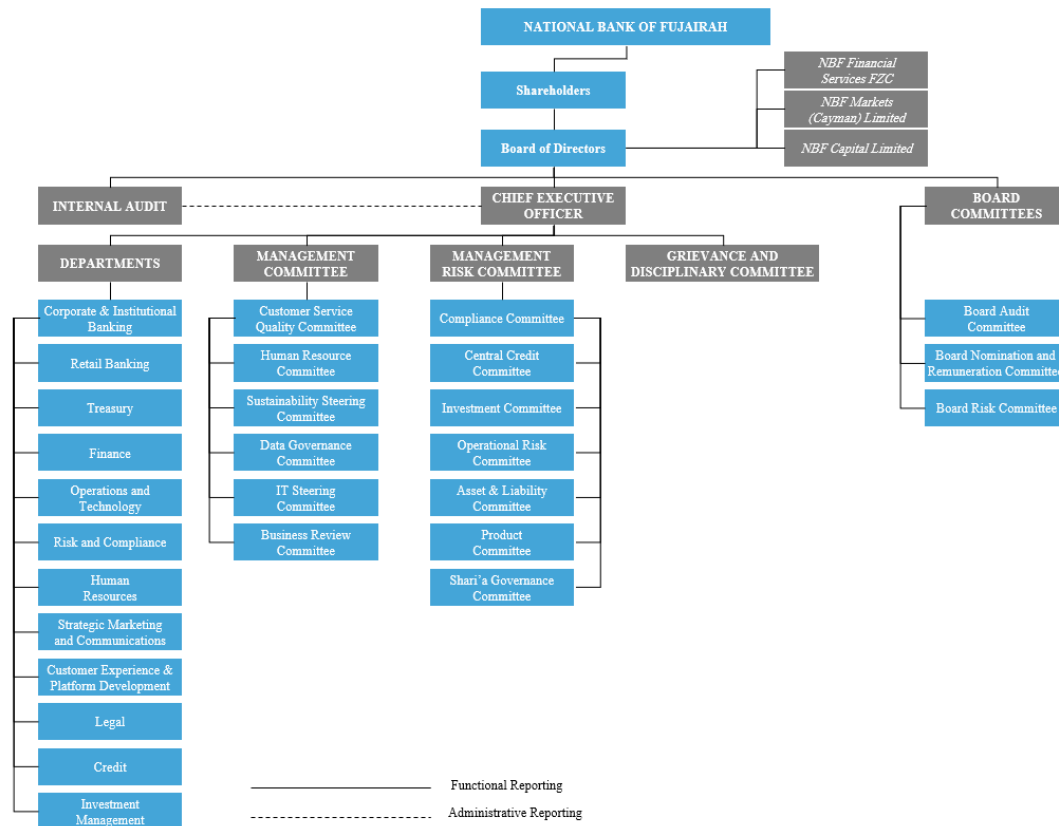
NBF maintains a prudent and high quality of liquidity commensurate with its liquidity risk profile. LCR improved on account of an increase in high-quality liquid assets and maturities management, while NSFR, loans to deposits ratio, deposits to total assets ratio and eligible liquid assets ratio were maintained at comparable levels to the position as at 31 December 2017.

Dividend pay-out increased to align the returns to shareholders with the Issuer's record profit.

The healthy cost to income ratio reflects the Issuer's ongoing focus on automation and generating efficiencies to compete effectively in the low growth environment.

MANAGEMENT

The Issuer's management structure is summarised in the organisational chart set out below:



Board of Directors

The Issuer is managed by the Board which comprises nine members. The Board was elected on 26 March 2017 by the Issuer's shareholders for a term of three years.

As at the date of this Prospectus, the Board comprises the directors listed below.

Name	Position
H.H. Sheikh Saleh Bin Mohamed Bin Hamad Al Sharqi	Chairman
His Excellency Easa Saleh Al Gurg, KCVO, CBE	Deputy Chairman
Sheikh Hamad Bin Saleh Bin Mohamed Al Sharqi	Director
Mr. Hussain Mirza Al Sayegh	Director
Dr. Sulaiman Mousa Al Jassim	Director
Mr. Saif Sultan Al Salami	Director
Mr. Mohamed Obaid Bin Majed Al Aleeli	Director
Mr. Abdulla Fareed Al Gurg	Director
Mr. Ahmed Saeed Al Raqbani	Director

H.H. Sheikh Saleh Bin Mohamed Bin Hamad Al Sharqi is currently the Chairman of the Department of Industry & Economy, Government of Fujairah, Fujairah Port Authority, Fujairah Petroleum Company and Fujairah National Group.

His Excellency Easa Saleh Al Gurg, KCVO, CBE has been the Deputy Chairman of the Issuer since inception. His Excellency was the UAE Ambassador to the Court of St. James (UK) and the Republic of Ireland from 1991 to 2009 and was knighted by HM Queen Elizabeth II in recognition of his services. His Excellency is currently the Chairman of the Easa Saleh Al Gurg Group, Al Gurg Fosroc LLC, Arabian Explosives Company LLC and Al Gurg Unilever LLC. In addition, His Excellency is also a Board Member at Siemens LLC and Member of the Board of Trustees at the Oxford Centre for Islamic Studies, UK.

Sheikh Hamad Bin Saleh Bin Mohamed Al Sharqi is the Vice Chairman of Fujairah National Group and has been the Chairman of Al Sharq Health Care (The Health Care Group of Fujairah National Group) since 2009.

Mr. Hussain Mirza Al Sayegh is currently the Deputy Chairman of Oilfields Supply Center and Al Nasr Leisureland. He also serves as a Director of Emirates National Oil Company, Emirates NBD, Marsh Emirates Insurance Brokerage, Mawarid Finance and as Chairman of Jotun UAE Limited LLC and Jotun Powder Coatings.

Dr. Sulaiman Mousa Al Jassim has served as the former Vice President of Zayed University and is currently a member of the Board of Directors of Al Fujairah National Insurance Company and Abu Dhabi University. He is also the Chairman of Al Jassim Trading Group and Al Jassim Marble and Tile Factory, and Vice Chairman of Sultan Al Owais Culture Foundation and Al Khaleej Investment Education Services. As at the date of this Prospectus, Mr. Jassim holds 1,578,867 shares in the issued share capital of the Issuer.

Mr. Saif Sultan Al Salami is currently the Managing Director of Fujairah National Group and Fujairah Investment Company. He is also a Board Member of Al Fujairah National Insurance Company.

Mr. Mohamed Obaid Bin Majed Al Aleeli is currently the Director General of the Department of Industry & Economy, Government of Fujairah. As at the date of this Prospectus, Mr. Aleeli holds 402,408 shares in the issued share capital of the Issuer.

Mr. Abdulla Fareed Al Gurg is Group General Manager of the Easa Saleh Al Gurg Group and a member of the advisory council of the School of Business and Management at the American University of Sharjah. He is also a member of the Board of Directors of the Al Gurg Forsac LLC and The Easa Saleh Al Gurg Charity Foundation.

Mr. Ahmed Saeed Al Raqbani chairs Fujairah Building Industries. He is also a Board member of Al Taif Investment, the Managing Director of East Coast Group and a member of the Board of Trustees of the University of Fujairah.

The business address for each member of the Board is Hamad Bin Abdullah Street, P.O. Box 887, Fujairah, United Arab Emirates.

No member of the Board has any actual or potential conflict of interest between his duties to the Issuer and his private interests or other duties.

Appointment, Retirement and Re-Election

The Board of Directors was elected on 26 March 2017, for a term of three years.

The chairman, deputy chairman and all other directors are non-executive directors.

Directors declare interests and directorships on an annual basis.

Directors' Interests in the NBF shares:

Name (Board of Directors)	Shareholding at 1 January 2018	Shareholding at 31 December 2018	Change
Sheikh Saleh Bin Mohamed Bin Hamad Al Sharqi			
Easa Saleh Al Gurg, KCVO, CBE.....			
Sheikh Hamad Bin Saleh Bin Mohamed Al Sharqi			
Hussain Mirza Al Sayegh			
Sulaiman Mousa Al Jassim.....	1,305,524	1,403,438	7.5%
Saif Sultan Al Salami.....			
Mohamed Obaid Bin Majed Al Aleeli	332,741	357,696	7.5%
Abdulla Fareed Al Gurg			
Ahmed Saeed Al Raqbani.....			

Senior Management

The day-to-day management of the Issuer is conducted by the following:

Name	Position
Vince Cook	Chief Executive Officer
Adnan Anwar	Chief Financial Officer
Balaji Krishnamurthy	Chief Operations Officer
Justin Morgan-Cooper	Chief Risk Officer
Vikram Pradhan	Head of Corporate and Institutional Banking
Colin Dallas	Head of Retail Banking
Abdulla Aleter	Head of Human Resources
Sharif Mohamed Rafei	Senior Executive Officer

Vince Cook, Chief Executive Officer

Mr. Cook has served as NBF's Chief Executive Officer since 2009. He has over 35 years of experience in the banking industry in the Middle East which included working in senior positions in Barclays Bank Plc's Corporate Banking and Middle East Group divisions as well as Managing Director, Gulf, Barclays Capital. Prior to his current appointment as CEO of NBF, Mr. Cook held general management positions at two other regional banks. Mr. Cook holds a Doctorate in Business Administration from the University of Liverpool and an MBA from Henley Management College, UK.

Adnan Anwar, Chief Financial Officer

Mr. Anwar joined NBF as Head of Finance in December 2005 before taking over the role of Chief Financial Officer in January 2010. He brings over 20 years of experience working in the financial services industry, prior to joining NBF, he was Senior Finance Manager at Standard Chartered Bank in Pakistan, and headed the Finance division of the Saudi ORIX Leasing Company. Mr. Anwar holds an Executive MBA with distinction from the

London Business School. He is a fellow member of the Association of Certified Chartered Accountants, UK and a member of the Institute of Chartered Accountants, Pakistan.

Balaji Krishnamurthy, Chief Operations Officer

Mr. Krishnamurthy joined NBF as its Head of Strategic Projects in 2012 before becoming Chief Operations Officer (COO) in 2013. Mr. Krishnamurthy started his career with HSBC and has held a number of senior management positions during this time at QINVEST, Dubai Real Estate Corporation, National Bank of Dubai's investment banking subsidiary and Barclays Capital. He is a member of The Institute of Chartered Accountants in England & Wales and Australia and a Certified Public Accountant, USA. He has an ACI Diploma in Treasury Management and holds a Master's degree in Business Administration degree from the Manchester Business School.

Justin Morgan-Cooper, Chief Risk Officer

Mr. Morgan-Cooper joined NBF in August 2016 and brings with him over 20 years of expertise. Prior to joining NBF, Mr. Morgan-Cooper was the CRO of Bank of Sydney. He also served as CRO and Deputy CEO for a leading foreign bank's initial start-up business plan for Australia and has held various senior management roles at Macquarie Bank and Bank of Queensland during the course of his career.

Vikram Pradhan, Head of Corporate and Institutional Banking

Mr Pradhan has served as NBF's Head of Corporate and Institutional Banking since January 2013. He has over 29 years' experience in the wholesale banking sector. Prior to his current appointment, Mr. Pradhan was at Al Ahli Bank of Kuwait from 2002-2012, where he became General Manager and was in charge of the bank's UAE operations in 2007. He has also held various positions at ABN AMRO, Standard Chartered Bank in the UAE and ANZ Grindlays Bank in India.

Colin Dallas, Head of Retail Banking

Mr. Dallas serves as Head of Retail Banking at NBF. He joined NBF in 2014 and has over 25 years' financial services experience in the Middle East. Mr. Dallas began his international banking career in 1993 with the Arab National Bank in Saudi Arabia before taking over the role of Head of Retail at another regional bank, where he was responsible for a variety of diverse roles encompassing Corporate Communications, Marketing, Product Development and Wealth Management.

Abdulla Aleter, Head of Human Resources

Mr. Aleter joined NBF as its Head of Human Resources in 2010. Prior to this, he served with the Ministry of Environment and Water for 10 years, where he held positions of Executive Director in HR, Finance and IT. He began his career in 1988 with Etisalat in their International Business Relations Department and rose to become Manager, Emirates Data Clearing House at the Etisalat Head Office, Abu Dhabi. Mr. Aleter holds an Executive Masters in Business Administration degree from the University of Sharjah in addition to a Bachelor's degree in Accounting and Information Technology from the UAE University.

Sharif Mohamed Rafei, Senior Executive Officer

Mr. Rafei joined NBF in 1995 and currently oversees the development of its banking operations across the Fujairah region. He also serves as a member of NBF's Management and Emiratisation Committees. Mr. Rafei began his banking career as a branch manager with Abu Dhabi Commercial Bank, Fujairah in 1984. Prior to that, he was the Personnel and Administration Manager at Fujairah Cement Industries. Mr. Rafei holds a Bachelor of Arts in Business Administration degree from California State University.

The business address for each member of the Senior Management is Hamad Bin Abdullah Street, P.O. Box 887, Fujairah, United Arab Emirates.

No member of the Management Committee has any actual or potential conflict of interest between his duties to the Issuer and his private interests or other duties.

Board Committees

The Issuer has established the following three committees to assist the Board with its oversight responsibilities.

In the year ended 31 December 2018, the Board of Directors and sub-committees met regularly, the Board of Directors having met six times and the board committees having met four times.

Board Audit Committee

The Board Audit Committee (“**BAC**”) consists of five members of the Board and an independent professional and is headed by the Deputy Chairman. The Issuer’s Head of Internal Audit (“**HOIA**”), Chief Executive Officer, Chief Operations Officer and Chief Financial Officer are invitees. The main purpose of BAC is to assist the Board in fulfilling its oversight responsibilities for the Issuer’s financial reporting, internal control and audit processes through:

- receiving and considering reports and recommendations from the HOIA, external auditors and regulatory authorities, including any internal audit reports concerning investigations or significant frauds;
- making recommendations to the Board in respect of financial reporting, internal control systems and both internal and external audit processes;
- overseeing the preparation of financial statements, including a review of the interim and year-end accounts, to monitor that such accounts have been prepared in accordance with proper accounting principles; and
- reviewing the Issuer’s internal control systems and external audit work for effectiveness.

Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee comprises the Board’s Chairman, Deputy Chairman and one Board member. The responsibilities of this committee include:

- making recommendations to the Board in respect of the appointments, reappointments and succession planning of directors and senior management;
- reviewing remuneration policies and compensation; and
- reviewing the structure, size and composition of the Board and its performance.

Board Risk Committee

The Board Risk Committee (“**BRC**”) consists of five Board members and an independent professional. The Chief Executive Officer, Chief Risk Officer and Chief Financial Officer are invitees. The role of the BRC is to support the Board with its oversight responsibilities in respect of risks inherent in the Issuer’s businesses and the control processes associated with such risk. The BRC oversees the Issuer’s risk profile, risk management, compliance and control activities through:

- developing and reviewing appropriate risk and management policies;
- reviewing the Issuer’s risk appetite and financial and other risk exposures and overseeing compliance with risk management;
- reviewing the Issuer’s approach to capital and liquidity management; and
- monitoring compliance with legal and regulatory obligations.

All principal members of the management team present their business' performance, related risk and strategy to the Board annually.

The Board approves credit and investment proposals above defined thresholds. During 2018, there were 142 credit applications forwarded to the Board for approval.

Management Committee

In addition to the Board committees, the Issuer has established the Management Committee, comprising the Senior Management, which is responsible for overseeing and implementing the Issuer's activities in accordance with guidelines developed by the Board. The Management Committee has established a number of sub-committees to assist with its oversight and implementation responsibilities. These include the Business Review Committee, the Human Resources Committee, the IT Steering Committee, the Sustainability Steering Committee and, as below, the Corporate Social Responsibility Committee, the Data Governance Committee and the Customer Service Quality Committee, further details of which are provided herein.

Customer Service Quality Committee

The Customer Service Quality Committee drives excellence in service quality across the Issuer with the objective of achieving and improving customer satisfaction and loyalty. It is responsible for defining clear customer service goals and deliverables and for establishing processes to gather and analyse feedback, identify service gaps and initiate process improvements. It is responsible for reviewing the Issuer's service standards against industry benchmarks and drives quality training and standard certifications for internal units

Human Resources Committee

The Human Resources Committee is responsible for reviewing the human resources policies, organising and designing the organisation structure, human resources planning and reviewing remuneration policies in line with the Issuer's business needs and market developments. This committee is also responsible for ensuring that grading and compensation structures are appropriate and in line with market conditions.

Sustainability Steering Committee and Corporate Social Responsibility Committee

The Sustainability Steering Committee is responsible for identifying, managing and improving the Issuer's direct and indirect environmental impact and social performance, together with the Corporate Social Responsibility Committee ("CSRC"). It is responsible for helping the Issuer meet its goal of contributing to the community in creating economic, environmental and social opportunities and advising CSRC on strategies and initiatives to expand and accelerate sustainable finance practices in line with the Dubai Declaration.

Data Governance Committee

The Data Governance Committee is responsible for data management in respect of the Issuer's organisational goals and regulatory requirements. It is responsible for defining the structure, roles and governance framework relating to how the Issuer's data is managed. It drives decisions about data policies, processes, data ownership, data classification and data retention. It also defines clear and consistent models to leverage information-critical business planning to enhance decision support and efficient operations.

IT Steering Committee

The IT Steering Committee ("ITSC") provides direction to the Group's key technology initiatives and assists with the alignment of IT expenditure with business needs. It is responsible for overseeing IT projects and directing technology-dependent projects, including their prioritisation and resource alignment.

Business Review Committee

The Business Review Committee ("Business Review Committee") is responsible for challenging marketing strategies or plans proposed by the business segments and recommending changes to improve marketing and

sales activities. It coordinates and monitors the support and resources required for particular activities, the development of new products and channels and pricing strategies. It oversees plans for developing the Issuer's business with key customers and monitors progress along with setting customer service standards.

Management Risk Committee

The Management Risk Committee ("MRC") oversees the Issuer's risk appetite and makes necessary risk recommendations to the Board. It is also responsible for developing and reviewing the Issuer's risk policies and recommending allocations of regulatory and economic capital to portfolio segments and business lines. In addition to reviewing significant risks faced by the Issuer and evaluating potential changes to market conditions, the Management Risk Committee also oversees compliance with risk management and risk reporting through the Asset and Liability Committee, Central Credit Committee, Operational Risk Committee, Compliance Committee, Product Committee, Investment Committee and *Shari'a* Governance Committee.

The sub-committees of the Management Risk Committee include the following.

Compliance Committee

The Compliance Committee ("CC") is responsible for assessing compliance risks inherent in the businesses of the Issuer and its subsidiaries. The committee is also responsible for assisting with establishing the Issuer's compliance risk appetite and related policies.

Central Credit Committee

The Central Credit Committee is responsible for assisting with the management of the Issuer's credit risk through setting country and other high-level risk limits, reviewing portfolios and grading credit facilities, developing and monitoring credit risk metrics and improving credit risk reporting and processing.

Investment Committee

The Investment Committee ("IC") is responsible for providing oversight in terms of the Issuer's proprietary investments and helping to ensure that the Issuer maintains a diversified portfolio of marketable securities across various asset classes, geographies and industries. It reviews and approves the Issuer's investment strategy, strategic asset allocation and investment proposals in line with the objectives set by the Management Risk Committee and approved by the Board Risk Committee and the Board.

Operational Risk Committee

The Operational Risk Committee is responsible for identifying significant operational risks and ensuring that the exposure to such risks is managed in accordance with the Issuer's risk appetite and policies established by the Board. This committee is also responsible for overseeing and reviewing control improvement plans aimed at mitigating identified risks and the improvement of the Issuer's business continuity and disaster recovery efforts.

Asset and Liability Committee

The Asset and Liability Committee ("ALCO") is responsible for directing asset and liability growth and allocations in order to achieve the Issuer's strategic goals. It monitors liquidity and market risks and the Issuer's risk profile in the context of economic developments and market fluctuations. The ALCO is also responsible for developing ALCO metrics and ensuring that all strategies conform to the Issuer's risk appetite and levels of exposure as determined by the Board.

Product Committee

The Product Committee is responsible for considering proposals relating to new products and materially changed products and periodically reviewing the performance of existing products. The Product Committee is

also responsible for assisting with the retirement of existing products that no longer meet either customer needs or the strategic goals of the Issuer.

Shari'a Governance Committee

The Shari'a Governance Committee (“SGC”) is responsible for independently assessing and managing the Shari'a compliance risk of the Issuer's Islamic banking products and services against the Shari'a Governance Framework (“SGF”) approved by the Issuer's Shari'a Board. The SGC assumes the duties of ensuring the operational execution of the SGF by NBF's Islamic window, NBF Islamic.

Grievance and Disciplinary Committee

The Grievance and Disciplinary Committee is responsible for acting impartially in helping to resolve staff grievances and disciplinary cases in accordance with the Group's rules, policies and UAE laws, and is empowered by the CEO and the Management Committee of the Issuer to do so.

Employees

As at 31 December 2018, the Issuer employed 609 full-time employees from 40 different nationalities, 40 per cent. of whom were female. As at 31 December 2017, the Issuer employed 602 full-time employees.

The Issuer carries out an independent employee satisfaction survey annually to ascertain the views of the employees on the management and operations of the Issuer. The survey conducted in 2018 was conducted by AON Hewitt and the results showed that the Issuer's employee engagement and enablement scores were at 77 per cent. compared with a global, high-performing organisation's average and a GCC average of 72-73 per cent.

The Issuer is committed to providing staff with continued training and development in order to maximise their professional potential. The training and development needs and programmes are finalised based on strategic priorities of the Issuer as well as the individual employees' needs identified through human resources processes. All employees complete mandatory compliance training covering a range of conduct, workplace safety and compliance requirements on a periodic basis. The Issuer's average training per employee is three business days for each of the past three years. The Issuer also supports its employees in executive and professional education at international reputable business schools and institutions.

In recognition of demonstrating its commitment to its employees, the Issuer was named “Outstanding Employer – Middle East” by the Korn Ferry Group in 2017 and received three awards, namely the “Overall Experience”, “Employee Engagement & Happiness” and “Employee Insight & HR Metrics” at the Gulf Employee Experience Awards in 2018. In addition, the Issuer was awarded in several categories at the Gulf Customer Experience Awards 2018, including in “Employee Engagement & Happiness”, “Employee Insights & HR Metrics” and “Overall Experience”. The Issuer also won the “International Employee Engagement Award” at the International Business Excellence Awards 2019. The Issuer ranked second in the “Top CEO Award” 2019 by Media Quest, in collaboration with INSEAD Business School, in the category for Top 10 Banking Companies in the GCC and the “Best CEO Award” 2019 in the banking sector in the UAE.

Emiratisation

As part of a policy of “Emiratisation”, UAE banks are instructed to increase the number of UAE nationals on their payroll by a set percentage per annum. In 2017, the UAE Central Bank introduced a points-based system which also encouraged the development and deployment of UAE nationals in crucial roles at a variety of levels. The Issuer is committed to achieving the UAE Central Bank “Emiratisation” targets and has implemented corresponding targets across all business units.

As at 31 December 2018, the Issuer employed 250 UAE nationals, with 40.4 per cent. employed as executives or managers. As such, the Issuer has surpassed the Emiratisation targets set by the UAE Central Bank with a score of 734 points against a target of 308 points. The Issuer remains committed to the Emiratisation initiative,

in particular by focusing on senior leadership employees, who are UAE nationals, in line with the “Emiratisation” policy. The Issuer has in place a Management Trainee Programme to recruit new Emirati talent and nurture them for managerial and leadership positions. The Issuer also has a Career Advancement Programme and National Development Programme to accelerate the development of existing Emirati staff to move into more complex, challenging roles.

Related Parties

The Issuer enters into transactions with its major shareholders, directors and officers and companies of which they are principal owners or key management personnel in the ordinary course of its business on agreed terms and conditions approved by the Issuer’s Board. As at 31 December 2018, the Issuer had made loans and advances and Islamic financing receivables to related parties totalling AED 2.1 billion and had received customer deposits and Islamic customer deposits from related parties totalling AED 5.7 billion. The Issuer also purchased plots of land from a related party amounting to AED 99.6 million in 2018.

THE UAE BANKING SECTOR AND REGULATIONS

As Fujairah does not have a separate monetary or financial system, this section describes the UAE's monetary and financial system generally, although certain sections focus specifically on Fujairah where information is available.

Monetary and Exchange Rate Policy

The UAE's monetary and exchange rate policy is managed by the UAE Central Bank. The principal objective of the UAE's monetary policy, to date, has been to maintain the stability of the fixed exchange rate regime and to manage inflation. In common with most other GCC countries, and reflecting the fact that oil and gas revenues are priced in U.S. dollars, the UAE dirham is linked to the U.S. dollar and the UAE authorities have expressed publicly their commitment to the UAE dirham and the fixed exchange rate regime. In the case of the UAE, the exchange rate has been maintained at AED 3.6725 = U.S.\$1.00 since 22 November 1980. There are no exchange controls in the UAE and the UAE dirham is freely convertible.

Liquidity and Money Supply

The following table sets out certain liquidity indicators for the UAE as at 31 December in each of the years 2014 to 2018:

	31 December				
	2014	2015	2016	2017	2018
	(in billions of AED)				
Currency issued (M0)	74.5	73.5	77.5	85.4	85.8
Money supply (M1) ⁽²⁾	436.1	456.9	474.1	492.4	485.6
Money supply (M2) ⁽³⁾	1,125.4	1,186.8	1,255.5	1,276.2	1,308.4
Money supply (M3) ⁽⁴⁾	1,314.5	1,342.9	1,411.3	1,487.1	1,602.3
Bank credit (domestic) ⁽⁵⁾	1,277.6	1,381.2	1,454.4	1,452.7	1,509.3
of which: Credit to private sector	958.4	1,043.2	1,094.6	1,105.0	1,150.2

Notes:

- (1) Consists of currency in circulation outside banks plus monetary deposits in local currency with banks (all short-term deposits on which bank customers can withdraw without prior notice).
- (2) Consists of Money Supply (M1) plus quasi-monetary deposits (Resident Time and Savings Deposits in Dirham + Resident Deposits in foreign currencies).
- (3) Consists of Money Supply (M2) plus Federal Government deposits.
- (4) Includes lending to residents, non-banking financial institutions, trade bills discounted and loans and advances for the Federal Government and public sector and private sector (corporates and individuals) in local and foreign currency.

Source: UAE Central Bank.

Foreign Reserves

The following table sets out the foreign assets holdings of the UAE Central Bank as at 31 December in each of the years 2014 to 2018:

	2014	2015	2016	2017	2018
			(in billions of AED)		
Foreign Assets Holdings (including the IMF) ..	288.2	345.1	313.6	350.3	365.4

Source: UAE Central Bank.

These assets principally comprise held-to-maturity foreign securities and current account balances and deposits with banks abroad. In addition, the ruling families of the various Emirates, as well as the governments of the Emirates and private citizens within the Emirates, have significant sums invested abroad.

Banking and Financial Services

Within the UAE as a whole, financial and insurance activities were estimated to have contributed approximately 8.6 per cent. of nominal GDP in 2017 (source: 2018 UAE Ministry of Economy Annual Economic Report).

With 60 commercial banks (comprising 22 local banks with 743 branches as at 31 December 2018 and 38 foreign banks with 80 branches as at 31 December 2018) (source: Statistical Bulletin (December 2018), UAE Central Bank), serving a population estimated to be in the region of 9.5 million in mid-2018 (source: Statistical Yearbook 2018 edition, United Nations Department of Economic and Social Affairs, Statistics Division), the UAE could be viewed as an over-banked market, even by regional standards. However, on 3 July 2016, it was announced that the board of directors of National Bank of Abu Dhabi P.J.S.C. and First Gulf Bank P.J.S.C. had voted unanimously to recommend to their respective shareholders a merger of the two Abu Dhabi-listed banks, which created the largest bank in the Middle East and North Africa region by assets which was rebranded as First Abu Dhabi Bank P.J.S.C. The merger was formally consummated on 30 March 2017. On 29 January 2019, the board of directors of each of Abu Dhabi Commercial Bank PJSC and Union National Bank P.J.S.C. voted unanimously to recommend to their respective shareholders a merger of the two banks and for the combined entity to acquire Al Hilal Bank P.J.S.C. This was approved by the shareholders of both banks on 21 March 2019 and the combination of all three banks was completed on 1 May 2019. It is anticipated that these combinations may act as catalysts for further consolidation amongst locally incorporated banks.

The UAE's membership of the World Trade Organisation will likely require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to further expand their presence in the market. In the long term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

The table below provides a statistical analysis of the UAE banking sector as at 31 December in each of the years 2014 to 2018:

	31 December				
	2014	2015	2016	2017	2018
Total number of commercial banks	56	57	60	61	60
Total number of branches	955	960	931	853	823
Total number of employees ⁽¹⁾	39,051	40,159	37,547	34,675	36,629
Bank credit (domestic) (AED billions) ⁽²⁾	1,277.6	1,381.2	1,454.4	1,452.7	1509.3
Total assets (AED billions)	2,304.9	2,478.2	2,613.6	2,694.0	2,878.0
Total deposits (AED billions) ⁽³⁾	1,421.2	1,471.6	1,562.9	1,627.3	1,755.6

Notes:

(1) Excluding auxiliary staff.

- (2) Includes lending to residents, non-banking financial institutions, trade bills discounted and loans and advances for the Government and public sector and private sector (corporates and individuals) in local and foreign currency.
- (3) Excluding inter-bank deposits.

Source: Statistical Bulletin (December 2018), UAE Central Bank.

Principal Banks in the UAE

The table below provides summary information for each of the four principal banks by asset size established in the UAE as at 31 December 2018:

	Number of branches	Year established	Government ownership (%)	Assets (AED billions)
First Abu Dhabi Bank P.J.S.C.	103	2017 ⁽¹⁾	37.2	744.1
Emirates NBD Bank P.J.S.C.	222	2007 ⁽²⁾	55.8	500.3
Abu Dhabi Commercial Bank P.J.S.C.	51	1985	62.52	279.8
Dubai Islamic Bank P.J.S.C.	91	1975	28.30	223.7

Notes:

- (1) Year of merger of NBAD and FGB.
- (2) Year of merger of EBI and NBD.

Source: UAE Central Bank and published financial statements.

Supervision of Banks

The UAE Central Bank, established in 1980, is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank has supervisory responsibility for all banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they are required to contain. An improved risk management framework is currently being implemented, which is designed to provide the UAE Central Bank with more up-to-date information on credit, market and operational risks within the banking sector.

Historically, the UAE Central Bank has not acted as a lender of last resort, a role which has tended to fall on the individual Emirates. However, the introduction by the UAE Central Bank in 2014 of the Interim Marginal Lending Facility (the “**IMLF**”) allows non-Islamic UAE banks to use certain rated or UAE federal government entity issued assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management (see “Recent Trends in Banking – Liquidity”).

The 2018 Federal Law grants the UAE Central Bank powers to:

- draw up and implement monetary policy;
- exercise currency issuance;
- organise licensed financial activities, establish the foundations for carrying them on, and determine the standards required for developing and promoting prudential practices in accordance with the provisions of the 2018 Federal Law and international standards;
- set up appropriate regulations and standards for protection of customers of licensed financial institutions;

- monitor the credit condition in the UAE, in order to contribute to the achievement of balanced growth in the national economy;
- manage foreign reserves to maintain, at all times, sufficient foreign currency assets to cover the monetary base as per the provisions of the 2018 Federal Law; and
- regulate, develop, oversee and maintain soundness of the financial infrastructure systems in the UAE.

The UAE Central Bank is also responsible for regulating anti-money laundering activities in the UAE. It has established a Financial Intelligence Unit and hosted teams from the Financial Action Task Force (“**FATF**”) and the IMF which reviewed, discussed and tested existing UAE laws and regulations. This led the FATF to decide, in January 2002, that the UAE had put in place an adequate anti-money laundering system.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. Similarly, in the Abu Dhabi Global Market in Abu Dhabi (“**ADGM**”), the ADGM Financial Services Regulatory Authority regulates activity in the financial services sector.

Since 1999, regulated banks in the UAE have been required to report in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Characteristics of the Banking System

Banking institutions in the UAE fall into a number of categories, including domestic commercial banks and licensed foreign commercial banks. The UAE banks are predominantly focused on the domestic market. With much of the economy, directly or indirectly, dependent on the oil sector, the UAE banks are vulnerable during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity. There is a high degree of state involvement in the UAE banking sector, with the five largest banks having some degree of ownership by the governments and/or ruling families of individual Emirates.

Additionally, a number of banks have developed in the Islamic world, including in the UAE, to serve customers who wish to observe *Shari’a* principles, including the prohibition on the charging of interest on any financial transaction. These institutions offer a range of products, which broadly correspond to conventional banking transactions but are structured to ensure that all relevant *Shari’a* principles are complied with. The principal Dubai-based Islamic banks are Dubai Islamic Bank, Emirates Islamic and Noor Islamic Bank.

Recent Trends in Banking

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of UAE Central Bank Circular Number 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier I capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for

the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions were deducted from regulatory capital.

As part of the introduction of Basel III in the UAE, and pursuant to the February 2017 Regulations and the Capital Standards, the Issuer is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 10.5 per cent. (without buffers), effective from 1 January 2019). As at 31 December 2018, the Issuer's total capital adequacy ratio was 15.2 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. (where applicable) and claims on GCC government non-commercial public sector entities are risk-weighted in accordance with the prescribed guidelines.

All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank. Under Union Law No. (10) of 1980 Concerning the Central Bank, the Monetary System and Organisation of Banking (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. Dividends cannot be paid from this reserve, except in special legally defined circumstances. In addition, under the UAE Federal Law No. 14 of 2018, the UAE Central Bank may not approve proposed dividends by a UAE bank, if such bank has failed to maintain its capital adequacy ratio requirements at such time.

The Basel Committee put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued the Basel III reforms, constituting guidance on the eligibility criteria for Tier I and Tier II capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. The implementation of the Basel III reforms began on 1 January 2013. The Basel Committee's press release dated 13 January 2011 entitled "*Minimum requirements to ensure loss absorbency at the point of non-viability*" (the "**January 2011 Press Release**") included an additional Basel III requirement (the "**Non-Viability Requirement**") as follows:

"The terms and conditions of all non-common Tier I and Tier II instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (i) the governing jurisdiction of the bank has in place laws that:
 - (a) require such Tier I and Tier II instruments to be written off upon such event; or
 - (b) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (ii) a peer group review confirms that the jurisdiction conforms with clause (i); and
- (iii) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (i).

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become nonviable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as Tier I or Tier II instruments for regulatory capital purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

As at the date of this Prospectus, the UAE has not implemented a law that would require loss absorbency for bank capital instruments on the occurrence of a Non-Viability Event. While the February 2017 Regulations and the Capital Standards confirm that the Non-Viability Requirement is a prerequisite for any capital instruments issued by UAE banks to achieve regulatory capital classification from the UAE Central Bank, the Non-Viability Requirement must be provided for contractually in the absence of a statutory loss absorption framework in the UAE as at the date of this Prospectus.

Liquidity

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

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

UAE banks are mostly funded through on-demand or time-based customer deposits made by private individuals or private sector companies. According to data made available by the UAE Central Bank, together, these deposits constituted approximately 59.5 per cent. of total deposits of the UAE banking sector as at 31 December 2018, whereas the UAE federal government and the public sector constituted approximately 28.3 per cent. of total deposits within the UAE banking sector as at 31 December 2018. Non-resident and other sources contributed approximately 12.2 per cent. as at the same date (*source*: UAE Banking Indicators (March 2019), UAE Central Bank).

In response to the global 2008 financial crisis, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The UAE Central Bank also established a certificates of deposit (“**CD**”) repurchase facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the UAE Central Bank. Further, banks can access funds through the IMLF.

In addition to these measures, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the UAE federal government deposits made with them into Tier II capital.

During 2008, Government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance of the Government of Abu Dhabi) subscribed for, in aggregate, a sum of AED 16.0 billion in subordinated Tier I capital notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi P.J.S.C., Abu Dhabi Commercial Bank P.J.S.C., First Gulf Bank P.J.S.C., Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank P.J.S.C.

In 2009, the Department of Finance of the Government of Dubai established a U.S.\$20.0 billion funding programme and the first tranche, valued at U.S.\$10.0 billion with a five-year tenure and paying a coupon rate of 4 per cent. per annum, was issued in its entirety to the UAE Central Bank. In November 2009, a second U.S.\$5.0 billion tranche was fully subscribed equally by National Bank of Abu Dhabi P.J.S.C. and Al Hilal Bank P.J.S.C.

In line with Basel III requirements, the UAE Central Bank has issued UAE Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the “**Liquidity Notice**”), which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank’s board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee’s recommendations and international best practices. These requirements include the following:

Responsibilities of the board of directors:

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having a detailed understanding of liquidity risk management; and
- to ensure the clear articulation of liquidity risk tolerance in line with the relevant UAE bank’s objectives, strategy and risk appetite.

Responsibilities of senior management:

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the board of directors;
- to review the UAE bank’s strategy and to report to the board of directors on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

Liquidity risk framework:

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the UAE Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular internal stress testing of the portfolio for a variety of scenarios (both institution-specific and market-wide); results being communicated to the board of directors and the UAE Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the UAE Central Bank upon request);
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework (which is commensurate with the bank’s liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market-wide). In particular, the requirements include two interim ratios which were intended to apply until the Basel III LCR and NSFR (each as defined in the table below) come into effect. These include the following:

	Ratio	Applicability Period
Interim ratios:	Liquid Asset Ratio (LAR > =10%)	1 January 2013 – 30 June 2015
	Eligible Liquid Assets Ratio (ELAR > = 10%)	1 July 2015 until LCR implementation
	Advances to Stable Resources Ratio (ASRR < 100%)	30 September 1986 until NSFR implementation
Basel III ratios:	Liquidity Coverage Ratio (LCR > 100%)	1 January 2019 onwards
	Net Stable Funding Ratio (NSFR < 100%)	2018 onwards

The LAR was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the ELAR. Under the ELAR, UAE banks were required to hold an amount equivalent to at least 10 per cent. of their liabilities in high-quality liquid assets (including cash held with the UAE Central Bank, the UAE Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also included the option for UAE banks to apply to the UAE Central Bank to move to assessment and reporting of bank liquidity to the UAE Central Bank as against the LCR, in addition to the ELAR, with effect from 1 January 2016. Any UAE banks taking up this option were required to comply only with the ELAR until 1 January 2016, after which date they were required to move to a dual-compliance regime as to liquidity as against the ELAR and the LCR (subject to receipt of UAE Central Bank approval).

The LCR represents a 30-day stress scenario with combined assumptions covering both bank-specific and market-wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30-day stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with high-quality liquid assets at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail high-quality liquid assets for this purpose.

As part of the UAE Central Bank's gradual implementation of the Basel III Reforms in the UAE, the UAE Central Bank has introduced LCR in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. by 2019. This graduated approach was designed to ensure that the LCR could be introduced without disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity in the UAE.

The ASRR was an interim ratio designed to apply until the NSFR came into effect in the UAE in 2018 (as described below). The ASRR recognised both the actual uses as well as the likely uses of funds in terms of the contractual maturity and behavioural profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

NSFR is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE bank's contingent liabilities. The NSFR in the UAE mirrors the Basel III standards. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding ("ASF") factors to the sources of funds and required stable funding ("RSF") (usage) factors to asset classes and

off-balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III standards.

Provisions for Loan Losses

The UAE Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss, depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In addition, pursuant to Circular 28/2010 concerning regulations for classification of loans and their provisions issued by the UAE Central Bank on 11 November 2010, all banks in the UAE were required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and advances to customers and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

Large Exposures

The UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) were previously as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);
- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and
- to Board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

On 11 November 2013, the UAE Central Bank published a notice amending certain of the large exposure limits set out above (the “**Large Exposure Notice**”) amending certain of the large exposure limits set out above. The Large Exposure Notice was published in the Official Gazette on 30 December 2013 and entered into force on 30 January 2014. The Large Exposure Notice introduced new limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit on any single such non-commercial entity. Exposures above these limits are subject to approval by the UAE Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

	New Limit		Old Limit	
	Individual	Aggregate	Individual	Aggregate
UAE federal government and its non-commercial entities	Exempt	Exempt	Exempt	Exempt

	New Limit		Old Limit	
	Individual	Aggregate	Individual	Aggregate
UAE local government and its non-commercial entities	No cap for UAE local government; 25% for each non-commercial entity	100%	Exempt	Exempt
Commercial entities of UAE federal government and UAE local government.....	25%	100%	25%	None
Commercial or other (non-commercial) private sector entities and individuals	25% max	None	7%	None
Shareholders who own 5 per cent. or more of the bank's capital and related entities	20%	50%	7%	None
Exposure to bank's subsidiaries and affiliates	10%	25%	20%	60%
Board members	5%	25%	5%	25%

Mortgage Cap Regulation and Consumer Loan Regulation

The UAE Central Bank introduced regulations regarding bank loans and other services offered to individual customers by way of a circular dated 23 February 2011 (the “**Retail Circular**”) on retail banking and notice no. 31/2013 dated 28 October 2013 (which was published in the UAE official gazette (the “**Official Gazette**”) on 28 November 2013 and entered into force on 28 December 2013) (the “**Mortgage Regulations**”). These regulations, amongst other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products such as residential mortgage loans. For example, the Retail Circular requires that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months.

The Mortgage Regulations, which supersede UAE Central Bank notice no. 3871/2012 dated 30 December 2012, provide that the amount of mortgage loans for non-nationals should not exceed 75 per cent. of the property value for a first purchase of a home with a value of less than AED 5 million and, for a first purchase of a home with a value greater than AED 5 million, should not exceed 65 per cent. of the property value. For the purchase of a second or subsequent home, the limit for non-nationals is set at 60 per cent. of the property value (irrespective of the value of the property in question). The corresponding limits for UAE nationals are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property). The Issuer is compliant with the Retail Circular and the Mortgage Regulations. The Mortgage Regulations and other circulars may affect the Issuer's net retail income and may potentially add to market price volatility in the UAE real estate market.

Reserve Requirements

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

Position of Depositors

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

Establishment of a Credit Bureau in the UAE

Al Etihad Credit Bureau ("AECB") is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations. The Issuer continues to submit its retail customer data to the AECB on a daily basis, which meets the data accuracy thresholds laid down by the AECB.

Federal Debt Management

Federal Law No (9) of 2018 ("**Law No (9)**"), Regarding Public Debt, provides that the outstanding public debt of the UAE shall not, at any time, exceed the amount determined by the cabinet, at a maximum of 250 per cent. of the Government Own-Stable Revenues (as defined in Law No (9)).

Insurance

There is an absence of published statistical data on the insurance sector in the UAE. Insurance companies are regulated by the Insurance Division of the Federal Ministry of Economy.

Capital Markets

The capital markets in the UAE are regulated by a number of entities, including the Emirates Securities and Commodities Authority (the "**SCA**"), which licences intermediaries to trade on the Dubai Financial Market ("**DFM**") and the ADX. The SCA is a federal government organisation but has financial, legal and administrative independence.

The other significant stock exchange in the UAE is Nasdaq Dubai (formerly known as the Dubai International Financial Exchange), which commenced operations in September 2005 and, as an entity based in the Dubai International Financial Centre, is separately regulated.

TAXATION

The following is a general description of certain tax considerations relating to the Capital Securities. It does not purport to be a complete analysis of all tax considerations relating to the Capital Securities and does not constitute legal or tax advice. Prospective purchasers of Capital Securities should consult their tax advisers as to the consequences under the tax laws of the countries of their respective citizenship, residence or domicile of acquiring, holding and disposing of Capital Securities and receiving payments under the Capital Securities. This 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.

Fujairah and the United Arab Emirates

*The following is a general summary of the current tax law and practice in Fujairah and the UAE (to the extent applicable in Fujairah) (“**Fujairah Law**”) and does not constitute legal or tax advice. Prospective investors in the Capital Securities are advised to consult their own tax advisers with respect to the tax consequences under the tax laws of the country in which they are resident, of the purchase ownership or disposition of the Capital Securities or any interest therein.*

An income tax decree was enacted in Fujairah in 1966 (the Fujairah Income Tax Decree 1966) and applies to companies active in the hydrocarbon industry. There are currently no withholding taxes required to be levied under UAE or Fujairah Law in respect of payments on debt securities (including in relation to the Capital Securities). In the event of the imposition of any withholding, the Issuer has undertaken to gross-up any payments of interest subject to certain limitations, as described in Condition 12 (*Taxation*).

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

The Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s proposal has very broad scope and could, if introduced, apply to certain dealings in the Capital Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Capital Securities should, however, be exempt.

Under the Commission’s proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Capital Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Capital Securities are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the UAE) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Capital Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Capital Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Capital Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Capital Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Capital Securities, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the “**Subscription Agreement**”) dated 26 September 2019 between the Issuer and the Joint Lead Managers, the Issuer has agreed to issue U.S.\$350,000,000 in aggregate principal amount of the Capital Securities and subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe or procure subscribers for the Capital Securities at the issue price of 100 per cent. of the principal amount of Capital Securities.

The Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and offering of the Capital Securities. The Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of Capital Securities and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

United States

The Capital Securities have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this section have the meanings given to them by Regulation S.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Capital Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Capital Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Capital Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until the expiration of 40 days after the commencement of the offering of the Capital Securities, an offer or sale of Capital Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Each Joint Lead Manager has represented that it has not entered, and will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Capital Securities, except with its affiliates or with the prior written consent of the Issuer.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of any Capital Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Capital Securities in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Capital Securities to any retail investor in the EEA. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Capital Securities in the Kingdom of Bahrain except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person’s principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell, at any time, directly or indirectly, any Capital Securities in Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of Qatar (including the Qatar Financial Centre); 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 (including the Qatar Financial Centre). This Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange and may not be publicly distributed in Qatar (including the QFC).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Capital Securities. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Capital Securities pursuant to an offering should note that the offer of Capital Securities is a private placement under Article 9 or Article 10 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Saudi Arabian Capital Market Authority (“**CMA**”) resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the CMA resolution number 3-45-2018 dated 23 April 2018 (the “**KSA Regulations**”), through a person authorised by the CMA to carry on the securities activity of arranging and following a notification to the CMA under Article 11 of the KSA Regulations.

The Capital Securities may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “sophisticated investors” under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented that any offer of Capital

Securities to a Saudi Investor will be made in compliance with Article 11 and either Article 9 or Article 10 of the KSA Regulations.

The offer of the Capital Securities shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Capital Securities pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Capital Securities to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Capital Securities are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Capital Securities in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Capital Securities to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the “**DFSA**”) rulebook; and
- (b) made only to persons who meet the “Professional Client” criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

United Arab Emirates (excluding Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Capital Securities have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities other than: (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Capital Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Capital Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Japan

The Capital Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**FIEA**”). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Capital Securities in Japan or to, or for the benefit of, any resident of Japan (which term as

used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable laws and regulations of Japan.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Capital Securities or caused the Capital Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Capital Securities or cause the Capital Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Securities, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA; (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Capital Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Capital Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”) the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are “prescribed capital markets products” (as defined in the CMP Regulations 2018).

General

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it offers or sells any Capital Securities or possesses or distributes this Prospectus and that it will obtain any consent, approval or permission required by it for the offer or sale by it of any Capital Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers or sales and neither the Issuer nor any of the other Joint Lead Managers shall have any responsibility therefor.

Neither the Issuer nor any of the Joint Lead Managers has represented that the Capital Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. Persons into whose possession this Prospectus or the Capital Securities may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of Capital Securities.

GENERAL INFORMATION

Authorisation

The issue of Capital Securities by the Issuer was duly authorised by resolutions of the Board of Directors of the Issuer on 1 May 2019 and by the shareholders of the Issuer on 18 March 2019.

Approval of the Prospectus, Admission to Trading and Listing of Capital Securities

Application has been made to Euronext Dublin for the Capital Securities to be admitted to listing on the Official List and to trading on its regulated market (which is a regulated market for the purposes of MiFID II). It is expected that the listing of the Capital Securities on the Official List and admission of the Capital Securities to trading on the regulated market of Euronext Dublin will be granted on or around 1 October 2019. The total expenses related to the admission to trading on the regulated market of Euronext Dublin are estimated at €14,540.

Documents Available

For as long as the Capital Securities are outstanding, copies of the following documents will, when published, be available for inspection at <https://nbf.ae/en>:

- (a) the Memorandum and Articles of Association (with an English translation thereof) of the Issuer; and
- (b) this Prospectus.

This Prospectus will be published on the website of the Regulatory News Service operated by Euronext Dublin at <https://www.ise.ie/Market-Data-Announcements/Debt/>.

Clearing Systems and Identification Codes

The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN is XS2053350133 and the common code is 205335013. The Financial Instrument Short Name (FISN) is NATIONAL BK FUJ/BD PERP and the Classification of Financial Instruments (CFI) Code is DBFXPR, each as may be updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the National Numbering Agency that assigned the ISIN.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1 210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Legal Entity Identifier (“LEI”)

The LEI code of the Issuer is 6TIN7S7AEVZ717N6GQ95.

Website of the Issuer

The website of the Issuer is <https://nbf.ae/en>. The information on <https://nbf.ae/en> does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.

Significant or Material Change

There has been (i) no significant change in the financial position of the Group since 30 June 2019, (ii) no material adverse change in the prospects of the Issuer since 31 December 2018 and (iii) no significant change in the financial performance of the Group since 30 June 2019.

Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have, or have in such period had, a significant effect on the financial position or profitability of the Issuer or the Group.

Independent Auditors

PricewaterhouseCoopers (Dubai branch) (“PwC”) have audited, in accordance with International Standards on Auditing, the Issuer’s consolidated financial statements as of and for the years ended 31 December 2017 and 31 December 2018 as stated in their reports incorporated by reference herein. In addition, PwC have reviewed the Issuer’s unaudited condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2018 incorporated by reference herein in accordance with the International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. The address of PwC is Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, United Arab Emirates. At the Issuer’s General Assembly Meeting on 18 March 2019, the shareholders of the Issuer approved the appointment of EY as auditors of the Issuer, who replaced PwC as the auditors of the Issuer with effect from the 2019 financial year. The address of EY is Al Saqr Business Tower, 28th floor, Sheikh Zayed Road, Dubai, United Arab Emirates. EY have reviewed the Issuer’s unaudited condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2019 incorporated by reference herein in accordance with the International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”.

PwC is a registered audit firm in the UAE, operating under professional licenses issued by the Dubai Economic Department and the UAE Ministry of Economy. There is no professional institute of auditors in the UAE and, accordingly, PwC is not a member of a professional body in the UAE. All PwC professionals and partners directly involved in the audit are members of the institutes from where they received their professional qualification.

EY is a registered audit firm in the UAE, operating under professional licenses issued by the UAE Ministry of Economy. There is no professional institute of auditors in the UAE and, accordingly, EY is not a member of a professional body in the UAE.

Joint Lead Managers transacting with the Issuer

In the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer’s affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of the Capital Securities. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Listing Agent

Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Capital Securities and is not itself seeking admission of the Capital Securities to the Official List or to trading on the Regulated Market.

ISSUER

National Bank of Fujairah PJSC

Hamad Bin Abdullah Street
PO Box 887
Fujairah
United Arab Emirates

FISCAL AGENT AND CALCULATION AGENT

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

REGISTRAR AND TRANSFER AGENT

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

LEGAL ADVISERS

To the Issuer as to English law and Dubai law

Clifford Chance LLP

Level 15, Burj Daman
Dubai International Financial Centre
P.O. Box 9380
Dubai
United Arab Emirates

To the Joint Lead Managers as to English law and Dubai law

Linklaters LLP

Ninth Floor, Currency House
Dubai International Financial Centre
P.O. Box 506516
Dubai
United Arab Emirates

STRUCTURING AGENTS

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

JOINT LEAD MANAGERS

Emirates NBD Bank PJSC

Level 12, West Wing
The Gate Building
DIFC
P.O. Box 506710 Dubai
United Arab Emirates

First Abu Dhabi Bank P.J.S.C.

FAB Building
Khalifa Business Park – Al Qurm District
P.O. Box 6316 Abu Dhabi
United Arab Emirates

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Standard Chartered Bank
P.O. Box 999
Dubai
United Arab Emirates

LISTING AGENT

Walkers Listing Services Limited
5th Floor, The Exchange,
George's Dock, IFSC
Dublin 1, D01 W3P9
Ireland

AUDITORS

*For the financial years ended 31 December 2016 to 31
December 2018*

PricewaterhouseCoopers (Dubai branch)
Emaar Square,
Building 4, Level 8
P.O. Box 11987, Dubai
United Arab Emirates

For the period from 1 January 2019

Ernst & Young Middle East (Dubai Br.)
P.O. Box 9267
Al Saqr Business Tower, 28th floor
Sheikh Zayed Road
Dubai, United Arab Emirates